

TOYO TIRES

Integrated Report
2023

TOYO TIRES



Toyo Tire Corporation

ESG Promotion Dept., Corporate Infrastructure Division
2-2-13, Fujinoki, Itami City, Hyogo 664-0847, Japan

Tel: +81-72-789-9126

<https://www.toyotires.co.jp/csr/>

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Editorial Notes

As a key element of engagement with our stakeholders

In order to provide information on our corporate activities to stakeholders, we previously published annual report as a tool to comprehensively communicate the financial information, business strategies and other details of our corporate management, and a separate sustainability report to communicate our ESG initiatives for strengthening our sustainability management.

It has become increasingly important in recent years for businesses to disclose information that provide insight into their future prospects such as their company philosophy, business model, governance, and business opportunities and risks. In response, we have published Integrated Report 2023, which provides integrated disclosure of financial and non-financial information for fiscal 2023.

An integrated report is a key element of our engagement to facilitate mutual understanding, not only with capital providers such as institutional investors and shareholders but also with wider stakeholders. In this report, we define material issues (materiality), or aspects of our operations that are likely to have a significant impact on the environment, society and economy, and that may have a substantial influence on the stakeholders' evaluation and decision-making. The report presents our process of value creation and structures it as a story told in a medium- to long-term perspective.

It is our aim to continue our disclosures in the form of integrated reports that systemically retell the story of our corporate value in words, which we hope will help to deepen our relationship with all our stakeholders and gain the confidence of wider society. Integrated Report 2023 is the starting point of this endeavor, and we hope that it will find a wide audience.

Editorial policy

Reporting period:

From January 2022 to December 2022
* The report contains some information from outside the above period

Scope:

Toyo Tire Corporation and group companies in and outside Japan (consolidated subsidiaries)

Organization names in this report:

Toyo Tire Corporation itself is referred to as "Toyo Tire Corporation" or "we"
The entire Group is referred to as "Toyo Tire Group," "the Group" or "we"
Individual companies in the Group are referred to by their company name

Guidelines and other references:

- International Integrated Reporting Council (IIRC), *The International Integrated Reporting Framework*
- Japan's Ministry of Economy, Trade and Industry, *Guidance for Collaborative Value Creation 2.0*
- Global Reporting Initiative, *GRI Standards (sustainability reporting standards)*

Note on forward-looking statements

This report contains forward-looking statements concerning future performance. These statements are not a guarantee of future performance and involve risks and uncertainties. Please note that factors such as changes in the operational environment may cause the actual future performance to deviate from planned figures.

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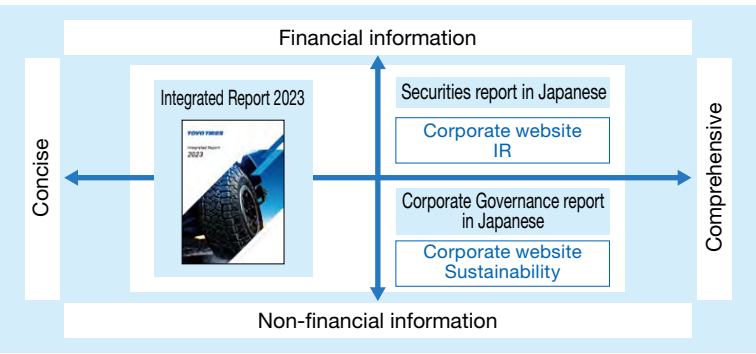


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Positioning of this report



Our Philosophy

Philosophy (Defined in January 2017)

Company Philosophy

We will endeavor to continuously improve our products, and create value for everyone who we work with.

Our Mission

To create excitement and surprise with our products that exceed customer expectations and enriches society.

Our Vision

- Our goal is to be a company that:
- Stays one step ahead of the future through constant technological innovation;
 - Drives entrepreneurial and creative spirit through a progressive culture; and
 - Shares in the enjoyment felt by everyone involved in our activities.

Our Fundamental Values: “The TOYO WAY”

- | | |
|--------------|--|
| Fairness | Be fair and selfless in one’s actions to benefit society. |
| Pride | Take pride in one’s self, work and company, and to persevere. |
| Initiative | Show initiative in all matters, and take ownership of one’s actions. |
| Appreciation | Demonstrate sincere compassion and appreciation for people and society. |
| Solidarity | Continuously advance creativity and innovation by working together to mobilize our corporate knowledge and capabilities. |

The highest-order concept in the Company philosophy framework
The founding spirit we maintain and pass on to the future

Company Philosophy

Our **promise** to society and to ourselves

Our Mission

The **vision** of how we want our Company to be in order to keep our promise to society (=our mission)

Our Vision

The **principles** each of us value that guide our mission and promise and make our vision a reality

Our Fundamental Values:
“The TOYO WAY”

Open Roads Await

The Spirit That Underpins Our Company Philosophy

We will endeavor to continuously improve our products, and create value for everyone who we work with.

Our Company Philosophy was established by the founding president, Rikimatsu Tomihisa, in September 1950 to serve as a clear statement of his management philosophy. This short statement reflects the noble spirit he thought people should aspire to at the time of the country's rebirth. Ten years after the founding of the Company, Rikimatsu Tomihisa said, "the decade of growth our Company has enjoyed is largely thanks to the way every employee has faithfully followed the spirit of our Company Philosophy."

Even though times have changed and the business environment in which we operate has been drastically transformed, the Company Philosophy embodies insights and guidance that are still relevant today. We see our Company Philosophy as the founding spirit which we should always hold on to as we pursue our tasks at work and pass on into the future.

[The spirit that underpins our Company Philosophy]

Industry progresses steadily day by day and never rests. We must understand the importance of our work well and make progress every day. We must research, create and be ingenious, always determined that we will be better today than yesterday. Abundance of high-quality materials may make it easier to produce good products, but they are not always available, and knowledge and skills vary also from person to person. We must start with the understanding that there are too many change



factors to have stability, and be relentless in our pursuit of improvement in order to produce good, balanced products consistently. Our motto must be to sell valuable products at the right prices, and we must above all refrain from seeking to profiteer to the detriment of people. Consumers do not just mean customers; the next process at work is also a consumer. Everyone in a company is a necessary person. Conversely, every person has an important responsibility. Everyone must do their very best at work.



Philosophy Review Process

Our Philosophy review began as a response to the issue of data fabrication that came to light in 2015 concerning the seismic isolation rubber business and anti-vibration rubber business. As the investigations into the root cause of the problem progressed in 2016, the management team realized that there was a need for reforming the company culture and came to a consensus to review and redraft our Philosophy statements in order to reaffirm our values. In April 2016, a project was launched to review the role and content of our Philosophy statements.

December 2015	General review of the issues (investigation into cause, announcement of measures to prevent recurrences)
March 2016	Intensive discussions at officers' level Conclusion: verbalizing of shared philosophy and its dissemination across all levels of organization are important tasks we should undertake
April– December 2016	Project to review the role and content of Philosophy statements Bottom-up hearing of employees' voices and Shaping statements through officers' discussions
January 2017	Establishment of new Philosophy statements



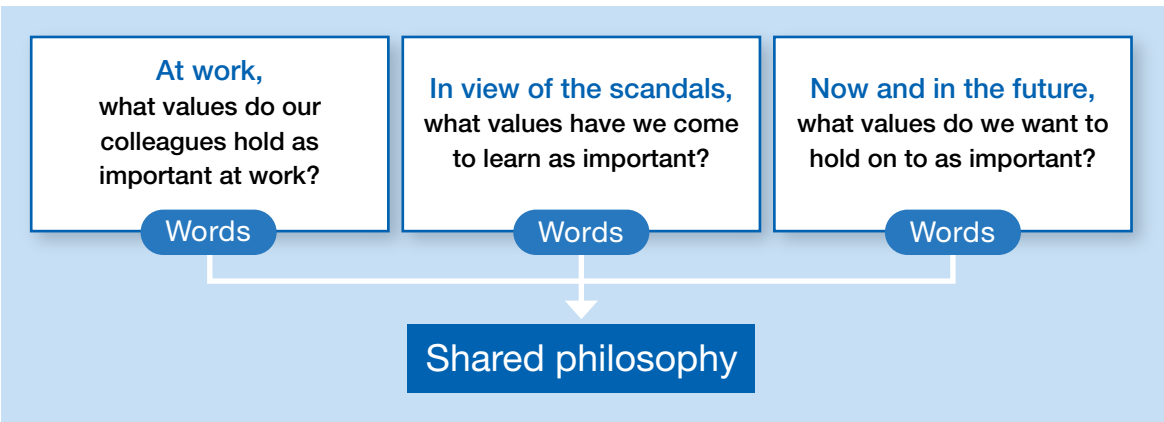
Turning wishes and hopes for the future of our Company into words

The project to review the role and content of Philosophy statements was structured as a reciprocal back-and-forth of ideas between employees and the management, where a working group of employees would present their thoughts in the form of recommendations to the management, the management team would in turn discuss the same themes and return their feedback, the employees' working group would then use the feedback to hold further discussions, and so on.

The nine-month long dialogue considered three aspects: "what values do our colleagues hold as important through work?"; "what values have we come to learn as important in view of the scandals we have gone through?"; and "what values do we want to hold on to as important now and in the future?" Common values distilled from the dialogue were put together into words to formulate Philosophy statements.

These discussions brought out a clear picture of what we felt the Company should aspire to be, and this was crystalized in the new Philosophy statements established on January 1, 2017.

The 2017 New Year Address by the president announced the launch of the new Philosophy to the workforce, in which he stated, "Our Philosophy is the central pillar of the Company itself, a shared set of values that employees must hold and take into the future. Every officer and every employee must place it at the starting point of every task, understand what it means correctly and strive to be its embodiment."



Instilling the Philosophy

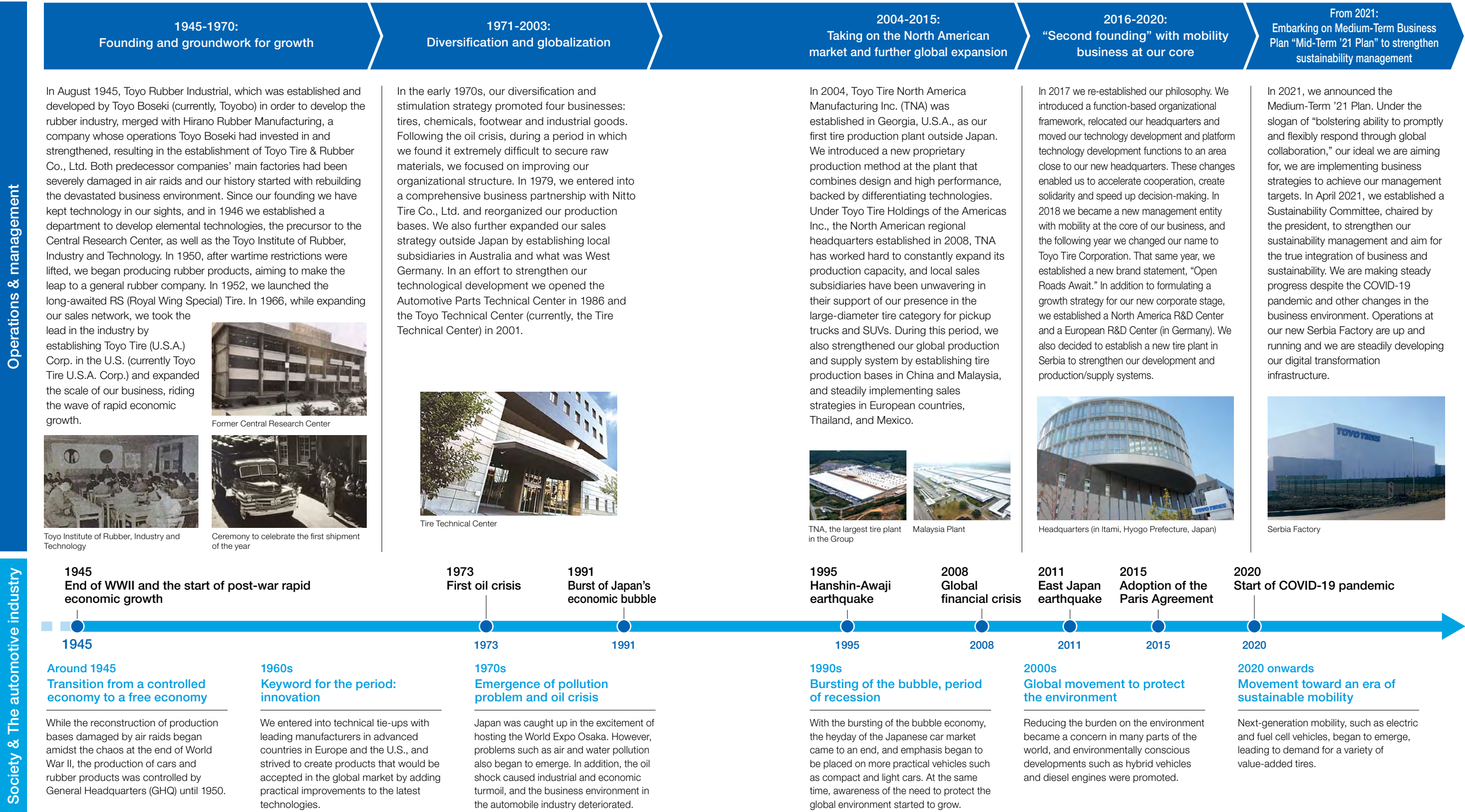
Since the introduction of the Philosophy in 2017, we have been taking various initiatives to promote the awareness and understanding of it across all employees.

These initiatives include: a Philosophy card for every employee to carry, and the text hung on the wall of meeting rooms and visitor reception rooms at each site; a lecture on the Philosophy given as the first session of every internal training course; case workshops to promote the understanding of the importance in workplaces of visions and strategies that are linked to the Philosophy; and group-based workshops to share creative ideas to promote the Philosophy within each organization.

Our human resources management system is designed to base the evaluation and career progression of each employee on clearly defined ideals and expectations for each level, and one of the expected roles is "to embody and instill the Philosophy" in order to embed a culture of thinking and acting in line with the Philosophy while carrying out tasks and running departments.

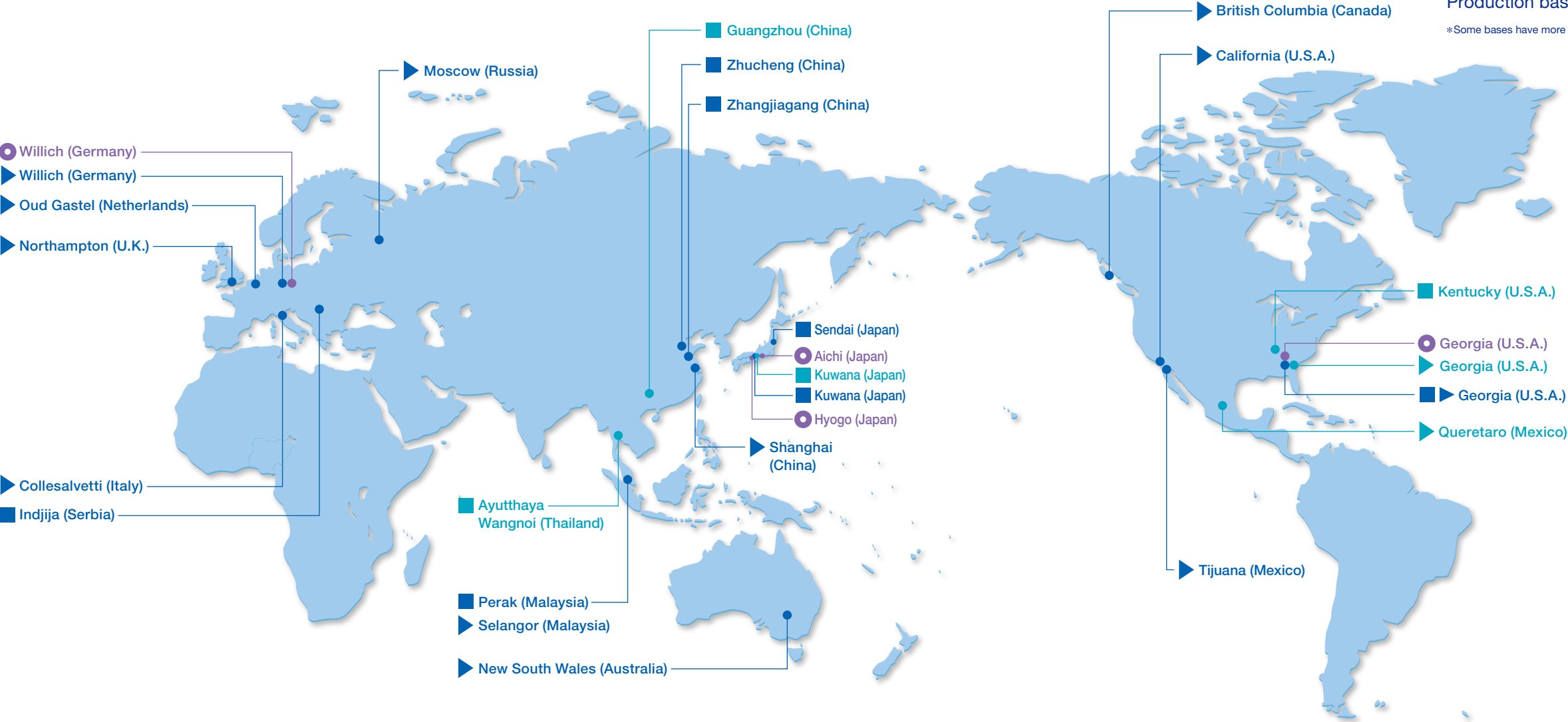
Growth Trajectory

The Toyo Tire Group can trace its roots back to 1945, a time of unprecedented disarray around the end of World War II. Since then, we have experienced a period of high economic growth and the bubble economy, and we have overcome recessions, continuously delivering a multitude of values, including “safety,” “the joy of driving” and “a society of sustainable mobility,” to the world by expanding globally while adapting to the diversifying automobile market.



At a glance

The Toyo Tire Group has 14 production bases and 5 R&D centers, and is developing its tire and automotive parts business globally.



Number of global bases

14 countries **40** bases*

Regional headquarters: **3** Sales companies, etc.: **22**
Production bases: **14** R&D Centers: **5**

*Some bases have more than one function and therefore the total number does not match.

Consolidated number of employees

11,744

(including temporary employees)

Number of countries in which we operate:

More than **100** countries

Main global bases

Tire business

- Sales companies
- Production bases

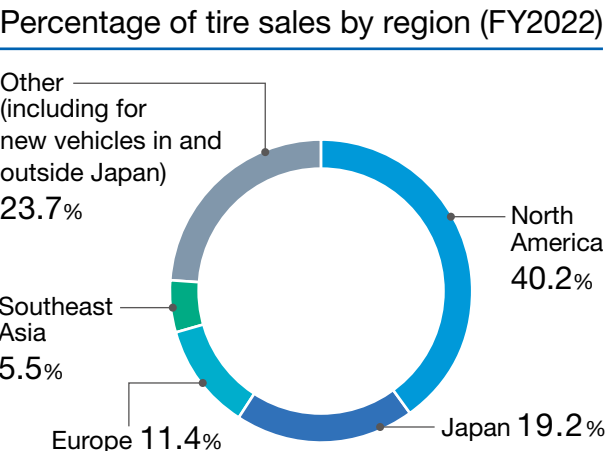
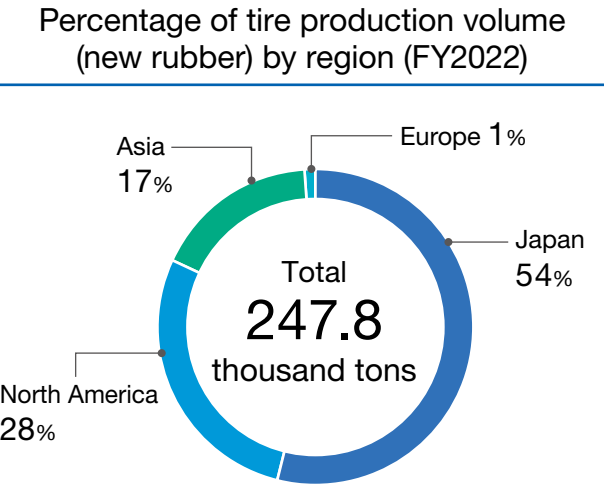
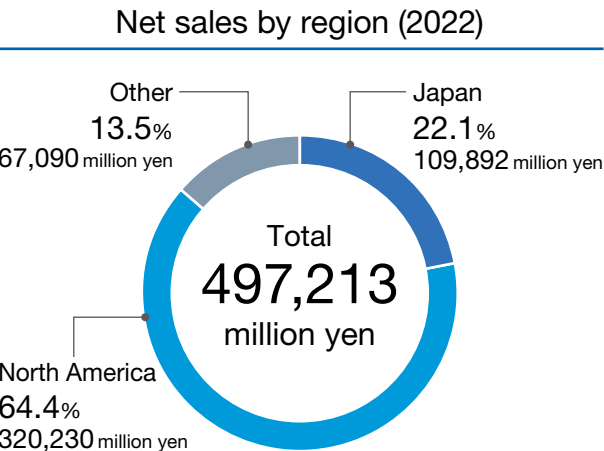
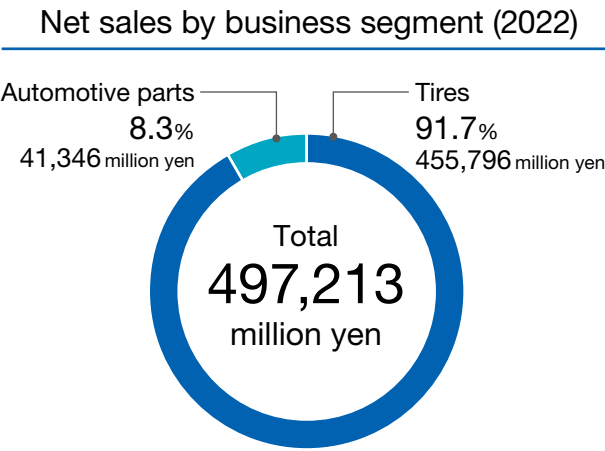
Automotive parts business

- Sales companies
- Production bases

R&D centers

- Tires and automotive parts

*Figures current as of December 2022



Message from the President



Takashi Shimizu

Representative Director,
President & CEO

Strengthening our presence as we step on to the next corporate stage

Can you share your thoughts on the release of the integrated report?

Showing where we are with management reform and business operations

In 2021, we embarked on the Medium-Term '21 Plan, our five-year medium-term business plan. At the heart of this plan lie business strategies that seek to improve the quality of what we do rather than to pursue quantitative growth. In parallel to that, it also aims to strengthen the foundations of the Group's management in many areas. The Medium-Term '21 Plan shows our determination to move up a gear with these transformational changes as we step on to the next stage.

The plan is our declaration that we are going to merge

business and sustainability over this five-year journey, which means playing our role in making a sustainable society a reality by creating social value as well as economic value through our business endeavors.

An integrated report is an important tool to help our stakeholders understand where we are in our ongoing management reform initiative, and I feel that the publication of this first report is in itself a significant step that symbolizes the transformation we are going through.

The significance of the underlying Philosophy

At the start of the Medium-Term '21 Plan in April 2021, we established the Sustainability Committee, which reports directly to the Executive Committee, and I assumed the role of its chair. The Executive Committee is the highest decision-making body in the Group, to which matters on corporate management are referred. It is immensely significant in our history that our new, seventh special committee is one that has been specifically tasked with sustainability.

In the first year of establishment, the committee spent considerable time in discussions to develop the basic policy that would set the course for our sustainability

action, identify the material issues we should prioritize, and draft the action plan, targets and KPIs linked to the materiality.

When defining the basic policy and materiality, our key focus was to ensure that they were connected with our Philosophy. This is because it is important that we face sustainability challenges without losing sight of what makes us the company we are, and it is therefore essential that our sustainability actions are underpinned by our Philosophy, which expresses our purpose. We believe that this connection will enable us to merge sustainability and business.



Engaging in dialogues with our stakeholders

to further explore what our integrated report should be

Stage to demonstrate our potential

We see our integrated report not merely as a medium but as a theater stage on which we have an important job of showing to our stakeholders the value we are seeking to create, the capacity we have and are building, and our potential as a company.

The awareness of sustainability issues within the organization has significantly and tangibly grown even compared to just two years ago. However, despite the emerging linking of awareness to action, it is hard to map out what sort of business we will be engaged in in ten, twenty or thirty years from now or what value we will be able to provide to society while earning profits, when the business environment we are facing in the short term seems unclear. We have realized that it is not going to be an easy task to express in words our vision of the future of business and sustainability.

In the end, we believe that we have succeeded in providing a systematic overview of our business

processes based on the business strategies defined in the Medium-Term '21 Plan, as well as our strengths and weaknesses, and presenting a clear picture of how our business operations are linked to sustainability issues in this report.

We have also been able to show how our business activities generate not just financial results or products and services but wider outputs, which bring outcomes that impact on capital in the form of social value, and how this capital can in turn be leveraged in our business operations. I believe that the work we undertook to produce the report has been vital in merging business and sustainability.

We hope that the readers will be able to observe our value creation processes in our first integrated report. To us, this report is not a finished product but the starting point. We look forward to engaging in dialogues with our stakeholders to further explore what the report should be.

implement them. This change had a major impact on all parts of the organization, affecting the way tasks on the shop floor and frontlines of our business were carried out, and this made the Group more responsive and agile. The financial result of the second half of fiscal 2020 reflects the benefit of the change, and I understand it also had a positive effect on the process of developing the Medium-Term '21 Plan, which was going on at that time.

Since the reorganization in 2017 to create a function-based organizational structure, we have aimed to be a company where production, sales, R&D and corporate functions work as one to improve our strength. Functions are placed in a flat hierarchy, directly reporting to the

President, so that they can share information and challenges in a timely manner and work collaboratively. It seems that the pandemic unexpectedly helped to bring the functional units closer and strengthen our organizational foundation.

This meeting body, which started as an emergency response, is still continuing as one of the good habits we acquired back then, under a different name that reflects the permanent position it holds today. It is a place where the top team can pick up management issues early as they appear and discuss how to respond. It has become embedded in the Group as a unique feature of our management style.

Sharing the idea of how we should be

The current state of the Group's management performance and governance will be made public so that the information can be assessed against the commitments stated in the Medium-Term '21 Plan as the central core of our business strategies. For details, please refer to the financial results to be announced officially along with the materials explaining the current status of the Plan. Here, I would like to touch on my vision of how the Group should be, as well as the strengths of our portfolio.

The key concept of the Medium-Term '21 Plan is to achieve qualitative transformation rather than making everything new or aiming for a spectacular growth, as we define these five years as an important period to prepare for the move to the next stage. Internally, I have presented three key concepts of our future direction that everyone needs to understand.

The first is to work on our strengths to further enhance them. This applies, for example, to our presence in the North American market, which I will explain later.

Solidifying this existing strength is an obvious approach we should take. The second is to demonstrate how "leanness" can be a strength. We should not see limited resources as a negative and instead see it as being unencumbered and turn it into our strength. Or we can be nimble by actively using external resources and turn it into our unique strength. This can be one of the ways of our being. The third and last is to internalize changes and evolve. This means thinking outside the box and challenging ourselves to achieve transformation in order to solidify all the bases we have left untouched until now.

By indicating the direction of travel simply and clearly, we have ensured that the entire Group understands the tasks ahead and that everyone's thinking is aligned. We have been able to establish across the Group a shared understanding of the way forward so that everyone is motivated to implement the Medium-Term '21 Plan and drive it strongly.

How do you rate the progress of the Group's management?

Closer collaboration between organizational functions

At the end of 2019, novel coronavirus COVID-19 started its devastating spread across the world, which became a global pandemic that lasted three and half years. In February 2020, as soon as I realized the magnitude of the incoming crisis, I gathered the officers responsible for organizational functions around a table so that we could start sharing information on what was happening in

different parts of the world. We needed to know what impact business units in different regions around the globe were facing and decide what we had to do in response. We created a new system, where the top management team held daily morning meetings to look at the issues we were facing from the same level and same perspective, discuss what measures to take, and move quickly to

All hands on deck to solidify the foundation of North American business

Our main market is North America, where customers highly rate our products and we have been able to establish a particularly strong presence in the large-diameter tire category. We have focused on strengthening inter-functional cooperation, through which we feed untapped needs we learn from our close relationships with our customers back to the product development team. This approach has also been highly

effective in driving the Medium-Term '21 Plan forward.

We have also reorganized our sales channels in order to solidify our loyal customer base further, and have significantly expanded the distribution network of our branded products. This bold expansion strategy helped to boost our market presence, which not only minimized the damage from weakening demand during the pandemic but also enabled us to respond quickly

when demand started to recover.

We have reallocated more of the U.S. plant's production lines to large-diameter tire products and have also started shipping products to North America from our Serbia Factory, which started operation in 2022. We are translating our commitment to enhancing our

strengths further into strategic actions, including augmenting supply from other factories. As of this point in 2023, our operations are on target in line with the road map, and we will make every effort to continue driving this strategy forward.

How do you rate the progress of sustainability management?

Improving management quality by facing challenges head-on

In the first fiscal year of its launch, the Sustainability Committee discussed our approach to be presented as the Group policy for the entire organization, reviewed a wide range of issues and carefully mapped out the areas of action we should tackle comprehensively. We have now gone through a full cycle of activities we started Group-wide and have turned over the half-way point of the second year.

Each theme has a specific promoting body assigned to it, such as a main supervisory department or a company-wide interdepartmental taskforce, which defines clear targets, plans and administrative frameworks. The Sustainability Committee checks their progress, reviews the issues in focus from a medium- to long-term perspective, and discusses topics to be referred to the Executive Committee. There are many tasks we are only starting, such as collaboration with

other special committees such as the Technical Committee and the Organization & Personnel Committee, reporting and discussions at the Board of Directors, but I believe that we are making a steady progress in our governance of ESG issues.

In the meantime, numerous new challenges to the environment, society and economy are emerging, and the international organizations, states, regions and industries are required to respond ever more quickly, with no signs of the turmoil abating. We need to continuously watch and see what new risks and opportunities our business operations are facing and take action from a medium- to long-term perspective. The issues in front of us are extremely challenging, but I firmly believe that, by facing them head-on, we can further improve the quality of our management and seek the Group's purpose in society.

ESG thinking beginning to be embedded within

Inside the Group, ESG actions are starting to become a day-to-day part of our work.

For example, it is clear that the big issue of climate change is no longer seen as something distant from us but is felt much closer today. Procurement of renewable energy is now incorporated in the yearly plans on the basis of a medium- to long-term plan, and is implemented after appropriate internal examination. We have designed a system of investment appraisal for decarbonization and introduced it in our meeting bodies. Also, having stated our endorsement of the TCFD recommendations, we are currently making the necessary preparations for disclosure. Quantifying the financial impact of our action to tackle climate change will enable us to demonstrate our sincere commitment to decarbonization as a

management issue. It is a direct responsibility of the management how we can mitigate climate impact on our businesses.

We are also expanding our view across our supply chain and applying more in-depth look at it, which we are naturally expected to do. We are starting to examine who we share our approaches with as we operate our business and making it our mission to ensure that we have healthy approaches, appropriate relationships and a sound spirit.

We believe that the spirit, enthusiasm and ambition of the human resources that drive all corporate activities need to be healthy and positively motivated in order to support a company's sustainability and creation of social value. We are committed to further improving and advancing the work to build the foundation of our human capital.

Strengthening our presence in the incoming tide of EVs

Next-generation mobility is the near future of our industry sector, and the speed of transformation to make it feasible is accelerating. The most important question for the sustainability of a mobility society is how much we can reduce the environmental impact of mobility, and electric vehicles (EVs) are one of the key solutions. EVs do not look particularly different from conventional cars in terms of appearance; the difference lies in their drastically different internal mechanism and their weight. Likewise, tires that support EVs may not appear different, but the role they play becomes much more important. At the minimum, they must be able to meet and exceed three requirements: larger diameter; lower rolling resistance; and low noise.

Being a large-diameter tire specialist, we are at an advantage, and it is essential that we aim for differentiation considering the size of our business. In the expanding and diversifying EV market, we should put the unique joy of driving that we can deliver front and center,

and preempt and meet the needs of discerning customers. Our medium- to long-term scenario to ride this incoming tide is to employ a unique strategy like this. Even with rugged tires for pickup trucks, which at the first glance may not be expected to perform well in terms of environmental impact, we will take an approach of offering distinct, attractive styling combined with a profile design that reduces air resistance in order to elevate environmental performance.

Our ambition is to provide solutions to social issues through our business and create social value, and we are working to integrate corporate management and sustainability and to improve its quality through dialogues with our stakeholders in order to achieve this ambition. We welcome and appreciate the opinions and advice of the readers of this report to help us improve our corporate management. Thank you so much for your continued trust in and loyalty to the Toyo Tire Group.

Fostering greater awareness
of creating value for society
through our business



External Environment and Risks & Opportunities

We are aware of the risks and opportunities posed by the external macro environment in which the Medium-Term '21 Plan was formulated and is being implemented, as well as the changes in the mobility field that are expected to occur by around 2030. We will work to create value along the entire value chain through our operations, products and services based on this awareness.



Toyo Tire Materiality

In promoting sustainability, we believe it important to identify issues that should be given priority when considering factors such as the relevant scope of our business domain and internal resource limitations. We have thus established our Group material issues, which were decided upon by the Sustainability Committee in June 2021 and then approved by the Executive Committee in July.

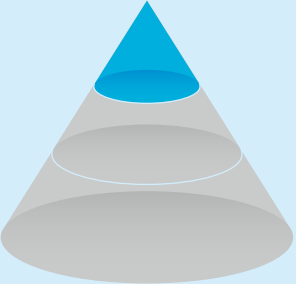
Along with strategically investing our internal resources into initiatives related to the material issues, we will also use this opportunity to foster a corporate culture where each employee addresses sustainability issues by connecting materiality to their own duties, as well as strengthen materiality-focused stakeholder engagement, such as public ESG dialogues.

Process of identifying material issues

After declaring our intention to build sustainability into corporate management in our Medium-term '21 Plan announced in February, we soon formed a steering committee for sustainability where the President and vice presidents of each headquarters began discussions on identifying material issues. This was transitioned into the Sustainability Committee in April, and the two committees collectively held discussions from February a total of four times over four months. In May, a total of 40 division general managers and other executives who are key in the promotion of sustainability met to discuss the same themes, and the outcome was taken into account in committee discussions.



Material issues



Domain I Value creation

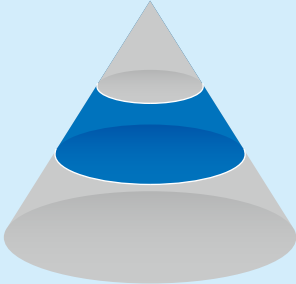
Unique value provided to customers and society through our products and services

Help create a society of sustainable mobility

We recognize that the sustainability of tire and auto parts manufacturers can only be ensured through a society of sustainable mobility. We will thus fulfil our duty in using our unique products and services to help establish a society of sustainable mobility that boasts net-zero environmental impact, zero accidents and efficient transportation.

Support the enjoyment of mobility for all

We see it important to offer creative added value that supports the diversity of a society of sustainable mobility by fulfilling the essential conditions for sustainability (environmental compliance, safety) while also meeting the varied expectations people have for their own mobility through our unique products and services.



Domain II Foundation for value creation

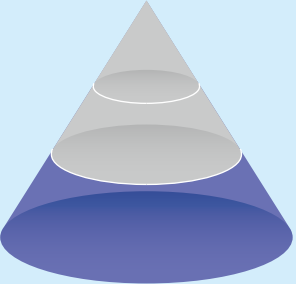
The base for value creation

Support diverse talent with motivating challenges and job satisfaction

We seek individuals who can equip themselves with the medium- to long-term perspective of a tire and automotive parts manufacturer, think creatively and flexibly, and show initiative and ambition. We will secure a foundation for diverse talent who support our company's business management and create high added value in these rapidly changing and uncertain economic and social times.

Continue innovating next-generation mobility technology

The value we provide through our products and services must support the evolution in mobility being demanded in this new era. To make this happen, we believe it is vital to engage in ongoing technological innovation and make continuous advancements that meet the demands of society.



Domain III Risk management

Responsible business practices that protect the means of value creation

Pursue decarbonization in all corporate activities

Our Group will adjust its course to match that of global society, including Japan, business communities and industries in sharing the same targets towards decarbonization, and work united as a company in tackling this key issue. We will not only aim to eliminate the environmental impact of mobility through our products and services, but also to decarbonize our entire manufacturing process and supply chain, and tie these measures to increased cost competitiveness.

Promote supply chain sustainability

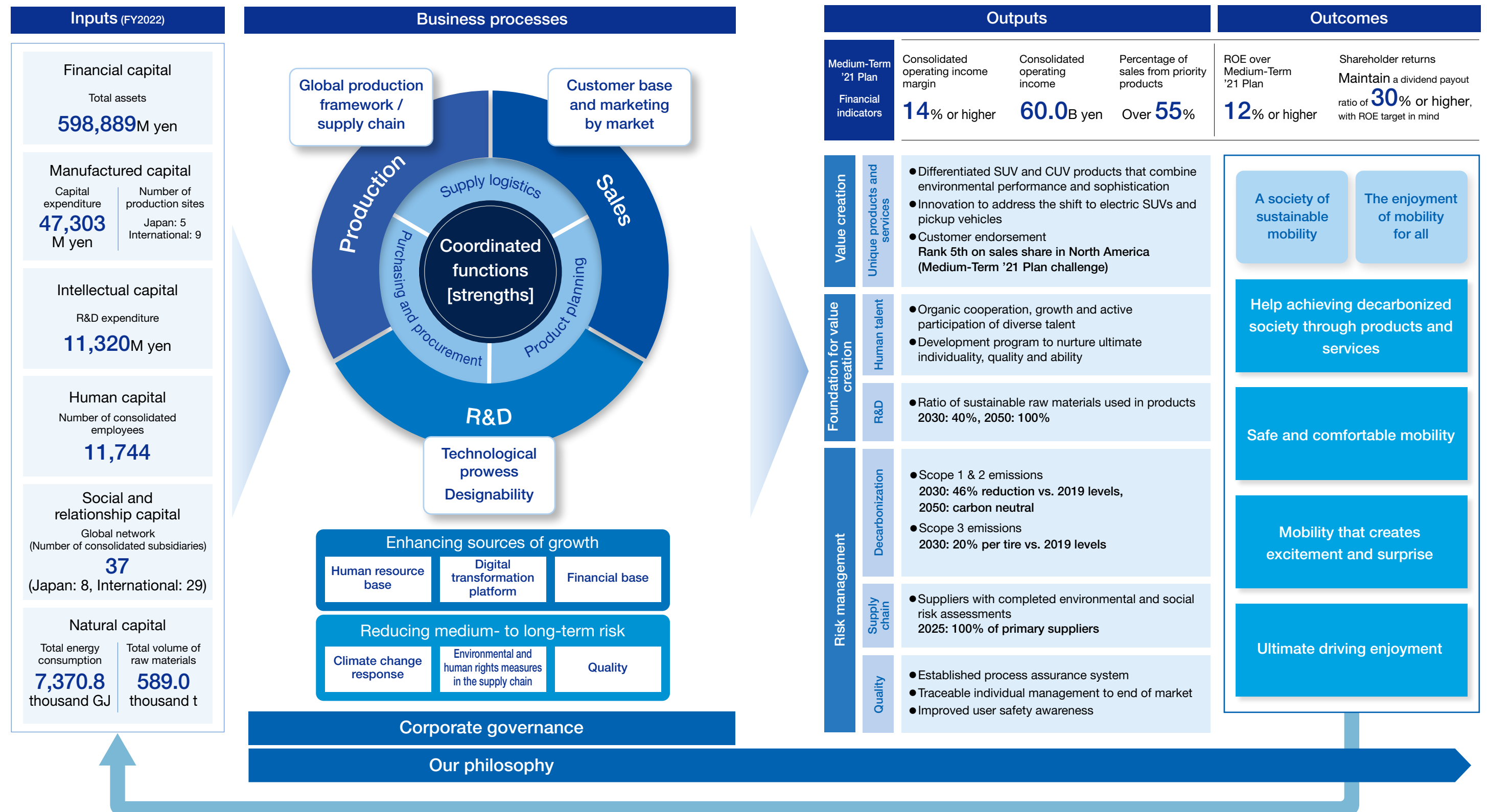
We understand that our own sustainability cannot be ensured without the sustainability of our suppliers of natural rubber and other raw materials, and that the genuine enjoyment of mobility is created through a healthy supply chain. We thus see environmental and social issues in the supply chain as key challenges that we will prioritize in our efforts.

Ensure the fundamentals of manufacturing: quality and safety

No matter how much value a product or service may create, if it cannot maintain a strong core of quality and safety, it is no longer able to offer that significance or value to society. Quality and safety are therefore our top priority in all of our operations, building on lessons we have learned in the past.

Value Creation Process

The Toyo Tire Group believes in the importance of organizing and disclosing our corporate philosophy, business model, governance, and business risks and opportunities to help promote a clearer understanding of the type of company we want to be in the future. As part of our value creation process, we have verbalized our six capitals, and defined the outputs generated through the utilization of these capitals and the outcomes that might impact stakeholders.



Our Strengths

The core competence of the Toyo Tire Group lies in our technological prowess. We are developing our business by linking technological developments to our production and distribution systems on a global scale. We intend to further refine our strength in differentiated products at our technology development bases in and outside Japan, while also building new production facilities to secure stable supply capacity and engage in global sales tailored to regional characteristics.

Optimal global production and supply system

We are promoting local production for local consumption in markets where our production bases are located, while working to optimize the product mix at each of our plants and to deliver products to our customers in a timely manner through our flexible and optimal supply system made up of such production bases. Large-diameter tires for SUVs and pickup trucks, an area in which we excel, enjoy tremendous support in the North American market. We are gradually increasing the production capacity at our U.S. plant in order to meet the demand for such tires.

We are also renovating facilities at our plants in Japan to increase supply to North America.

In 2022, we opened our first European plant in Serbia. The plant aims to deliver competitive products to the European market and to supply tires for passenger cars to the North American market. In Malaysia, we are consolidating our production bases and shifting to the production of high-margin brand lines.

Proprietary technology and tripolar R&D collaboration between Japan, the U.S. and Europe

The automotive industry is currently undergoing major transformations and tire development is also expected to quickly provide quantitative performance and functions to support the evolution of mobility. We are constantly updating our proprietary technology base to achieve higher precision and speed in material compounding and tire design.

Our R&D functions in Japan, the U.S. and Europe each play a different role in our research and we are combining their results and collaborating with sales and production departments to develop highly functional and differentiated products that meet the needs of each market.

Material design technology (Nano Balance Technology)	We strive to develop the ideal rubber material by predicting, creating functions, precisely controlling, and observing and discovering the properties of the various materials used in tire rubber at the nano-level (1 nano = one billionth of a meter).
Simulation technology (T-MODE)	We incorporate design support technology that uses AI into our tire and driving simulations to simulate aerodynamics and snow traction and accurately analyze tire patterns behavior in detail.
Design support technology (T-MODE)	We centrally manage various data as common assets, and add value by correlating data, and we use machine learning to enable the acquisition of tire characteristic values in real time.



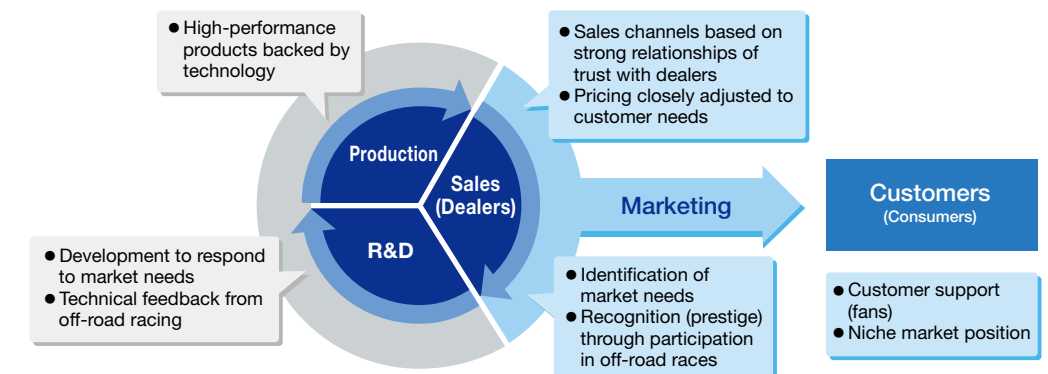
Solid customer base built to target the North American market

Our business strategy in North America has evolved into an iconic business model for our tire business.

We have built a strong customer base by narrowing down target models and users and by collaborating with local dealers who know their customers extremely well, rather than operating directly managed dealerships.

In addition, through our marketing activities we identify needs which we promptly feed back into the Group, to create a virtuous cycle that leads to the development of differentiated products.

North America business model



Message from Vice President, Business Headquarters

Kiyohito Hasumi
Corporate Officer

At Toyo Tire Corporation, we aim to manage our business through a function-based organization with the mobility field at its core. We pursue a strategy of maximizing the advantages of our corporate scale and operating with minimum resources, which enables us to turn the fact that we do not have certain functions within our organization into unique strengths by focusing on and developing the functions we have. We proactively work on issues identified through collaboration between production, sales and R&D while picking up and coordinating issues that require collaboration but tend to be overlooked due to the specialized and independent nature of each function. Through this approach, we are refining our ability to respond to changes and high agility to create value throughout the Company.

Such inter-functional collaboration is needed not only at headquarters, but also at the bases where our products are manufactured and sold. The way in which the functions collaborate varies depending on our position in the region. We have been successful in attaining solid support from our customers in the North American market not only because of our local coherent production, sales and R&D capabilities, but also thanks to our holding function, which bundles together and

firmly backs up these capabilities. In Europe, where the long-awaited Serbia Factory is now up and running, an R&D Center is already in operation in addition to our sales bases and we have established a regional management company. However, we are not a full-line supplier and we excel in areas where we have an edge. While transplanting our know-how from North America, I would like us to be identified in Europe, not in terms of our size, but in terms of our uniqueness.

I now feel that each of us needs to work on building up our ability as a company to construct scenarios and explain what needs to be done to people both inside and outside the Company. I repeatedly tell staff working in my division that scenarios are the key to persuading others and to speedy decision making, and that even if scenarios don't go according to plan, verification of the causes will lead to future action. Looking at it from another perspective, harmony, humility and consideration, all qualities which are valued in Japan, while important, should not become an obstacle that delays decisions and results. The ability to accurately convey ideas in a way that they can be correctly understood by a diverse group of people who speak different languages and come from different backgrounds is essential. We will build scenarios with foresight and fulfill our responsibilities so that we can convert such diversity into our strength.

Financial Strategy

Medium-Term ‘21 Plan: Financial policies and targets

In the medium-term business plan, the Medium-Term ‘21 Plan, announced in 2021, Toyo Tire Corporation set out its future vision for three management platforms (digital and IT infrastructure, sustainability management, and organizational and human resource infrastructure) designed to create value through the solution of social issues and ultimately generate sustainable corporate growth. Right now, we are steadily progressing each management platform and earnestly working to strengthen the financial base that underpins these platforms.

We intend to pursue stable management, even when faced with an uncertain and rapidly changing economic environment, and build a robust financial base by promoting measures designed to: improve capital efficiency by scrutinizing our business assets; achieve cash flow-focused management by strengthening our power to create cash and accelerating cash cycles; and ensure financial soundness.

In terms of concrete targets, we have set targets in the Medium-Term ‘21 Plan for a consolidated operating income margin of 14% or more and consolidated operating income of 60 billion yen in fiscal 2025. We have also set a minimum 55% sales composition ratio for priority products, which is vital for achieving the aforementioned targets. We are promoting initiatives to maximize our strengths in order to increase profitability.

Furthermore, we set a minimum target for return on equity (ROE) of 12% during the medium-term plan because we are moving into a new corporate stage, and clarified our policy for improving capital efficiency as well as profitability.

We are determined to improve our own unique corporate value, which focuses on enhancing quality, by steadily achieving these financial policies and targets.

Financial situation

(Millions of yen)

	FY2020	FY2021	FY2022
Total assets	445,579	531,229	598,889
Equity capital	220,776	279,954	320,683
Cash and cash equivalents at end of the year	36,303	53,592	41,600
Interest-bearing debt at end of the year	110,578	128,784	135,436
Capital ratio (%)	49.55	52.70	53.55
Total payout ratio (%)	59.31	16.76	27.61
Return on equity (ROE) (%)	5.27	16.52	15.97

Investment and financial strategies

We have established a policy regarding the allocation of capital with due consideration of shareholder returns, and formulated the capital investment plans based on the tandem pursuit of profitability and potential growth.

We plan to make capital investments of 194.0 billion yen over the five years of the Medium-Term ‘21 Plan. We intend to use operating cash flow generated during the period, along with additional procured funds if necessary, to cover the total amount of capital investment and shareholder returns.

To give a more specific breakdown, our basic approach is to allocate 50% of operating cash flow for capital investment required to ensure future growth from a medium- to long-term perspective, which we have strategically labeled as growth investment. Of the remaining 50%, 30% will be allocated for

capital investment required to maintain and update facilities to preserve the competitiveness of our existing businesses as well as improve productivity, and 20% will be used to return profits to shareholders.

We plan to generate further growth while maintaining strict financial discipline. Light trucks and SUVs form the bulk of sales in the U.S. market, which are both areas in which we excel. Based on that trend, we intend to strengthen our supply framework for large-diameter light truck tires because we believe they harbor strong growth potential. We will also consider investing in highly unique product development that leverages our strengths. At the same time, we will provide shareholder returns and increase dividends by improving profitability, and meet capital market expectations.

Growth investment

Regarding growth investment, we will promote investment that is essential for ensuring future growth in the medium- to long-term, namely digital-related investment, market investment and investment in new R&D fields.

First, on digital-related investment, we aim to improve profitability by reorganizing our enterprise resource planning (ERP) system, and seeking to strengthen global data governance by, for instance, visualizing management resources and risks, accelerating business processes and improving the quality of our decision-making.

Second, in terms of market investment, we will invest management resources in building user-centric sales and marketing, including digital marketing, engagement activities designed to enhance our brand power and promotional activities to expand sales.

Third, in terms of investment in new R&D fields, we will strive to establish and commercialize technologies for next-generation vehicles in order to create forms of sustainable mobility that are worthy of a carbon-neutral society.

Environment and social (ES) investment

We expect to make further sustainability-related investments going forward in order to promote a shift toward sustainability management. Regarding decarbonization-related investments in particular, it can be difficult to incorporate any CO₂ reduction impact into the profit simulation used for verifying profitability and determining whether or not to promote regular investment projects. As a result, those investments may be considered unsuitable in terms of sustainability management.

With that issue in mind, we introduced internal carbon pricing (ICP) on a trial basis in fiscal 2023. ICP is a good way to visualize

the impact of reducing CO₂ emissions by translating that impact into a quantifiable monetary value and to incorporate that impact into a quantitative model. We want to facilitate the consideration of the CO₂ reduction impact as a monetary value in investment decision-making because we believe this will help promote decarbonization-related investment.

Going forward, we will use ICP to review the performance of our decarbonization investments. We also plan to introduce ICP as an official evaluation standard in 2024 based on external ICP price-setting trends.

Shareholder returns

In our new corporate stage, we will set policies for capital investment and shareholder returns in addition to ROE indicators, and we will pursue both profitability and efficiency in a well-balanced manner.

As part of this policy, we want to provide returns to shareholders that reflect annual performance, while maintaining our commitment to the provision of stable dividends. We expect

to achieve a dividend payout ratio of 30% or higher during the Medium-Term ‘21 Plan.

The ultimate aim is to realize a shareholder returns policy that provides stability and reflects business performance. This will be done by adjusting non-recurring special gains (losses) included in profit attributable to owners of the parent and linking returns to real profit that more closely reflects actual profit values.

Three-year cash allocation

Operating cash flow	Strategic allocation	● Make investments that contribute to growth ● Control interest-bearing debt
	Growth investments 50%	<u>Investments needed to achieve growth over the medium- to long-term</u> ● Digital-related investments ● Market investments ● R&D investments in new fields
	Capital expenditure 30%	<u>Investments needed to maintain competitiveness of core businesses</u> ● Investments to maintain the sustainable growth of existing businesses, improve productivity ● Investments to rebuild our management foundation
	Shareholder returns 20%	<u>Payout ratio: 30% or higher</u> ● Continue stable shareholder returns linked to annual performance

Medium-Term '21 Plan Progress

This section explains the progress made on our five-year medium-term business plan that we call Medium-Term '21 Plan. To help address the dramatic changes in our external environment, we are pursuing the plan's goals by coordinating R&D, production, sales and other functions on a global scale and demonstrating an ability to adapt swiftly and flexibly to change.

Basic policy



Progress on R&D, production and sales strategies

R&D

Strengthen our proprietary technology by joining up the R&D of Japan, the U.S. and Europe to develop highly preferable and differentiated products that meet environmental and other next-generation mobility needs

We have developed and launched a new product with a new silica dispersing agent made from natural sustainable raw materials. In the field of materials development, we have created a technology for synthesizing the butadiene required for synthetic rubber from CO₂ jointly with the University of Toyama. This helps reduce environmental impact compared to petroleum-derived products. We are also actively developing the high-functioning EV tires with the superior rolling resistance and wear resistance required for EVs, and is working to create differentiated products that combine environment-conscious technologies with the sophisticated features for which we are renowned.

Production

Build a stable supply base for the North American market and make the Serbia Factory highly cost competitive

Production at the Serbia Factory, our first production base in Europe, began in July 2022. We aim to generate highly efficient production fueled by state-of-the-art equipment and systems that fulfills our desire to produce locally in Europe for local consumption and secures a stable supply of passenger car tires for the North American market. We are pressing ahead with the construction of an optimal global production and supply system inspired by the launch of the Serbia Factory. For instance, establishing a production system at the Serbia Factory will enable us to increase the production capacity of large-diameter light truck tires at our U.S. plant.

Sales

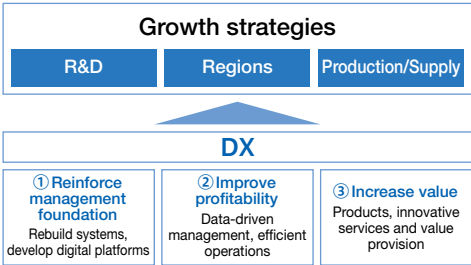
Strengthen offerings for strategic models by launching differentiated products for North America, Europe, Japan and Asia according to local market strategies, and creating tie-ups between tires and automotive parts

We will continue to launch new products with unique and sophisticated characteristics and use our wide-reaching sales network to actively expand sales of large-diameter light truck tires in the priority market of North America. In addition, we are boosting the sales ratio of priority products by introducing regionally tailored products in each market and participating in motorsports activities to improve our brand power and presence. In Japan, we are pressing ahead with efforts to build sales and logistics systems that are highly efficient and meet customer needs.

Digital transformation policy

With regard to digital transformation (DX), in 2021, Toyo Tire Corporation established a headquarter for each function to guide the establishment of a management platform capable of firmly supporting the growth strategies laid out in the Medium-Term '21 Plan and underpin the required improvements in corporate structure to achieve that growth. We are strengthening inter-functional links across the board and promoting digital innovation in three separate stages. We are currently in the first stage of that process in which we are standardizing global operations by developing various infrastructure and rebuilding enterprise resource planning systems, and also building an integrated data platform that is key to data-driven management. The aim is to move swiftly into the second stage, which will help generate higher profitability and improve value.

On the technology and product development front, we proactively utilize data to optimize products through lifecycle management and improve productivity at our manufacturing sites. We are also formulating a sales strategy and developing priority products based on the centralized management and optimal operation of global inventories and precise data analysis. Our ultimate aim in using this digital strategy is to simultaneously ensure a customer-focused manufacturing framework and highly profitable business management that will support our growth strategies.

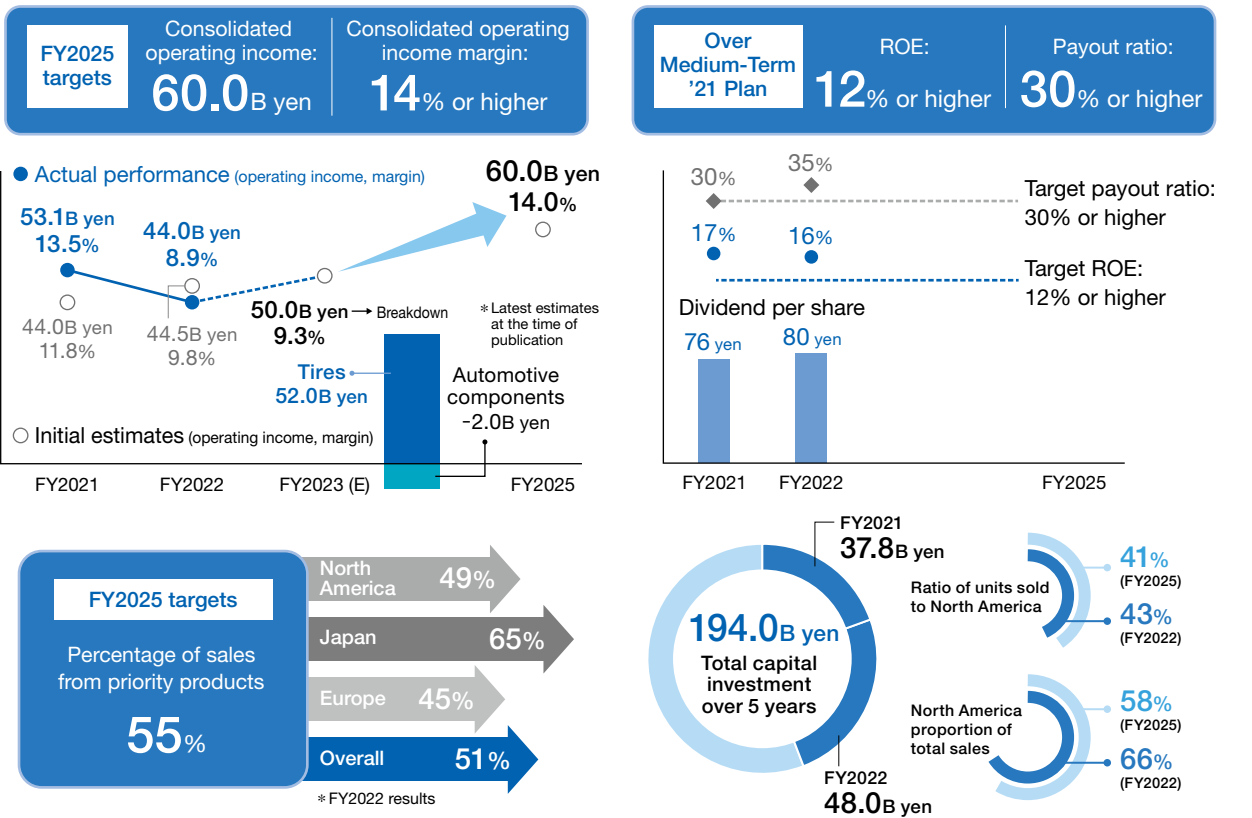


Progress on key performance indicators

In fiscal 2022, the Toyo Tire Group achieved consolidated operating income of 44.0 billion yen and a consolidated operating margin of 8.9%. Compared to the smooth progress made toward our quantitative targets in the first year of the plan, progress in fiscal 2022 was temporarily hindered by changes in external factors caused by emerging geopolitical risks. However, the operating income target for fiscal 2025 is within reach and we plan to move forward with confidence in order to achieve that level.

The fiscal 2022 return on equity (ROE) level of 16% remained above the 12% target. The policy on the dividend payout ratio stipulated in the medium-term plan to achieve a ratio of 30% or higher on a net profit after deduction of one-time gains (losses) basis remains unchanged. We will achieve a good balance between growth investments, investments in business continuity and shareholder returns.

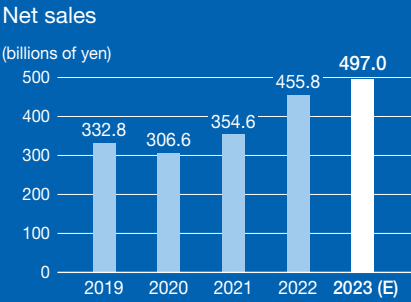
Flexibly adapt to environmental changes, attain upward profit track to achieve targets



Business Overview

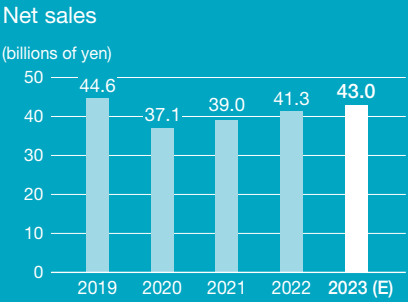
Tire Business

The primary business of the Toyo Tire Group, which accounts for approximately 90% of net sales, is the production and global sale of automotive tires for passenger vehicles, light trucks and SUVs, and trucks and buses, and other related products. The tire market is primarily classified into original equipment tires (global), replacement tires for the Japanese market and replacement tires for global markets. The replacement tires for the North American market in particular accounts for a significant proportion of our sales.



Automotive Parts Business

The Toyo Tire Group leverages its vibration control technology to supply products that improve automotive handling stability and soundproofing. We are striving to establish a solid position as a supplier by promptly proposing products that match the needs of automakers. Moreover, given the fact that automobile production sites are located across the globe, we are focusing our efforts on realizing an optimal supply network by establishing a production structure centered on Japan, the U.S. and China.



The external environment

The United States is a major sales region for Toyo Tire Corporation. In that market, while some people were pessimistic about the economic outlook at the end of 2022, the latest employment and income environment has remained strong, economic sentiment is improving and private consumption is holding firm. Meanwhile, in Europe, corporate sentiment is expected to deteriorate and economic conditions are expected to remain soft as the positive benefits that accompanied the resumption of economic activities following the COVID-19 pandemic start to fade. In Japan, the economy has picked up thanks to the impact of various government measures, but close attention should be paid to the risk that a downturn in international economies could dampen the Japanese economy, and that continued high prices could dampen the pace of recovery.

The global economy is exhibiting a certain degree of resilience, and we believe that the ownership of light trucks, which is a key area of strength for us, will hold firm and demand for highly sophisticated large-diameter light truck tires will remain steady. We will work to further expand sales of large-diameter light truck tires and SUV tires, in which we excel, as well as other priority products by utilizing our global production bases in the U.S., Malaysia, China and Serbia and our global supply and demand system that can swiftly adapt to change to their full advantage. On another point, most people now expect the proportion of battery electric vehicles (BEVs) to new vehicle sales to certainly rise, so the outer diameter of tires is expected to

increase in relation to the weight of the vehicles. The trend toward electric pickup trucks is also expected to advance in North America. We view this shift toward electric vehicles (EVs) as an opportunity and we plan to develop EV tires that leverage our strengths and introduce them into the market.

FY2022 review and future outlook

In the North American market, both sales volume and net sales increased year on year in fiscal 2022 compared to fiscal 2021 thanks to our focus on the sale of priority products, such as large-diameter light truck tires, as well as an improved product mix thanks to higher prices and expanded sales of priority products. In the European market, sales volumes declined year on year in the wake of the situation in Russia and Ukraine. However, net sales held steady year on year due to price increases in individual European markets and an improved product mix. In Japan, both sales volume and net sales increased year on year thanks to stronger sales of winter tires, focused sales of priority products and an improved product mix generated by higher prices and higher sales of priority products. In terms of the future outlook, we expect to generate an increase in both sales and profits going forward based on a forecasted increase in units sold and assumed positive benefits from revised ocean freight rates. We will also work to improve productivity at our plant in the U.S. and boost production beyond the previous year's level while steadily implementing our plan for full-scale operation at our plant in Serbia.

Basic strategy

- Create differentiated products by further strengthening our proprietary technologies
- Establish highly cost-competitive operations at the Serbia Factory, build a stable supply base and a highly efficient global production system by horizontally deploying the latest production systems
- Consistently develop high value-added products tailored to specific needs
- Solidify and extend a dominant position in large-diameter light truck tires in North America

Individual measures

- | | |
|------------|--|
| R&D | <ul style="list-style-type: none">● Develop products that offer environmental, sustainable and other elements in addition to our renowned sophisticated features● Expand the application of modular design to promote early commercialization● Introduce production equipment to prepare for EV shift |
| Production | <ul style="list-style-type: none">● Establish annual production capacity of 5 million units at the Serbia Factory● Increase supply capacity of large-diameter light truck tires at U.S. plant |
| Sales | <ul style="list-style-type: none">● Consistently launch new products with unique and sophisticated features● Prioritize development of digital marketing, generate synergies through stronger cooperation with existing sales network● Pursue various categories of motorsports activities to help enhance performance and brand power |

The external environment

The environment surrounding the automotive parts business was affected by a reduction in production on the part of automakers that was caused by a shortage of parts and semiconductors in the wake of COVID-19. However, automaker production is expected to recover going forward. Sales for the Toyo Tire Group are predicted to increase on the back of higher sales prices for current products and products for new models, and the recovery in production by automakers. This trend was already pointed out in the previous external environment segment for the tire business, but the ratio of BEVs to new vehicle sales will undoubtedly increase in future, so we need to diligently consider the pending shift to EVs.

Toyo Tire Corporation's management can be characterized by its combination of two segments that are vital for mobility, namely tires and automotive parts. We will help promote the shift to EVs and develop next-generation mobility by pursuing a unique approach that links both the tire business and the automotive parts business.

The main products in this segment that best demonstrate our technological prowess include engine mounts, EV motor mounts and resin boots. We aim to make full use of the differentiation technologies that we have acquired through technical exchanges with automakers to promote the development of high value-added products and encourage orders, while maintaining and improving the required functionality. We seek to progressively improve automotive-related technologies, and wish to channel the

Basic strategy

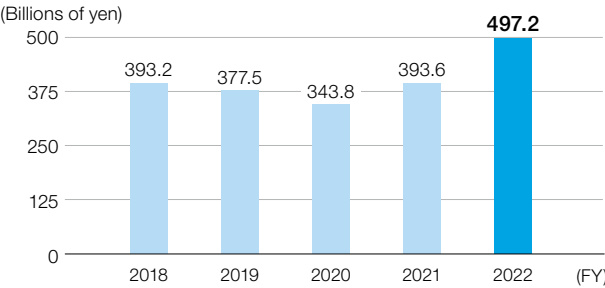
- Establish a superior position as a system supplier by organically linking tires and automotive parts
- Encourage product use in next-generation mobility vehicles and other strategic models

Individual measures

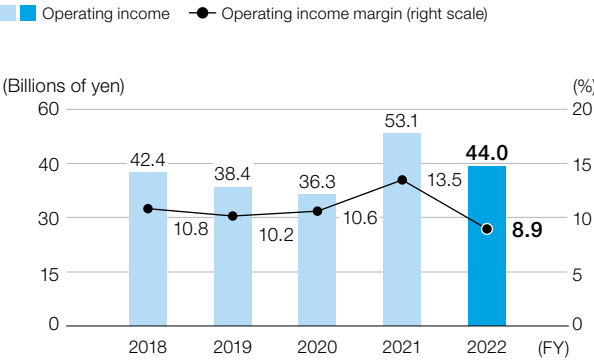
- Develop approaches to encourage new orders for high value-added products
- Optimize production bases and ordering concepts to improve profitability

Financial Highlights

Net sales

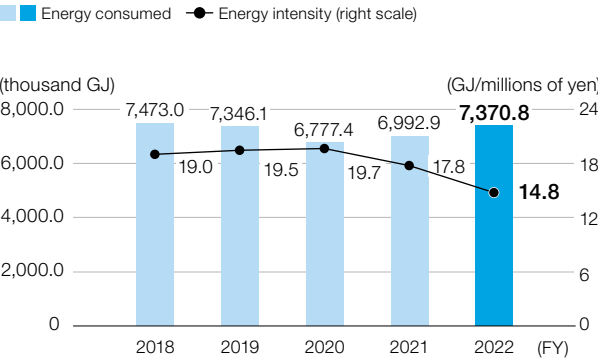


Operating income / Operating income margin



Non-financial Highlights

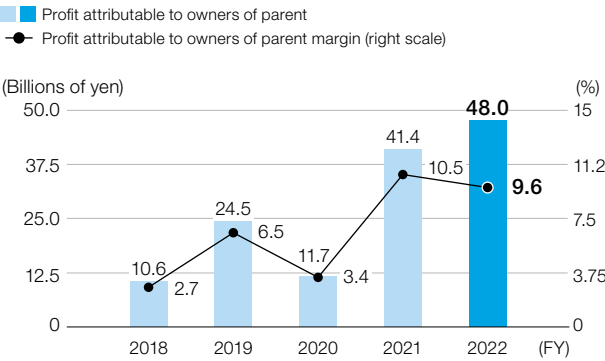
Energy consumed*



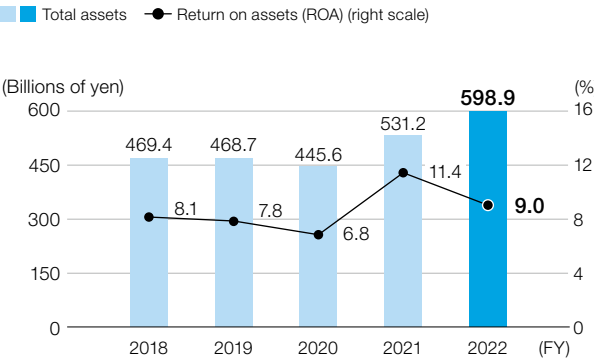
Energy consumed by source (thousand GJ)

	2020	2021	2022
Consumption of fuel from non-renewable energy sources (gas, heavy oil)	4,662.4	4,735.7	5,130.8
Purchased electricity consumption	1,818.8	1,944.2	1,923.5
Consumption of purchased electricity from renewable energy sources, consumption equivalent to procurement of non-fossil certificates	0.0	0.0	114.2
Consumption of fuel from renewable energy sources (photovoltaics)	0.4	0.8	0.7
Purchased steam consumption	295.8	312.2	315.8

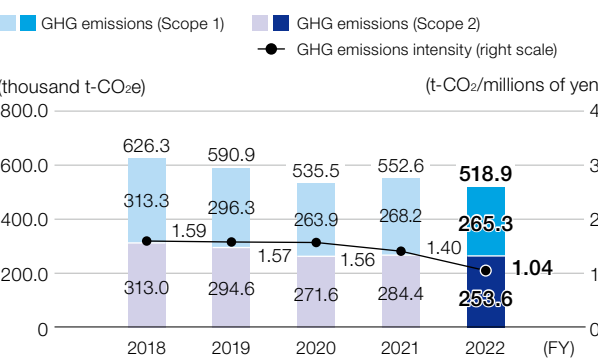
Profit attributable to owners of parent / Profit attributable to owners of parent margin



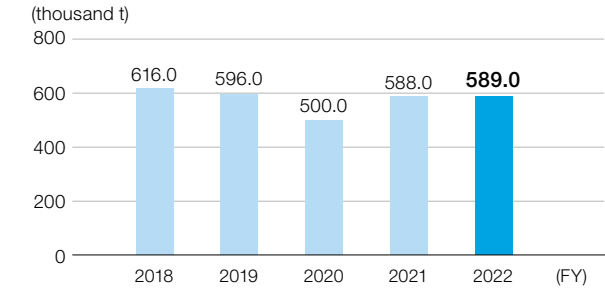
Total assets / Return on assets (ROA)



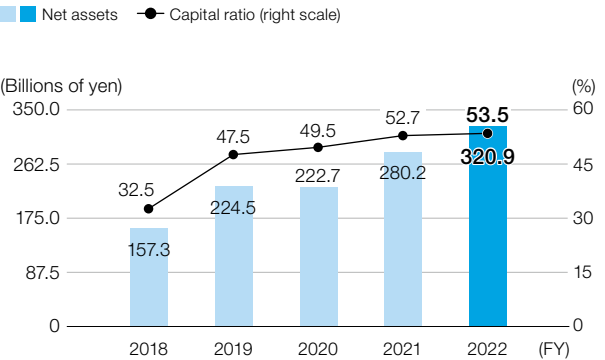
Greenhouse Gas (GHG) emissions*



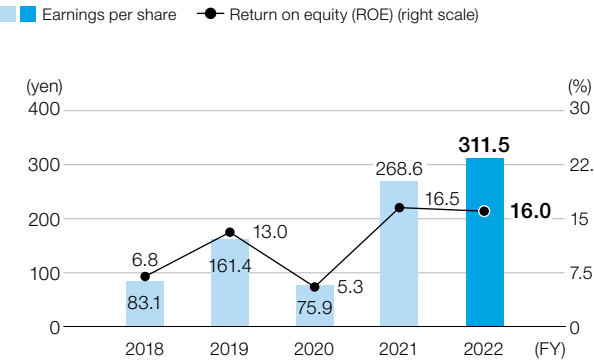
Raw materials used



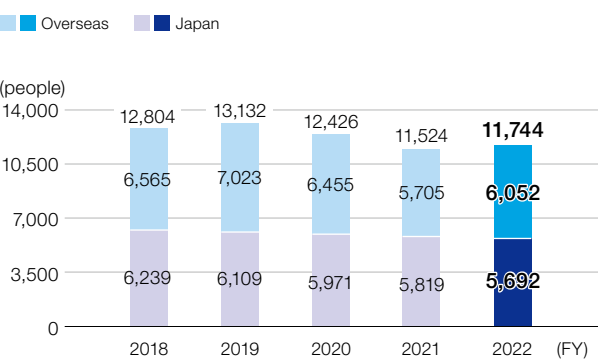
Net assets / Capital ratio



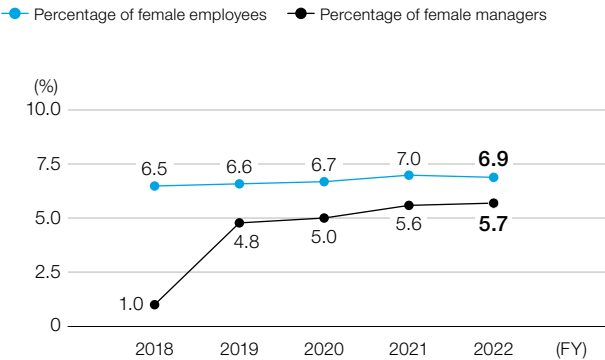
Earnings per share / Return on equity (ROE)



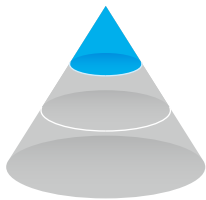
Number of employees (consolidated)



Percentage of female employees / Percentage of female managers (non-consolidated)



*Scope of energy consumed and greenhouse gas emissions: production sites and administrative/technical sites in and outside Japan



Material issues relating to value creation

These material issues illustrate the unique value that the Toyo Tire Group offers in its dedicated mission to society and the value that links directly to the Group’s purpose. We believe that the value we create and deliver through our business activities must contribute to the building of a society of sustainable mobility.

Material issue

01 Help create a society of sustainable mobility



Material issue

02 Support the enjoyment of mobility for all



- Environmental contribution (CO₂ emissions reduction): Reducing tire rolling resistance, improving EV compatibility, saving resources
- Safety: Maintenance-free products, diagnosis of tire wear
- Commercializing airless tires
- Ultimate enjoyment of driving and sophisticated features

Basic policy

We know that the sustainable future for tire and automotive parts manufacturers will only be ensured once a society of sustainable mobility has been created. That’s why we are contributing to help establish a society of sustainable mobility that boasts fewer environmental impact, fewer traffic accidents and efficient transportation. In addition to providing the necessary elements for promoting sustainability, we believe that using our unique products and services to satisfy the various features that people expect from superior mobility life will create added value designed to support a diverse mobile society, so that is what we intend to do.

Message from Vice President,
R&D Headquarters

Creating value from technology

Satoru Moriya
Director, Corporate Officer

The automotive industry is undergoing huge change, with the increasingly rapid advancement of all technological innovations for next-generation mobility solutions. In such an era, maintaining a high degree of safety awareness is the most important thing for us as engineers involved in the development of future tires. The Toyo Tire Group is always encouraging people to engage in technological development with the understanding that a vehicle’s tires are the only things that are in direct contact with the road surface, and as such, they support the vehicle body, and protect the lives of all its passengers.

Our ultimate quest is to create tires that are truly loved, trusted and supported by customers. Engineers sometimes get distracted by the idea that their thoughts and ideas are backed by technological theories and data, but the most important thing is to heed the opinions of the market and strive to achieve the performance that our customers require. Toyo Tire Corporation is not overly large compared to some of its global competitors. I believe the fact that we are able to promote close daily communication between production, sales, R&D, corporate and other functions reinforces our corporate strength.

For instance, here in the R&D function, we receive information on market needs from the market frontline via the sales function, which enables us to recognize customers’ perspective in a timely and detailed manner and develop differentiated products. Thanks to this inter-functional collaboration, we are able to create new product categories by

swiftly launching products with sophisticated design features that other companies don’t possess, while also pursuing a high level of basic performance.

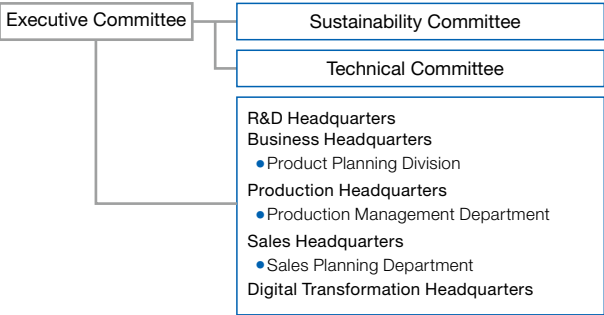
Meanwhile, environmental and social demands regarding decarbonization, resource recycling and other issues are growing stronger every year. We are entering a new challenging stage of achieving mutually opposing properties, which involves further reducing rolling resistance, developing sustainable raw materials that guarantee the same performance as existing materials, and intertwining that with elegant design features. Rising to these challenges will help generate the value that we want to deliver to society over the medium- to long-term, and we in the R&D function are determined to channel our efforts into doing just that.

AI, with its various uses, has become indispensable in the technology development field. Deep learning generates answers with overwhelming speed and accuracy, so, in future, it will be possible to carry out the whole process from tire development through evaluation by creating a tire model in a driving simulator and inputting characteristic value. Certainly, we will be able to do more things at the touch of a button, but it is important to be able to design technologies and products with a correct understanding of the underlying principles and facts. I don’t want our engineers to rely too heavily on AI-derived results. Instead, I want them to be able to explain the principles upon which their designs are based, and what great features make a great tire. We will also enhance training programs to nurture next-generation engineers who can use AI to expand their thinking skills and abilities.

Action promotion system (April 2023)

Spearheaded by our R&D Headquarters, we are working together with product planning, production management, sales planning and digital transformation (DX) functions and promoting sustainability-related activities based on various themes that correlate with the aims of our medium-term business plan.

The Technical Committee oversees the overall implementation of those activities and reports progress to the Sustainability Committee.



Technology-driven business strategy

Reducing the environmental impact of mobility

Reducing the CO₂ emissions of vehicles is a challenging issue that needs to be addressed across the supply chain. At Toyo Tire Corporation, our goal is to help reduce greenhouse gas (GHG) emissions per tire by 20% by 2030 compared to 2019 levels.

To cut CO₂ emissions of vehicles caused by running tires, we set the reduction of tire rolling resistance as a top priority and included improving the fuel efficiency grading of tires as a development requirement for product model changes.

Materials development is one of the approaches we use to improve fuel efficiency. We are constantly updating Nano Balance Technology, our proprietary platform technology for rubber materials, to facilitate more accurate predictions regarding specific material properties and optimize material structure, and we are now promoting the use of this technology in practical development. For instance, Comfort IIs, the new products in our PROXES global flagship tire brand series launched in Japan in 2023, uses a new naturally derived silica dispersing agent to reduce rolling resistance by 28% compared to PROXES C1S, the existing model, and to optimize wet-grip

performance and wear resistance.

We are committed to creating environmental value through the implementation of our business strategies, and by systematically and consistently improving the fuel-efficiency performance of our product lineup by coordinating the activities of our product planning and technical development teams.

* ● Tested at: Toyo Tire Corporation, using the indoor drum rolling resistance testing machine
● Tire size: PROXES Comfort IIs 215/55R17 94V and PROXES C1S 215/55R17 98W
● Rim size: 17 x 7.0J ● Inflation pressure: 210 kPa ● Load force: 5.26 kN
● Speed: 80 km/h
* Detailed data of this test was submitted to Tire Fair Trade Council.
* Different results may be obtained in tests conducted under the same condition.



Unique EV approach offers ultimate enjoyment of driving

Toyo Tire Corporation's unique strategy is to develop technologies and commercialize products in pursuit of design features and the ultimate enjoyment of driving while also satisfying high levels of environmental and safety considerations.

We participate in international races such as the Dakar Rally and the Baja 1000, which are said to be the toughest off-road races in the world. The knowledge and experience we gained from these races have fueled our product development, resulting in superior basic performance and aggressive pattern designs. Our efforts have been well received especially in the North American market, where heavy-duty SUVs have been gaining ground.

The spread of EVs is expected to both accelerate and further diversify as it makes its way to the North American market in the future. We will capture the EV market trends and work on our unique strategy to develop and enhance differentiated products that make the most of our strengths.



Vehicle equipped with Open Country M/T-R off-road racing tires

Developing solutions services

The use of IT and data is becoming increasingly embedded in the automotive industry. Going forward, this development will not be limited to manufacturing, with the very creation and utilization of data also becoming more important for improving business value. We are developing sensing technology that collects various information from tires, which are the only components of a vehicle to actually come into contact with the road surface, and promoting the idea of creating new added value by using tires as information acquisition devices.

The sensing technology calculates and processes various information detected by sensors attached to tires to derive the maximum level of tire performance. This enables us to understand and visualize the tire performance required for the road surface conditions under which the tire is currently being driven, and check whether the tire is demonstrating its due tire force*¹ when driving. Right now, we are conducting trials on public roads and circuits and moving forward with development to help achieve the required level of autonomous driving safety.

The Technology Development Division and the DX Promotion Division are collaborating on an application that can diagnose tire wear based on information about the usage status of truck and bus tires. The teams are conducting trials by asking customers to try out the app so they can improve the accuracy of their predictions and expand the range of

functions to facilitate the remote confirmation of air pressure and wear prediction results. This technology enables us to help improve the safety of drivers and passengers by encouraging customers to appropriately rotate their tires based on the wear predictions. We also expect it will have environmental benefits by extending tire life and increasing the possibility of reuse as retread tires.*²

*¹ Tire force is a term assigned by Toyo Tire Corporation that refers to actual tire performance as estimated from information input from the tire, such as air pressure, temperature, road surface distinction, load, wear and any detected anomalies.

*² A worn tire that is reused by replacing the rubber in the part of the tire that comes into contact with the road surface.



The app screen visualizes tire force during driving

Maintenance-free airless tires

Our “noair” airless concept tire is designed to facilitate maintenance-free, no-spare solutions that satisfy the needs of the next-generation mobility society in which people opt for self-service gas stations, home charging of electric vehicles and more prevalent car sharing. In 2017, noair became the first tire in the industry to demonstrate a level of performance that enabled it to be installed and driven on a passenger vehicle by achieving a level of durability and maneuverability that is close to that of pneumatic tires. We installed the noair tires on golf carts and conducted test drive events in 2022 as part of our efforts to facilitate their practical use. We are paying close attention to the formulation of laws and regulations regarding airless tires as we consider installing them on futuristic mobility vehicles and using them in recycling operations.



Golf cart using “noair” tires

Domain I Value creation

Message from Vice President,
Production Headquarters

What inspires our manufacturing

Yuji Miyazaki

Corporate Officer

Technology is advancing and the equipment used in manufacturing is becoming more sophisticated. However, I believe that manufacturing is a people-centric activity. The tires and automotive parts that the Toyo Tire Group handle are created through a number of processes that start with the kneading of rubber. Many employees play their part in each process and work closely together. Our Group has production bases in six countries around the world. Employees working in our new plant in Serbia are extremely enthusiastic to be working for a Japanese manufacturer, and I always think many of the employees at our plant in Malaysia display a level of energy that reflects their nation's growth. We have chosen to bring people with diverse ideas and different backgrounds together with a shared sense of purpose to invigorate our company and serve as a new source of growth. I feel very strongly that a company should serve as a bedrock that supports individual lives and that it must pursue sustainable development.

The production function has two main roles. One is to help create a prosperous society through our products. This forms the central axis for all that we do. We deliver products that our customers can feel comfortable and safe using because we conduct our work correctly and in accordance with standards that we have cultivated over many years. I am keen to foster a constant feeling of proximity to the customer even in the production function. We do that by guiding customers on factory visits arranged by the sales function in a proactive and

sincere manner, incorporating customer requests passed on by the sales function at the development stage, and making the most of any opportunities generated through inter-functional cooperation.

Our second role is to ensure we successfully co-exist with local communities and generate mutual prosperity. Companies that make products using the rich resources, environment, and labor of local communities have a duty to contribute to regional development. Each one of our plants works with local residents to address local environmental and social issues, and I believe the sense of belonging gained from participating in local society helps boost employee motivation and pride in their work.

The automobile is at a crossroads as its driving force shifts from the internal combustion engine to the electric motors. Our manufacturing sites are also dealing with various changes in terms of materials, manufacturing methods, required product performance and other factors. We currently apply results-focused digital transformation in the manufacturing process, but we will expand its use going forward to consider underlying elements by, for instance, analyzing and utilizing various digital data on the operational status of equipment to achieve highly efficient and high-quality manufacturing. We intend to create concrete solutions based on the answers derived from research conducted in the R&D function, because we believe that no one can give better shape to those ideas than we can. To that aim, I want to create even stronger and closer cooperation among equipment, manufacturing technology and other functions.

Launching the Serbia Factory

Initiatives designed to realize a decarbonized society are now visible across the automotive supply chain. Each of the Toyo Tire Group's production sites is playing its own part in this trend by improving the energy efficiency of manufacturing processes and expanding the use of electricity derived from renewable sources. Each production site is also working closely with the R&D function to upgrade the fuel efficiency of our products, address EV needs, and to make the necessary adjustments to production processes and equipment required to facilitate the use of sustainable raw materials.

The Serbia Factory, the Group's first production base in Europe, began operations in July 2022. The plant will serve as an export base for the buoyant North American market. It will also produce competitive tires that incorporate insight gained from the European market with its high requirements on environmental performance and other factors. The plant is expected to have a system up and running by the end of 2023

to manufacture approximately five million passenger vehicle-equivalent tires a year. The plant will also strive to reduce CO₂ emissions through the active use of renewable energy generated in-house by one of the country's largest photovoltaic power generation systems. This should also help advance Serbia's economic growth and progress on decarbonization. (see p46: Expanding the use of clean energy)



Message from Vice President,
Sales Headquarters

Creating value together with customers

Tatsuo Mitsuhashi

Director, Corporate Officer

I believe that the role of the sales function is to understand customer needs, communicate those needs internally in an appropriate manner, and encourage other departments to take action to address those needs. Toyo Tire Corporation does not sell tires through directly managed outlets, so our closest customers are our dealers. We have to understand the actual needs surrounding the products that our dealers want to deliver to final users, namely consumers. We also need to develop the marketing ability to unearth the latent needs of individual dealers regarding the added value they want us to provide in terms of available approaches, proposals and services. Different markets display different characteristics and a diverse range of different needs. I believe that our strength stems from our ability to precisely marry the things that customers are looking for with the areas that we should be addressing as a company.

The mission of the sales function is to ensure the tandem pursuit of strategies on sales and distribution channels. To achieve that, it is vital to accurately understand our position in the industry and our strengths and weaknesses, and I am always looking to raise awareness of these elements within the function. To date, the Group has built its own strong customer base through on-point marketing in the North American market, the provision of technology-driven differentiated products, and the sales activities that dovetail with customer demands. In 2018, we explored the structural changes in the market and moved forward with a bold

reorganization of our customer base to meet customer expectations and enhance our presence. This move generated subsequent growth for our company that outstripped the market average.

In other markets, we are also working to change the way we sell our products, including our distribution network. We cannot leverage our superior strengths in the same way and with the same speed as our larger competitors, so we need to be the first to instigate change. We recognize there is room to further reform our methods and strengthen our customer base in markets outside of North America.

Our strength when executing these sales strategies lies in our unique and flexible cooperation between functions and our ability to adapt with agility to information from the market frontline. One of the great things about our company is its ability to nurture an understanding of the kind of business opportunities that are out there, and where, as well as how to respond to those opportunities, not only in the production, sales and R&D functions, but across the whole company. I want to continue to promote and protect our mission to deepen understanding of our differentiated products, strengthen our sales capabilities and deliver products that are tailored to local needs.

Regional and sales strategies

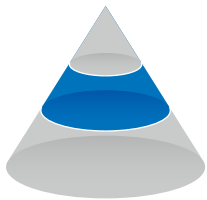
In the important priority market of North America, the Toyo Tire Group is developing a strategy to provide unique products that only it can supply, such as its wide light truck tires that have an overwhelming brand presence, through a sales network that is built upon solid relationships with local dealers. Going forward, we will continue to unearth potential demand and acquire new users through thorough user-focused sales and marketing activities. We will stay abreast of the shift toward EVs, while closely monitoring demand for off-road EV tires where our company excels. We are working together with the technical and sales divisions to prepare tires that dovetail with the latest vehicle development and sales trends.

In Europe, following the launch of our plant in Serbia, we are promoting local production of products that were previously supplied from Japan and Malaysia, for local consumption. We are also using high-performance products perfected at our European R&D Center to strengthen our customer base and

shifting our focus from unit sales volumes to increasing the proportion of priority products to total sales.

In Japan, we are focusing on expanding sales in SUV and other growing categories. We are launching priority products that include our renowned sophisticated features as well as products that offer high performance in terms of low tire noise and wear resistance. We are also drastically reforming our sales systems.

In Asia, we consolidated the production in Malaysia in 2021, and are moving on to promoting the switch to the TOYO TIRES branded products and expanding sales of high value-added products.



Material issues that underpin value creation

These material issues are recognized as an important foundation that supports the creation of unique value. Our focus is to continue to create value that delights our customers and society at large through the offering of unique products and services. To do that, we need to constantly strengthen the foundation for propelling and promoting the value creation and achieving sustainable development for the Toyo Tire Group.

Material issue

03 Support diverse talent with motivating challenges and job satisfaction



- Demonstrating ability and fostering motivation (developing talent)
- Securing diverse human resources (promoting diversity)
- Creating healthy working environments (reforming working styles)

Material issue

04 Continue innovating next-generation mobility technology



- Enhancing the development of materials and platform technologies for our products for a society of next-generation mobility
- Creating recycling technologies for products and raw materials
- Innovating low-impact alternatives to substances of concern

Human resource base

Our policy

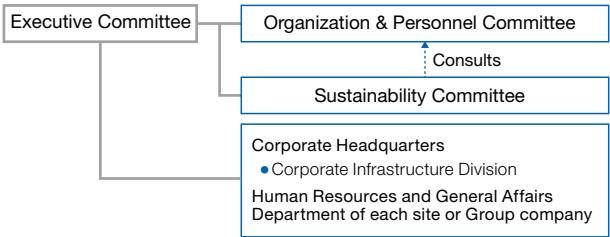
As part of our efforts to build a management foundation to support sustainable growth, we stipulated the development of a framework in the Medium-term '21 Plan that would enable diverse human resources to work together organically and play an active role based on enthusiastic job satisfaction, as well as a training system that upholds individuality, quality and ability.

We are actively developing a foundation that dovetails with these goals by enabling diverse talent to grow and play an active role, regardless of their nationality, gender, age, job experience, career aspirations or other factors. At the same time, we seek to achieve the best mix of talent through fair and unbiased recruitment and appointment that focus on ability, aptitude and achievements, and the swift promotion of the right person to the right job. In recent years, we have systematically advanced the appointment of women to management positions. Having achieved our goal to double the ratio of female assistant managers, which is a managerial candidate position, over the five years from 2016 to 2020 (2.03% to 4.65%), we have now set a goal to increase the ratio of women promoted from assistant manager to manager level or above compared to the ratio of men over the five years from 2021 to 2025 (from 70% in 2020 to between 80 and 120%).

In terms of human capital investment, we intend to invest resources over the medium- to long-term in systems that are vital for developing human resources, promoting diversity and creating healthy working environments (reforming work styles). These initiatives include the building of systems to promote the systematic development of business managers and professional talent for each function; the creation of office environments and human resources systems that diverse people are comfortable with; and the introduction of work styles and tools that help improve employee performance and communication.

Action promotion system (April 2023)

The Organization & Personnel Committee discusses and determines policies and important measures for strengthening the Group's human resource base, and the Corporate Headquarters is directly responsible for supervising the execution of these policies. The areas of activity relating to human resources that are entrusted to the Sustainability Committee are also based on these policies, and the committee will consult with the Organization & Personnel Committee when necessary.



Demonstrating ability and fostering motivation (developing talent)

In 2021, we reviewed our human resources system and significantly revised the evaluation and remuneration system and training system for the first time in 11 years. The new system clarifies what the Group expects of each role at each level and conducts evaluations based on these expectations to inspire employees to achieve results and grow. These practices are now being rigorously implemented. We also established a job evaluation system that responds flexibly to diverse job and career preferences, whether in specified or general employment, and raised the level of manager remuneration. We confirm the actual execution of these measures and systems through regular surveys and check whether they are having the desired effect. In

April 2023, we also partially revised the personnel system for non-career-track levels, including production bases.

In addition, we introduced a new training system in 2022 to promote the diversification of human resources. Specific measures covered the addition and reorganization of training at each level (the expected roles established under the new personnel system, our Philosophy and areas in which core employees should have a rudimentary knowledge, such as digital transformation and ESG issues), and the updating of selective training.

The training of general managers and division general managers seeks to encourage participants to strengthen their management skills through self-development and improve their leadership skills to help solve medium- to long-term issues. We also educate future management candidates to play an active role on the global stage through selective training for mid-level employees.

FY2022 training (Toyo Tire Corporation)

Training		Training hours	No. of participants
By level	New recruits	96	31
	First-year follow-up training	18	35
	Second-year brush-up training	18	33
	New assistant managers	24	35
	New managers	24	28
	New general managers/representatives	24	16
	New section leaders/assistant supervisors	8	17
	New assistant managers	8	10
Evaluator (primary evaluator or above)		4.5	71
Selective training I		20	5
Selective training II		48	5

Domain II Foundation for value creation

Securing diverse human resources (promoting diversity)

The Toyo Tire Group is committed to ensuring fair employment practices and treatment of employees, and to creating workplaces where diverse team members can flourish regardless of nationality, gender or other characteristics.

When it comes to the recruitment of human resources, we strive to secure a diverse range of talent across the world, by recruiting both new graduates and mid-career candidates, rehiring retirees and employing people with disabilities. We do not set recruitment targets for women or candidates of foreign nationality when hiring new graduates and we follow a fair and unbiased evaluation and recruitment policy for all talent.

We conduct career-building interviews with every employee and formulate human resource development plans in order to promote the active careers of all employees. The Group uses a uniform remuneration system for both men and women and provides equal reward to people doing the same job with the same qualifications. However, our analysis suggests that the difference in the ratio of male and female managers is resulting in the difference between total remuneration of men and women. Going forward, we will more actively promote women to managerial positions, and this will contribute to resolving such pay gap.

We are enhancing our theme-based training sessions, such as LGBT, empowering women, harassment, as well as e-learning programs on diversity and inclusion, to encourage a deeper understanding of diversity from different perspectives. We also plan to hold training sessions on unconscious bias to help build a culture that encourages employees to demonstrate their individuality and fuels innovation.

Employee diversity
(Toyo Tire Corporation, full-time employees)

Total	3,674 (-0.5% y/y)	
By age	Under 30	18.4%
	30-50	60.6%
	Over 50	21.0%
By gender*1	Male	93.1% (-0.2 pts y/y)
	Female	6.9% (+0.2 pts y/y)
People with disabilities	82	
Employees from countries other than Japan*2	14	
Total management personnel	859	
Management by gender*1	Male	94.3% (-0.1 pt y/y)
	Female	5.7% (+0.1 pt y/y)
Employees from countries other than Japan*2 in management	0.7% (-0.4 pts y/y)	

*1 Data by gender: Refers to data based on the sex assigned at birth. We do not have quantitative data on gender identity because it is difficult to obtain, but we aim to create workplaces where all employees can take an equal active part.
*2 Data on employees from countries other than Japan: Refers to data on foreign nationals as defined in the Nationality Act of Japan.

Creating healthy working environments (reforming working styles)

To create environments where diverse talent can flourish, we are making changes to working styles that improve work-life balance.

Since 2020, we have pursued particular measures to prevent long working hours. These include requiring all departments to take stock of their business administration and improve efficiency to create an organizational structure that doesn't require overtime, and encouraging the appropriate use of various paid leave systems. Overtime levels have decreased across the Toyo Tire Corporation compared to 2019 levels.

We also make it easier for employees to fulfill their childcare or nursing care responsibilities by establishing a leave system that enables employees to devote themselves to raising children under two years of age and caring for family members (a maximum of one year's leave for employees with immediate or second-degree family members requiring care), and creating systems and work environments that make it easier for men to take childcare leave. We have also introduced a system where annual paid leave that has expired after two years can be reinstated and used for reasons such as injury or illness, childcare or nursing care, volunteering, or hospital visits or hospitalization for pregnancy or infertility treatments.

We have achieved the targets set out in the action plan formulated based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children, and have received "Kurumin certification" from Japan's Minister of Health, Labour and Welfare in 2020 for satisfying certain requirements.

Meanwhile, we have reviewed our internal dress code to take into account diverse values and lifestyles and we have used the post-COVID era as an opportunity to change practices and create workplaces that enhance output through office reforms.

Employee opinion survey

We started conducting employee opinion surveys in 2021 to obtain a snapshot of our organizational culture, and are committed to conducting subsequent surveys once every two years in principle. Action plans for dealing with any issues identified by the survey results are independently and autonomously formulated and implemented by each headquarters based on the Toyo Tire Corporation's overall policy. Getting each headquarters to develop specific measures to address their own strengths and weaknesses will help generate improvements and resolve problem areas. As the secretariat, the Human Resources Department regularly monitors the progress of any measures taken, strives to steadily improve organizational culture through PDCA cycles, and reports to the Organization & Personnel Committee.

Platform technologies

Our policy

The Toyo Tire Group believes that the value we provide through our products and services must support the evolution of mobility required for a new age. We will continue to challenge technological innovation to help build a society that exists in harmony with the environment and supports safe driving.

Action promotion system (April 2023)

R&D Headquarters is responsible for promoting initiatives in this area. The Technical Committee oversees all initiatives and reports progress to the Sustainability Committee.

Expand the use of recycled and renewable raw materials

As a global manufacturer, we believe it is our mission to help promote the transition from a society that consumes resources to a society that circulates resources.

We conduct materials research and development with the aim of increasing the ratio of sustainable raw materials* used in our products to 40% by 2030 and 100% by 2050.

For example, by 2025, the Group plans to gradually introduce products made from recycled raw materials, such as recycled rubber made from used tires and recovered carbon black (rCB), as well as products made from highly wear-resistant materials. Furthermore, we are developing technologies to reduce the amount of petroleum-derived raw materials used, which have a large impact on climate change, and increase the use of naturally derived raw materials, such as biopolymers, which exert less impact.

Sustainable technology development: Initiatives and targets

Year	Ratio (%)
2020	~30%
2030	40%
2050	100%

Biopolymers, rCB, Rice husk silica, Bio-oil, Recycled steel, Recovered cord

Promote materials development with the aim of an initial 40% sustainable materials ratio per product by 2030.

*Toyo Tire Corporation defines sustainable raw materials as recycled raw materials and renewable raw materials.

TOPIC

Successful synthesis of butadiene rubber from CO₂

Joint research conducted by Toyo Tire Corporation and the University of Toyama has resulted in the development of a catalyst that converts carbon dioxide into butadiene at a high yield rate, and the successful synthesis of butadiene rubber, which is a main raw material for tires. The proportions of raw materials used in tires vary depending on the category of tire. Broadly speaking, natural rubber accounts for approximately 60% and synthetic rubber 40%, of which petroleum-derived diene rubber constitutes roughly 30%. Paving the way to naturally synthesize butadiene from carbon dioxide is expected to help minimize carbon dioxide emissions during the production process compared to existing petroleum-derived raw materials. Moving forward, we intend to proceed with the process development for mass production and aim to put it into practical use by the end of the decade.

Existing method: Synthesizing butadiene rubber using petroleum-derived butadiene as the starting material

New method: Synthesizing butadiene rubber using CO₂ as the starting material

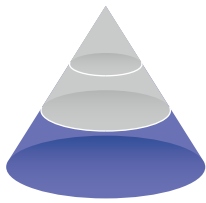
New catalyst

Circular economy

(A circular economy fueled by a technology that uses CO₂ as a carbon source for raw materials for manufactured goods)

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Material issues relating to risk management

There are various social responsibilities that we must fulfill as a company and that form the premise of our business management. These material issues epitomize the solid foundation required to ensure a sound and healthy environment and enable us to create our own unique value.

Material issue

05 Pursue decarbonization in all corporate activities



- Responding to climate change risks and opportunities (TCFD)
- Reducing greenhouse gas emissions
- Increasing use of clean energy

Material issue

06 Promote supply chain sustainability



- Procuring sustainable natural rubber
- Implementing supplier management and responding to conflict minerals risks
- Promoting efficient logistics

Material issue

07 Ensure the fundamentals of manufacturing: quality and safety



- Improving quality and increasing customer satisfaction
- Promoting improved awareness of tire safety

Decarbonization

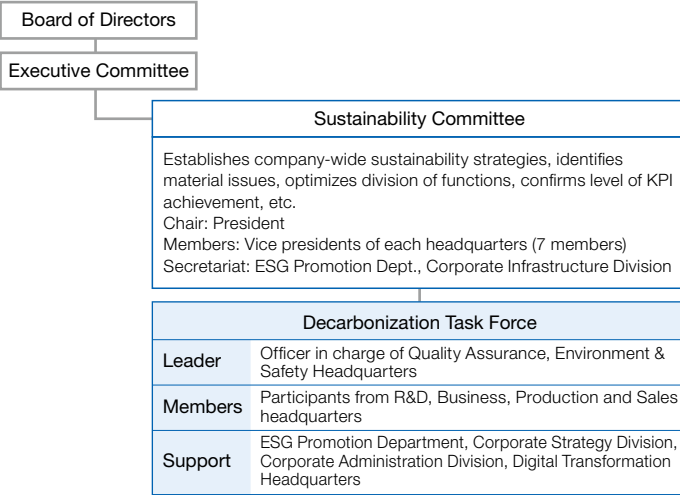
Our policy

The impact of climate change is becoming increasingly severe and society's demands regarding mobility are increasing all the time. The mobility business lies at the very heart of the Toyo Tire Group operation and, as such, we recognize that addressing climate change is the most important issue, and one which has the power to greatly influence our growth. For that reason, we are committed to reducing greenhouse gas (GHG) emissions and expanding the use of clean energy in order to achieve the long-term goals set forth in the Paris Agreement. We also support the TCFD recommendations and strive to disclose information based on the TCFD framework in order to stimulate dialogue, engage stakeholders and promote climate change initiatives.

Action promotion system (April 2023)

The Toyo Tire Sustainability Committee is chaired by the president and meets four times a year. The committee reports, deliberates and makes decisions on how to respond to climate-related and other sustainability issues, and what progress is being made. The Decarbonization Task Force, which sits under the Sustainability Committee, discusses climate-related activity plans, targets and KPIs, and the Sustainability Committee regularly confirms and monitors the status of those activities.

Any climate-related matters that have been debated and approved in the Sustainability Committee are then reported to or debated in the Executive Committee and reflected in the formulation or review of our annual and medium-term business plans. The developments are reported to the Board of Directors in a timely and appropriate fashion.



Climate change risks and opportunities

We conducted scenario analysis to ascertain the impact of climate change on the Group's business activities.

Scenario analysis process



1. Select scenarios to use and understand the outlook of each scenario

We assessed the impact of risks and opportunities in a baseline scenario (3-4°C scenario) and a transition scenario (1.5°C scenario).

Baseline scenario	Transition scenario
<p>(Scenario outlook)</p> <ul style="list-style-type: none">• No new political policies or stronger regulations other than what is currently envisioned• GHG emissions increase in some areas following economic growth• Extreme heat, heavy rainfall and other natural disasters intensify as temperatures rise	<p>(Scenario outlook)</p> <ul style="list-style-type: none">• New policies and stronger regulations are enacted to curb climate change• Global GHG emissions decline to net zero by 2050• Climate change causes sea level rises and changes in weather patterns, but they remain below those in the baseline scenario
<p>(Main scenarios referenced)</p> <ul style="list-style-type: none">• IEA Stated Policies Scenario (STEPS)• IPCC SSP5-8.5	<p>(Main scenarios referenced)</p> <ul style="list-style-type: none">• IEA Sustainable Development Scenario (SDS)• IEA Net Zero Emission Scenario by 2050 case (NZE)• IPCC SSP1-2.6

2. Investigate risks and opportunities, and 3. Assess significance

We identified climate-related risks and opportunities for each scenario and evaluated the significance of risks and opportunities based on the probability of certain events occurring that could prove to be pertinent factors in each risk and opportunity and the degree of impact on the expected costs and other factors in our business.

Highly significant risks

Scenario	Type	Climate-related events	Impact on business	Main financial impact	Significance
Baseline	Chronic	Changes in climate patterns	<ul style="list-style-type: none">• Migration of natural rubber tree crop zone, decline in quality• Energy supply system instability• Increased demand for crude oil, natural gas, etc.	<ul style="list-style-type: none">• Increased raw material prices (natural rubber)• Increased R&D costs (alternative raw materials)• Decreased sales, worsened profits (decreased tire production)	Medium to high
		Temperature rises	<ul style="list-style-type: none">• Deterioration of roads• Reduced areas of snowfall	<ul style="list-style-type: none">• Increased R&D costs (heat-resistant tires)• Decreased sales (winter tires)	Medium to high
		Sea level rises	<ul style="list-style-type: none">• Reduced natural rubber harvests• Compromised ports and warehouses	<ul style="list-style-type: none">• Increased raw material prices (natural rubber)• Decreased sales (reduced or suspended tire production)• Inventory/product damage (flood damage)	Medium to high
	Acute	Increase in extreme weather	<ul style="list-style-type: none">• Compromised infrastructure networks	<ul style="list-style-type: none">• Decreased sales and profits (overall business slowdown)	Medium to high
		Frequent and severe heavy rainfall	<ul style="list-style-type: none">• Transport network disruption, loss of commuting options• Flooding of natural rubber plantations	<ul style="list-style-type: none">• Decreased sales, worsened profits (revision of production plans)• Increased raw material prices (natural rubber)	Medium to high
		Increase and intensification of tropical cyclones	<ul style="list-style-type: none">• Marine transport delays, accidents	<ul style="list-style-type: none">• Increased transport costs• Inventory/product damage	Medium to high
Transition	Policy	Introduction of carbon pricing	<ul style="list-style-type: none">• Increased service prices as costs are passed on• Introduction of carbon border tax• Introduction of environmental taxes to auto-related exports	<ul style="list-style-type: none">• Increased distribution costs• Increased costs of R&D and equipment investment (shift to low-carbon products)• Worsened profits (tariffs)• Increased costs for purchasing carbon credits	Medium to high
	Market/reputation	Increased raw material costs	<ul style="list-style-type: none">• Fewer rubber plantations due to poor profitability	<ul style="list-style-type: none">• Increased raw material prices due to decreased natural rubber production	Medium to high

Highly significant opportunities

Scenario	Type	Changes in economy and society	Impact on business	Main financial impact	Significance
Transition	Market	Greater eco-conscious behavior by stakeholders	<ul style="list-style-type: none">• Acquisition of new business partners through focus on the environment• Increased added value of eco-conscious products	<ul style="list-style-type: none">• Increased sales and profits (acquisition of new business partners, increased added value)	High
		Expansion of low-carbon product market	<ul style="list-style-type: none">• Greater demand for products to go low carbon	<ul style="list-style-type: none">• Increased sales and profits (increased added value)	High
	Products/services	Increased environmental awareness in customers	<ul style="list-style-type: none">• Development and sales of products with low environmental impact	<ul style="list-style-type: none">• Increased sales and profits (increased share, increased added value)	High
		Growth of EVs/next-generation vehicles	<ul style="list-style-type: none">• Greater demand for EV tires, early-stage development and sales	<ul style="list-style-type: none">• Increased sales and profits (increased added value)	Medium to high
	Energy	Skyrocketing coal and oil prices	<ul style="list-style-type: none">• Expansion of EV market	<ul style="list-style-type: none">• Increased sales and profits (sales of EV tires)	High

Metrics and targets

Metrics

- Greenhouse gas (GHG) emissions (Scope 1, 2, 3)
- GHG emissions intensity
- Internal carbon pricing

Targets

- GHG emissions reduction targets

*Decided by the Sustainability Committee in November 2021 and approved by the Executive Committee in December 2021
*Announced on February 15, 2022

Scope 1 & 2	GHG emissions: Reduce GHG emission by 46% by 2030 compared to 2019 and aim to achieve carbon neutrality by 2050.
Scope 3	GHG emission per unit: We aim to help reduce GHG emissions per tire in 2030 by 20% compared to 2019.

Scope 1 & 2 initiatives

The amount of energy consumed increases in line with increases in production volume. However, as a means of addressing Scope 1 and 2 emissions, we are seeking to reduce energy consumption at our production bases by repairing process pipelines and introducing highly efficient equipment to improve energy efficiency, and also by encouraging automation and improving the usage of air-conditioning and lighting. In addition, we are switching to fuels that emit lower greenhouse gases.

Using heat recovered from atmospheric vapor

In August 2022, we introduced a steam ejector in our Sendai Plant that reuse steam utilized in vulcanization processes for hardening rubber. Used steam that would have been released into the atmosphere is now collected and blended with fresh high-pressure steam to create medium-pressure steam. Roughly 60% of the collected used steam can be reused, which reduces the amount of natural gas required to fuel the steam-generating boiler. This is expected to reduce the volume of CO₂ emitted from the plant each year by 550 tons.

Expanding the use of clean energy

The Toyo Tire Group is pressing ahead with its efforts to convert electricity used at production bases to that from renewable energy sources. In 2022, we converted 100% of the electricity purchased at our Sendai Plant to that from renewables. By the end of 2023, we plan to convert 100% of the electricity purchased at the Kuwana Plant and our tire plant in the United States to renewable electricity. After that, we will gradually expand the use of renewable electricity at our production bases in and outside Japan as well as at our Japanese administration and technical bases. The aim is to increase our global ratio of renewable electricity to 50% or higher by the end of 2023, and 90% or higher by 2030.

We are also introducing photovoltaic (PV) power generation systems for in-house consumption. The largest PV power generation system in Serbia (power generation capacity: 8.4 MW) was installed on the premises of our Serbia Factory, which launched operations in 2022. The system's annual generation of 10.15 GWh of electricity is helping reduce CO₂ emission by 7,100 tons a year.

Going forward, we will consider introducing PV power generation systems at other sites both in and outside Japan to help reduce CO₂ emissions from in-house power consumption.



PV power generating system at our Serbia Factory

Scope 3 initiatives

A calculation of GHG emissions throughout the Group's value chain based on the Japan Automobile Tyre Manufacturers Association's Tyre LCCO₂ Calculation Guidelines Ver. 3.0.1 revealed that emissions from product use phase in Scope 3 account for at least 80% of overall GHG emitted. Our technical division, with the help of the Product Planning Division, is working to develop fuel-efficient tires and other technologies to help reduce the CO₂ emitted by vehicles. According to the guidelines, fuel-efficient tires can reduce GHG emissions during use (during vehicle driving) by 95.4 kg CO₂e per tire for passenger car radial (PCR) and 879.0 kg CO₂e per tire for truck and bus radial (TBR) compared to standard tires. Over the medium to long term, the Group plans to upgrade fuel-efficiency performance each time it changes a tire model. (see p.35: Reducing the environmental impact of mobility)

Meanwhile, in the area of downstream transportation, we are encouraging a modal shift in Japanese trunk line transportation and promoting direct shipments of tires. These efforts helped reduce GHG emissions per tire weight by 9% in 2022 compared to 2019 levels.

Supply chain

Our policy

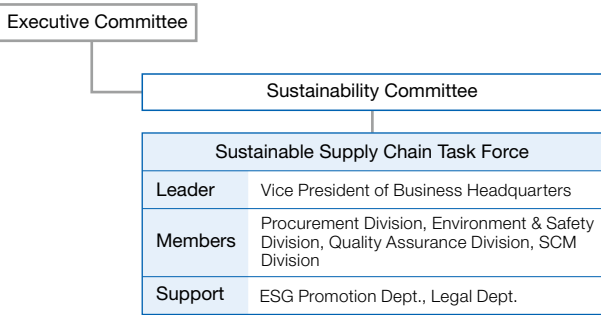
The Toyo Tire Group has established the Toyo Tire Group Basic Purchasing Policies and seeks to secure appropriate product quality and price through fair transactions.

We also formulated the Toyo Tire Group CSR Procurement Guidelines and the Sustainable Natural Rubber Procurement Policy. We work with our suppliers to further promote sustainable procurement that aims to mitigate, prevent and minimize the negative impact of our corporate activities on the environment and society and to improve our corporate value and competitiveness.

We also support sustainable logistics by improving the productivity and efficiency of truck transportation and ensuring safe cargo handling operations.

Action promotion system (April 2023)

We established the Supply Chain Task Force under the jurisdiction of the Sustainability Committee to discuss activity themes, targets and KPIs in relation to ESG issues in the supply chain. The Sustainability Committee regularly confirms and monitors the status of these activities.



Procuring sustainable natural rubber

The securing of a stable natural rubber supply into the future is an important management issue for a business group like ours that uses natural rubber as the main raw material. The natural rubber industry is facing issues relating to deforestation at production sites and the infringement of local residents’ rights. We recognize the importance of striving to solve these problems across the entire supply chain from production through consumption.

International cooperation for building a sustainable supply chain
Toyo Tire Corporation is a member of the Global Platform for Sustainable Natural Rubber (GPSNR)* launched in 2018 under

the leadership of the Tire Industry Project (TIP), which is part of the World Business Council for Sustainable Development (WBCSD). As a member, we participate in discussions designed to solve relevant issues. We are working to prevent deforestation, conserve biodiversity and water resources, uphold human rights and support local communities, improve the productivity of natural rubber and make our supply chain more transparent. We also exchange information with the civil society sector, which includes NGOs and other groupings that have specialized knowledge of environmental and social issues at natural rubber production sites.

Our aim going forward is to continue to cooperate with international initiatives and stakeholders and to build a sustainable natural rubber supply chain across our whole value chain.

Global Platform for Sustainable Natural Rubber

*A platform that seeks to transcend industrial boundaries and ensure that the production and use of the world's natural rubber is carried out in a way that is more conscious of the natural environment and social issues.

Promoting sustainable procurement
Following the guidance provided by GPSNR encouraging tire manufacturers to incorporate the platform’s Principles of Sustainable Natural Rubber into their business activities, we conducted a thorough review of the items related to natural rubber procurement that were determined as part of our CSR Procurement Guidelines. Then, from 2021, we strengthened our system based on the separate Sustainable Natural Rubber Procurement Policy. That policy is designed to improve the effectiveness of initiatives relating to healthy ecosystems, human rights, communities and other issues. Currently, in addition to conveying this policy to suppliers and asking for their cooperation, we are forming contracts with suppliers and exchanging information with environmental NGOs to ensure a

level of traceability that complies with the activity plan prescribed by our Supply Chain Task Force. We have also set up a dedicated contact point specifically for the natural rubber supply chain. We received no reports in 2022.

Supplier management

Using guidelines to engage suppliers
We have formulated the Toyo Tire Group CSR Procurement Guidelines and request suppliers to pursue activities in accordance with these guidelines to help address environmental and social issues across our entire supply chain. We also appeal to our suppliers to help convey the purpose and nature of these guidelines further up the supply chain. The guidelines are reviewed whenever there is change in social demands or the business environment. The guidelines have been published in Japanese, English and Chinese.

To help objectively assess environmental and social risks in our supply chain, we formed a contract with EcoVadis, a third-party organization that conducts CSR assessments, and commissioned CSR questionnaires of our suppliers from 2022. We conduct risk assessments based on the results of fair and objective surveys carried out by EcoVadis expert analysts, promote engagement with suppliers, and work together to solve any issues in our supply chain. We are gradually expanding the survey’s reach, starting with natural rubber suppliers, and aim to cover all our suppliers by the end of 2025.

Furthermore, since 2021, we have been conducting our own questionnaire of existing suppliers with regards to decarbonization, and we will strive to solve issues in order to reduce the environmental impact of our supply chain.

Fair and transparent transactions
We declared our commitment to free competition and fair trading in each market in the Toyo Tire Group Code of Conduct. We conduct our activities in compliance with antimonopoly and subcontracting law, pursue fair procurement activities, comply with import and export-related laws and regulations, and ensure appropriate labeling and product explanations.

For instance, the Group seeks to ensure business activities are based on fair and free competition by establishing purchasing regulations that stipulate the thorough implementation of fair and non-discriminatory business dealings and prohibit the development of personal interests with suppliers. At Toyo Tire Corporation, we have established anti-cartel regulations to prevent cartels and bid-rigging activities. In addition, we continuously perform self-inspections regarding compliance with subcontracting law and implement e-learning programs on the law.

Responding to conflict minerals risks

Conflict minerals response
In Europe and the United States, manufacturers are legally obliged to conduct due diligence when purchasing conflict minerals (tin, tantalum, tungsten and gold) and cobalt mined in conflict and high risk areas in light of the fact that the money from such purchases may be used to fund local armed groups and promote corrupt practices, such as human rights infringements, bribery and money laundering. When procuring minerals and raw materials mined and manufactured in such areas, the Group’s policy is to ensure those materials are not linked to human rights violations, environmental destruction, conflict, or corruption, and we enlist the cooperation of suppliers to trace back to the smelters and confirm that the raw materials purchased by the Group are not linked to any such inhumane acts. We would request remediation through our suppliers if any such concerns were to emerge.

Efficient logistics

As the shortage of truck drivers grows ever more serious in Japan, the Ministry of Land, Infrastructure, Transport and Tourism is developing initiatives to improve the productivity and efficiency of truck transportation and create more comfortable working environments.

To promote efficient logistics, Toyo Tire Corporation is instigating a modal shift to ships, national railways and large trailers for the long-distance transportation of goods in Japan dispatched from our factories. We have already shifted over 50% of transportation to these new modes, and, ten years from now, we aim to have reduced long-distance truck transportation to roughly half of 2022 levels. Ensuring even safer cargo handling operations will not only reduce the burden on drivers, but will also fuel economic growth and help create higher levels of job satisfaction.

Specific initiatives

- Introduced and expanded large container transportation by Japan Freight Railway Company for shipments from Sendai Logistics Center and Kuwana Logistics Center
- Introduced a large trailer transportation method that reduces the burden on the driver by changing drivers at transit points
- Installed safety fences in our Sendai Logistics Center warehouse following a risk assessment (to prevent tire racks from toppling or items from falling in the event of an earthquake)
- Installed monitoring cameras at logistics centers in each plant and distribution centers in Japan to ensure safe operation; installed monitoring cameras to ensure safe forklift operation

Quality

Our policy

Our principle for manufacturing is to provide high-quality and safe products and services that are useful to society, and we state our basic policy for product quality and code of conduct in the Toyo Tire Group Global Product Safety Policy.

The policy clearly states that product safety and global environmental protection must be taken into consideration throughout the value chain, from the product planning, development and design stages to production, sales, use and after-use.

We operate a quality management system based on IATF 16949 (or ISO 9001 at some production sites) predominantly at our production bases, and take measures against risk.

—ISO 9001 certification (as of the end of May 2023)

Production bases: 14 sites (3 Toyo Tire Corporation sites*, 11 affiliated company sites)

Sales bases (affiliated companies): 4 sites

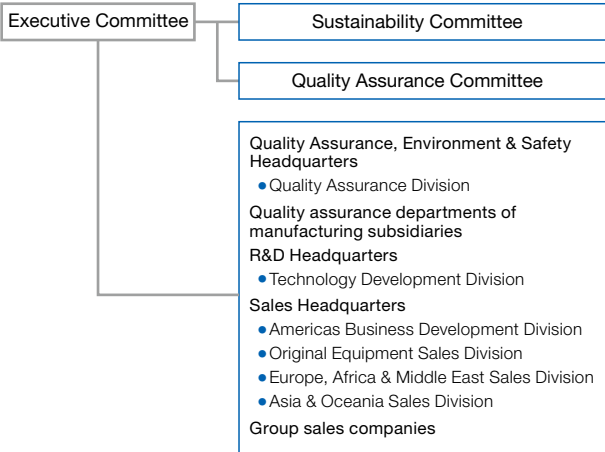
*The Kuwana Plant has independently acquired certification at two sites: its tire production plant and automobile parts plant.

—IATF 16949 certification (as of the end of May 2023)

Production bases: 9 sites (3 Toyo Tire Corporation sites, 6 affiliated company sites)

Action promotion system (April 2023)

Quality Assurance, Environment & Safety Headquarters is responsible for promoting initiatives in this area, and reports progress to the Sustainability Committee.



throughout the Group to ensure we comply with the increasingly complex quality-related regulations in each country.

Our tire and automotive parts businesses each hold annual Global Quality Management Committee (Global QMC) meetings, bringing together quality assurance managers and relevant representatives from manufacturing bases worldwide to share and discuss each site's initiatives related to product quality, improvement of quality assurance systems for production, and quality-related demand of our business partners.

In addition, at the four tire testing and evaluation sites in Japan, we test our tires in compliance with ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories) since our initial certification in 2013, and have been working to improve test accuracy and reliability to continue conducting tests in accordance with standard requirements.



Example Efforts to Meet Quality Standards

- Collecting information locally
- Making recommendations by participating in industry groups
- Exchanging opinions with regulatory institutions
- Sharing information on the latest legal and regulatory trends
- Giving presentations on legal and regulatory matters

Improving product quality

Meeting the quality standards of each country

In the face of factors such as greater climate change risks, many countries are rapidly introducing new regulations related to the environmental performance and quality of vehicles to promote higher fuel efficiency and reduce the CO₂ emissions. We are working to strengthen our response to quality standards

Increasing customer satisfaction

Responding to feedback from consumers

Every piece of feedback that we receive from our customers is valuable and conveys their expectations in the Group, thereby providing us with opportunities to further improve our products and services. In 2022, our Japan-based Customer Relations Department received a total of 2,669 inquiries by telephone or via our website. We respond to such inquiries by giving priority to accurate and simple explanations.

We analyze the content of these inquiries and send the findings to relevant departments to improve the usability of our products and services. Such efforts have led to the development of the Open Country series, our popular line of SUV tires, and the improvement of the readability of our catalogues and websites.

We take complaints seriously, and work with the Group's sales offices and technical service departments to ensure that issues are dealt with promptly and satisfactorily, and that the problem or complaint is resolved so that we can build long-lasting positive relationships with customers.

Visualizing manufacturing quality using manufacturing execution systems (MES)

The Toyo Tire Group aim to build a quality assurance system that can predict and prevent issues from occurring in the manufacturing process.

We have introduced automatic measuring instruments into the tire manufacturing process, and are launching a system that digitally collects and visualizes quality- and production-related information from production equipment. This will ensure quality in each manufacturing process, and make it possible to analyze and monitor collected data to detect changes in process trends.

Starting with the installation of manufacturing execution system (MES) at our Serbia Factory, a new production base that opened in 2022, we are working to introduce MES at other production bases, as well as foster data-centric talent and corporate culture.

TOPICS

Quality initiatives at our Serbia Factory

Our Serbia Factory, opened in 2022, features state-of-the-art technologies, such as enterprise resource planning (ERP) and MES, to visualize processes. By precisely linking the status information of each piece of highly productive production equipment, this "smart factory" unlocks a higher dimension of production management system optimization.

By using cutting-edge materials researched and developed at our R&D Center located in our European headquarters in Germany and by using high-performance technologies in each design process, the plant is responsible for the production of high-performance, competitive tires that respond to market insights, including the shift to EVs. The proving ground with a straight track of 720 meters and a total length of 1,690 meters, located adjacent to the plant, is used to carry out test runs. We use the results to promptly verify compliance with finely-segmented laws and regulations, and certification requirements in Europe.



Tire proving ground for Serbia Factory

Tire safety awareness activities

We believe that one of our most important duties is to help drivers learn how to use tires appropriately. Since the emergence of COVID-19, demand for cars as a means of transportation has increased, and improving awareness of safety precautions has become even more important.

Using our proprietary driving simulator, we offer a workshop for driver to experience the difference between worn and new tires when breaking on wet roads or getting a puncture, and maneuverability under different tire pressures. The results of a post-workshop questionnaires of participants indicates that this workshop has led to an increased awareness of tire safety.



A participant using the driving simulator

Sustainability and ESG Themes
beyond the material issues



Pursuing sound governance

- Challenge
- Engage in corporate management that meets societal needs and has a lasting positive reputation for value
 - Instill a healthy corporate culture and business practices
- Initiatives
- Deepening understanding of our corporate philosophy among executives and employees
 - Regular dialogue with shareholders and investors
 - Improving awareness of the Toyo Tire Group Charter of Corporate Behavior and Code of Conduct



Sound governance

Basic policy

The Toyo Tire Group practices the principles of Japan's Corporate Governance Code in an appropriate fashion to ensure effective corporate governance. We seek to ensure the rights and equal treatment of shareholders and to appropriately cooperate and engage in dialogue with our other stakeholders. We strive to make appropriate information disclosure and ensure transparency to help achieve those aims. The Board of Directors is accountable to the Company's shareholders and, as such, strives to appropriately execute its roles and responsibilities in order to enhance profitability and capital efficiency and, by extension, achieve the Company's sustainable growth and increase corporate value over the medium to long term.

In addition, our philosophy states that we will always seek to act in an impartial manner by prioritizing the desire to be useful to society through proper working practices as the basis for our decision-making.

As part of our efforts to strengthen compliance, which we consider to be the essential element that embodies this philosophy, we established the Toyo Tire Group Charter of Corporate Behavior as a set of common principles to help all Group companies conduct sincere business activities. We also formulated the Toyo Tire Group Code of Conduct to assist all executives and employees in implementing the Charter of Corporate Behavior, and seek to instill that code across the whole Group. The Charter of Corporate Behavior and the Code of Conduct are reviewed when appropriate and any necessary revisions are resolved upon by the Board of Directors.

Governance structure

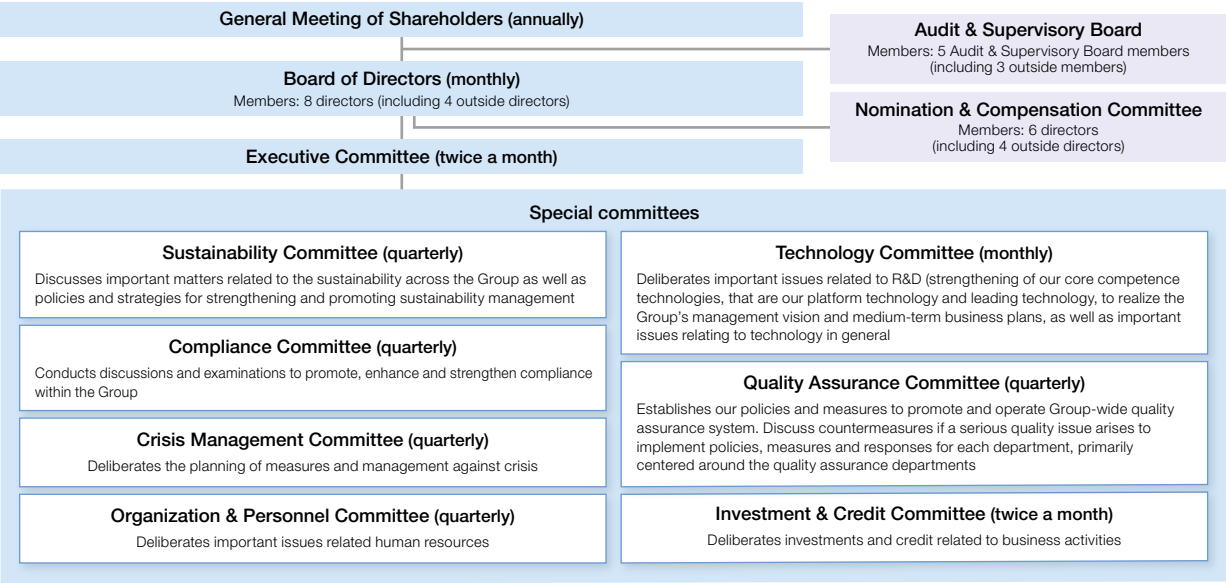
Our corporate governance system consists of the Board of Directors, which is responsible for decision-making and supervisory functions, and, under that, the Nomination & Compensation Committee, which acts as an advisory body to the Board of Directors on matters relating to personnel affairs, compensation and other matters pertaining to directors.

We also have an Executive Committee that makes decisions on business execution, various special committees that deliberate and consult on individual fields, and an Audit &

Supervisory Board, a body that audits the Board of Directors and the execution of directors' duties. This system enables all these functions to be fully exercised.

The Board of Directors meets, in principle, once a month to decide on important matters and supervise the execution of duties by directors. Outside directors attend Board meetings, take part in active exchange of opinions, and monitor and supervise management. The Board of Directors also receives regular reports on important management risks debated in the Executive Committee and the Sustainability Committee, supervises risk management and assesses its effectiveness.

Governance structure (As of March 29, 2023)



Governance overview

● Organizational format Company with an Audit & Supervisory Board	● Directors 8 ● (outside directors: 4) ● (female directors: 1)
● Audit & Supervisory Board members 5 ● (outside members: 3)	● Independent officers (including Audit & Supervisory Board members) 7
● Number of Board of Directors' meetings (FY2022) 17	● Attendance of outside directors at Board meetings (FY2022) 100%

Board of Directors' initiatives

Every year, we conduct a registered questionnaire of all directors and Audit & Supervisory Board members on the operation, composition, activities and other factors relating to the Board of Directors in order to analyze and evaluate the effectiveness of the Board as a whole. We entrust the aggregation, analysis and evaluation of the questionnaire responses to a third-party to ensure a fair result. We commit to further improving the functioning of the Board of Directors based on the third-party evaluation results.

[Overview of questionnaire analysis and evaluation, and future response]

The evaluation of many items increased compared to the previous year and progress had been made. As a result, we

believe that the effectiveness of the Board of Directors as a whole has been ensured. Management supervision has been evaluated particularly highly for the past seven years.

However, some did request an earlier completion of the preparation process so that they can work on further improving the quality of discussions to enhance Board effectiveness. We will continue to work to improve these and other issues.

Engaging in dialogue with shareholders and investor

Toyo Tire Corporation holds an annual general meeting of shareholders, and quarterly financial results briefings. Top management conveys its opinions on performance trends, business environments and future outlook for the Group to institutional investors and securities analysts when we announce interim and full-year business results. In addition to these activities, we also seek to promote understanding of Group strategy by creating multiple opportunities for the company president and other senior executives to engage in a dialogue on the issues that interest institutional investors and securities analysts, and providing quarterly opportunities (individual interviews) for investors to communicate and ask questions of IR staff. We also respond proactively to dialogue requests from institutional investors around the world either in the form of individual interviews or conferences. In 2022, senior executives engaged with investors through small meetings on seven occasions (81 attendees from 73 institutions) and IR staff handled 342 interviews for shareholders and investors from 254 institutions.

Compliance

Basic policy

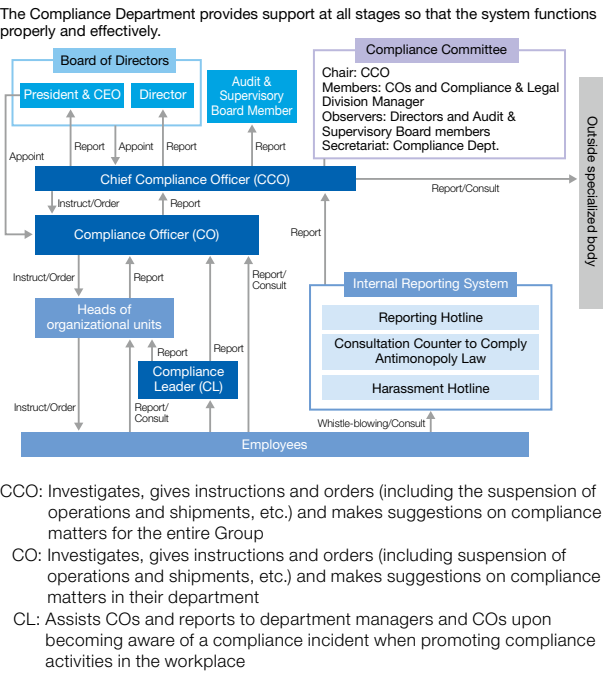
We ensure that all executives and employees within the Group prioritize compliance in their day-to-day operations.

Action promotion system

We set up the Compliance Committee as one of the special committees under the jurisdiction of the Executive Committee to consult and investigate ways to promote compliance. The Chief Compliance Officer (CCO), compliance officers (CO) and compliance leaders (CL) play a key role in promoting compliance under our compliance officer system.

The Compliance Committee, chaired by the CCO appointed by the Board of Directors, meets quarterly in principle, and reports the results of its discussions twice a year to the Executive Committee, which is supervised by the Board of Directors.

The status of activities to promote compliance is also reported to the Board of Directors as appropriate.



Company-wide risk management system

Risks expected to affect the Group's business activities are managed by the functional organization or meeting body associated with each risk. We are currently restructuring our company-wide risk management system in light of the need to further strengthen risk management, based on our awareness that the globalization of our business activities and supply chain has resulted in a wide variety of risks becoming more complex and interrelated.

The Corporate Headquarters identifies risks associated with climate change and human rights risks in all our business activities, including our supply chain, and assesses their materiality, formulates measures in cooperation with relevant divisions and reports on such activities to the Sustainability Committee. We plan to manage such ESG risks in conjunction with our company-wide risk management system.

Instilling the Group Charter of Corporate Behavior and Code of Conduct

We instill awareness in each and every Group employee and work to strengthen compliance by creating the Global Code of Conduct Handbook (available in nine languages: Japanese, English, Russian, German, Italian, Chinese, Thai, Malay and Portuguese) as a guide for putting the Toyo Tire Group Charter of Corporate Behavior and the Toyo Tire Group Code of Conduct in practice.

In Japan, we conduct read-along training sessions for all executives and employees, including Group companies, of the Code of Conduct Handbook or the Supplementary Reader with familiar and specific examples for manufacturing or sales sites. Upon completing the training, each participant submits a written pledge to promote compliance.

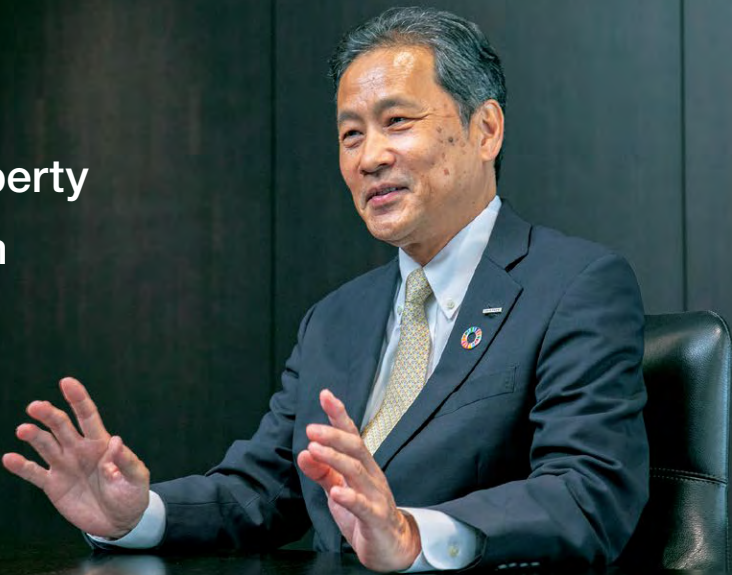
Conducting compliance awareness surveys

We conduct annual compliance awareness surveys to ascertain the degree of compliance-related awareness among employees and aid our future endeavors.



Message from the Chairman

Our Talent and Intellectual Property Drive Sustainability and Growth



Yasuhiro Yamada
Chairman of the Board

Looking back on the first half of the medium-term business plan, although external factors impacted the financial results, I am pleased to see that we are making a steady progress in the direction shown in our stated growth strategy. Examples of our achievements include the development of differentiated products that focus on the coming decarbonized society, our new Serbia Factory for the production of products for the local market coming into operation, the strengthening of our brand at the global level and a shift toward sustainability management. We have also been successful in allocating operating cash flow strategically to investments in growth and returns to our shareholders.

The second half of the business plan toward 2025 is the stage where we start harvesting the fruits of the measures we implemented in the first half. We need to accelerate the work we do in the areas exposed to major changes such as the shift to electric vehicles (EVs) and our solutions business initiatives. It is important that we are mindful of the possibility that unexpected changes may occur in the external environment, and that we become even more agile in responding to changes by ensuring that all our corporate functions across the globe work together.

From a slightly longer-term perspective, of all the conditions we are facing, the transition to EVs stands out as it is happening faster than expected, and there is a good prospect of services based on the CASE (Connected, Autonomous, Shared, Electric) model becoming a reality. Automobiles have a potential to become a solution for global social issues such as decarbonization, labor shortage and regional inequality as well as a platform that supports livelihoods. These huge waves of change can bring novel customer experiences. We need to be aware that the changes in the customer base that has supported our corporate value until now can be both a risk and opportunity for us. Our mission is “to create excitement and surprise with our products that exceed customer expectations

and enriches society.” We can seize these changes as an opportunity by understanding that new customer experiences will transform the quality of the excitement and surprise we create, and responding to it quickly and flexibly.

As for the effectiveness of our Board of Directors, I am pleased to see that, all in all, it has been improving every year. The diversity and skill mix of the outside directors have improved. More importantly, there is a healthy tension in discussions as the directors look at the big picture and express their views to the executive side freely and vigorously, and this is gradually becoming the culture of the Board. The synergy of this diversity and culture has made the discussions of important matters more thorough and meaningful, and this is improving the quality of decision making.

Another role of the Board of Directors is to make the executive side consider what a sustainable value creation process would be from a medium- to long-term perspective and encourage it to take the necessary risks to enable it. As the chair of the board, I would like to use oversight as a means of further boosting our earning power and guiding the Group for making it an organization that creates long-term value. I believe that the key drivers of our efforts to achieve stronger action on sustainability and more earning power at the same time are our talent and intellectual property in a wider sense, which includes customer loyalty and the power of the brand that belong to the organization. The human capital and intellectual capital are intangible assets that, if gathered, invested in and leveraged, will bring about a business model and a corporate brand that lead to sustainable corporate value creation.

We, the Board of Directors, are committed to playing our part in the Group's growth by continuing to monitor short-term results while also engaging in active debate that focuses on the future, which is essential in order to improve our medium- to long-term corporate value.

Messages from the Outside Directors



Ken Morita
Outside Director

The year 2023 marks the halfway point for Medium-Term '21 Plan, the Toyo Tire Group's published medium-term business plan. I appreciate that the Group has made a certain degree of progress and achieved results on specific management indicator targets, which represent a quantitative commitment.

In 2022, production activities did not proceed as planned for part of the year due to labor shortages and other issues at the North America plant. The North American business regained its usual strength following the implementation of various measures. However, in such situations, I believe it is necessary to carefully evaluate the particular nature of the plant, appropriately assess the validity of the Group's plan, and pursue what is ultimately the right path for the long term, rather than implement remedial measures that focus exclusively on progress against an existing production plan. The best approach is to guide and determine corporate direction through debate that considers the Group's strengths and weaknesses and links the ideas of individual business functions. I believe companies grow stronger by preparing the groundwork for that style of business operation.

Productivity at the new Serbia Factory is set to increase over the second half of Medium-Term '21 Plan. Here, the Group should consider how it intends to balance its pillar market of North America and other markets going forward, and ensure those considerations are incorporated into the plans for each regional product segment when executing production and sales policies.

To that aim, the R&D, production and sales functions should demonstrate their own specialist expertise, while remaining mindful of the need to enhance inter-functional

cooperation and optimize the capabilities of each individual function. I also feel that the Group should hone an objective sense and perspective with regard to any excessive or deficient elements that might arise from its functional organization and make the appropriate adjustments, while also strengthening the Group's strategic functions that provide the necessary materials for setting overall business direction and making management decisions.

Most people assume the world will continue on its evolutionary path toward a sustainable society. The intrinsic need for tires will not change dramatically, but we are likely to see changes in the shape and nature of mobility. We could see a clearer division of mobility needs between people who focus more on the practical elements of driving and those who place greater emphasis on driving pleasure and comfort. It will become increasingly important for the Group to develop strategies that successfully capture these trends and successfully differentiate the Group by leveraging its strengths.

In May 2023, Toyo Tire Corporation announced its research and development of butadiene rubber derived from carbon dioxide, and I feel the Company will also start to attract attention for its efforts to advance materials and processes that are not directly manifested as product functions.

In my role as an outside director, I am committed to supporting the continued development of the Toyo Tire Group by objectively analyzing current situations, making proposals that consider the Group's strengths and weaknesses and helping the Group strengthen its corporate frameworks to achieve sustainable growth.



Atsushi Takeda
Outside Director

In May 2023, the Japanese government downgraded the legal status of COVID-19 to a class V virus on a par with seasonal influenza. I admire how the Toyo Tire Group has managed to gradually enhance its strength over the first half of Medium-Term '21 Plan, despite operating under the shadow of the virus throughout that period.

The complications associated with the keenly awaited launch of the Serbia Factory were acceptable given the prevailing circumstances during the first half of the medium-term plan, but the Group now needs to determinedly progress to full-scale operations at the plant by the end of 2023.

I also believe that, ideally, the Group should continue the stable operation of the U.S. plant as planned and further strengthen its pillar business in the North American market. At the same time, I believe strongly that the Group's presence in the Japanese market will increase following the integral restructuring of domestic sales subsidiaries together with Toyo Tire Corporation itself. Given the fact that the automobile industry is currently undergoing major change, I believe the key to success in the second half of Medium-Term '21 Plan will lie in the Group's ability to fully utilize its data-driven solutions and other nascent technological innovation. It is vital that the sales function clearly understands and feeds through any pertinent information from the market in discussions with the R&D function to leverage the Group's expertise and encourage comprehensive action across all functions. The Group also needs to use current company-wide digital transformation (DX) initiatives to transform the way it operates and to establish new work styles. I want to see the Group use its COVID-19 experience to build its very own new working style, and to communicate the appeal of that style

both internally and externally.

I expect the airless tires that the Group is currently developing will prove an ideal product for promoting safe transportation in lightly populated areas and households with elderly residents. I expect the Group to conduct this kind of future-oriented discussions and reveal new banner products. The Toyo Tire Group promotes sustainability management by setting medium- to long-term targets based on material issues that dovetail with its corporate philosophy and aligning those targets with specific business issues. I'm keenly observing how the Group's steady build-up of a range of activities and the reliable application of activities to each individual issue can help realize sustainability.

The path ahead will be strewn with uncertain external factors. It is important for the Group to respond accurately and promptly to variable factors that are beyond its control, while achieving thorough and steady progress on issues that are not overly influenced by those factors.

The Board of Directors has already undergone considerable change during the Group's business restructuring and name change. I feel that proposals refined on the executive side are now being presented, lively discussions are being held that include outside directors, and the supervisory function of the Board of Directors is being amply demonstrated. Personally, I think it is important to visit frontline plants and research institutes to share awareness of various issues with senior managers. Going forward, I want to help the Toyo Tire Group develop and grow by continuing to prize this approach, while also stimulating more lively discussions on future development beyond Medium-Term '21 Plan.

Messages from the Outside Directors



Michio Yoneda
Outside Director

In the wake of COVID-19, Russia’s invasion of Ukraine and other events, the external environment proved turbulent in the years of 2021 and 2022, which represent the first half of Medium-Term ’21 Plan, and the impact on the Toyo Tire Group’s business operations was considerable. However, while there has been some volatility, overall business performance has held steady. My overriding impression is that the Group has managed to make steady progress because all functions have worked together to address global turmoil by adhering to the Group’s ultimate commitment to strengthen its ability to promptly and flexibly respond to change. Change is fast becoming a common occurrence, and the speed of that change is accelerating dramatically. One area of concern is the fragmentation of the global economy due to inflationary trends and bilateral tensions. Having said that, the flipside of any risk is opportunity, and, going forward, stakeholders will likely pay greater attention to the organization’s ability to respond swiftly to environmental changes. I think the important thing is for the Group to build on its achievements in the first half of Medium-Term ’21 Plan in the second half of the plan.

I have always said that digital transformation (DX) and human resources are key to achieving Medium-Term ’21 Plan targets. The core point of DX is not simply to change a company’s systems, but to change the very way it does business. I laud the Group’s united approach, which I believe will ultimately help foster more able human resources across all tasks. Right now, DX measures are primarily focused on rationalizing various functions but, once a sufficient degree of rationalization and effective functional utilization is achieved, I

think the Group’s ability to build new business models based on this progress will become increasingly important. People will be the resource that ultimately fuels these dramatic changes. Developing these kinds of human resources will enable the Toyo Tire Group to generate further growth.

Meanwhile, I believe that the Board of Directors can improve its effectiveness by instigating consistent reviews and incremental improvements. The Group is making gradual progress on this front, including the issue of more diverse representation, and I feel that the debate on this subject is extremely vigorous. In view of the increasingly global nature of its business, it must respond to risk-associated changes in economic environments from a global perspective. In such an environment, I believe one of the important roles of the Board of Directors is to encourage debate based on diverse perspectives, including those of outside directors, and actively engage in healthy risk-taking.

There will be times when the Toyo Tire Group will need to change its own processes and structures in order to ensure its business management can adapt to dramatic change. It can be extremely effective to listen to external perspectives when making those decisions. In other words, I think outside directors can serve as catalysts for change.

As an outside director, I can and will help the Group evolve by providing additional external perspective that will help strengthen its corporate organization.



Yukiko Araki
Outside Director

I was appointed outside director at the annual general meeting of shareholders held on March 29, 2023, and joined the management team at the half-way point of our medium-term business plan, the Medium-term ’21 Plan. Discussions of the Board of Directors suggest to me that, in spite of the global economic turmoil we have faced over the last few years, including the COVID-19 pandemic and the Russian aggression in Ukraine, the Group has succeeded in making progress to a degree by diligently implementing the Medium-Term ’21 Plan. However, we should not take it for granted that the Group will achieve the final targets, and must remain alert for changes that might arise in this uncertain world and addressing them well.

Particularly, I believe the key is going to be how the Group will respond to the business risks brought on by the shifting of focus on the environment and the wave of digitalization and turn them into opportunities. The Toyo Tire Group needs to consider carefully how these changes may affect the future of mobility, but judging by the policies adopted in Europe, we should assume that the speed of change may well be faster than we expect. We are entering an era where new players from outside the existing automotive supply chain can bring disruptive innovations that can change the social system fundamentally. The Group is good at product differentiation within its sector, but it is nevertheless necessary to ensure that it devises a strategy that anticipates these changes so that it can develop new technologies and products without slowing down. Another clearly urgent issue is digitalization of production lines, which must go beyond improving production efficiency. It is important to have a company-wide perspective of how to take manufacturing to the next level and add value to production

activities as the Group invests in and implements the plans.

We hear so much about the need for more diversity within companies and their boards these days, and I am aware of the male-dominated nature of the Group’s sector even within the manufacturing industry. However, manufacturing companies have a wide variety of functional departments, including the factory floor, and I hope to play a role in improving the diversity of the Group so that it can attract more women and give them the opportunity to flourish.

Staying on the subject of diversity, I believe that the Group also needs to strengthen its governance structure to ensure it is fit for the next stage of its business as it globalizes its operations. I think the Toyo Tire Group has a positive company culture that values harmony and cooperation. I am convinced that, if the Group maintains this culture and creates an environment where voices from diverse perspectives — be it from outside the Group or outside Japan — are welcomed, we will be able to make the Group stronger even in these times of uncertainty.

As we strive toward building a sustainable society, businesses will face even stronger demands from investors and wider society to embrace ESG and improve disclosure. I believe it is important that the Group firstly identifies priorities and high-impact issues to tackle in areas where it operates, including the business plans, business characteristics and suppliers, then applies its human resources and other management resources to those areas, and integrates them into the overall management strategy. As an outside director, I am determined to contribute toward the Group’s endeavor to achieve sustainable growth.

Directors, Audit & Supervisory Board Members and Corporate Officers



Director, Chairman of the Board
Yasuhiro Yamada
(Date of birth: April 8, 1958)
Number of shares of the Company held
3,929

Career summary, positions, assignment and significant concurrent positions

- Apr. 1983
- Joined Mitsubishi Corporation
- Jun. 2007
- Director, Hokuetsu Paper Mills, Ltd. (currently, Hokuetsu Corporation)
- Apr. 2013
- General Manager, Paper & Packaging Dept., Mitsubishi Corporation
- Apr. 2015
- Senior Vice President; Division COO, Living Essential Products Division, Mitsubishi Corporation
- Apr. 2018
- Adviser (full-time), Toyo Tire Corporation
- Mar. 2019
- Director, Chairman of the Board (current position)



Representative Director, President & CEO
Takashi Shimizu
(Date of birth: April 2, 1961)
Number of shares of the Company held
28,160

Career summary, positions, assignment and significant concurrent positions

- Apr. 1985
- Joined Toyo Tire Corporation
- Apr. 2010
- President, Toyo Tire Holdings of Americas Inc.
- Jan. 2013
- Division General Manager, Tire Planning Division, Toyo Tire Corporation
- Mar. 2014
- Corporate Officer; Division General Manager, Tire Planning Division, Tire Business Group Headquarters; General Manager, Europe Business Unit
- Jul. 2015
- Senior Corporate Officer; Division General Manager, Tire Planning Division, Tire Business Group Headquarters; General Manager, North America Business Unit
- Nov. 2015
- Representative Director, President & CEO (current position)



Director, Corporate Officer
Tatsuo Mitsuata
(Date of birth: December 13, 1964)
Number of shares of the Company held
12,570

Career summary, positions, assignment and significant concurrent positions

- Apr. 1988
- Joined Toyo Tire Corporation
- Jan. 2012
- President, Toyo Tire U.S.A. Corp.
- Jul. 2014
- General Manager, Europe Business Unit, Tire Business Group Headquarters, Toyo Tire Corporation
- Jan. 2016
- Corporate Officer; Division General Manager, Tire Planning Division, Tire Business Group Headquarters
- Jan. 2017
- Corporate Officer; Vice President, North American Business Development Division
- Jan. 2019
- Corporate Officer; Vice President, Sales Headquarters
- Mar. 2019
- Director; Corporate Officer; Vice President, Sales Headquarters (current position)



Director, Corporate Officer
Satoru Moriya
(Date of birth: December 23, 1965)
Number of shares of the Company held
8,751

Career summary, positions, assignment and significant concurrent positions

- Apr. 1989
- Joined Toyo Tire Corporation
- Nov. 2014
- General Manager, O.E. Tire Development Dept.
- Apr. 2015
- General Manager, O.E. Tire Development Dept.; General Manager, O.E. Tire Technical Service Dept.
- Jan. 2017
- Division General Manager, R&D Division No. 1
- Feb. 2018
- Corporate Officer; Division General Manager, R&D Division No. 1, R&D Headquarters
- Jan. 2019
- Corporate Officer; Division General Manager, Technology Development Division, R&D Headquarters; Division General Manager, Product Development Division
- Feb. 2020
- Corporate Officer; Vice President, R&D Headquarters
- Mar. 2021
- Director; Corporate Officer; Vice President, R&D Headquarters (current position)



Outside Director
Ken Morita
(Date of birth: October 24, 1948)
Number of shares of the Company held
0

Career summary, positions, assignment and significant concurrent positions

- Apr. 1971
- Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)
- Oct. 2000
- President, Matsushita Plasma Display Co., Ltd.
- Apr. 2006
- Senior Vice President, Panasonic AVC Networks Company (currently, Panasonic Connect Co., Ltd.), Matsushita Electric Industrial Co., Ltd.
- Jun. 2009
- Representative Director and Senior Managing Executive Officer, Panasonic Corporation
- Jun. 2012
- Adviser, Panasonic Corporation
- Nov. 2015
- Outside Director, Toyo Tire Corporation (current position)



Outside Director
Atsushi Takeda
(Date of birth: February 27, 1947)
Number of shares of the Company held
0

Career summary, positions, assignment and significant concurrent positions

- May 1970
- Joined Nippon Steel Corporation
- Jun. 2002
- Director, Nippon Steel Corporation
- Apr. 2006
- President and Representative Director, Nippon Steel Coated Sheet Corporation
- Jun. 2014
- Director and Advisor, Nippon Steel Coated Sheet Corporation
- Mar. 2016
- Outside Director, Toyo Tire Corporation (current position)



Outside Director
Michio Yoneda
(Date of birth: June 14, 1949)
Number of shares of the Company held
0

Career summary, positions, assignment and significant concurrent positions

- Apr. 1973
- Joined Bank of Japan
- Dec. 2003
- President & CEO, Osaka Securities Exchange Co., Ltd. (currently, Osaka Exchange, Inc.)
- Jan. 2013
- Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc.
- Dec. 2016
- Special Advisor (part-time), Toyo Tire Corporation
- Jun. 2018
- Outside Director, Asahi Broadcasting Group Holdings Corporation (current position)
- Jun. 2018
- Outside Corporate Auditor, Sumitomo Chemical Company, Limited (current position)
- Mar. 2020
- Outside Director, Toyo Tire Corporation (current position)
- Significant concurrent positions
- Outside Director, Asahi Broadcasting Group Holdings Corporation; Outside Corporate Auditor, Sumitomo Chemical Company, Limited



Outside Director
Yukiko Araki
(Date of birth: December 13, 1960)
Number of shares of the Company held
0

Career summary, positions, assignment and significant concurrent positions

- Apr. 1983
- Joined Japan's Ministry of International Trade and Industry (currently, Ministry of Economy, Trade and Industry)
- Jul. 2006
- Director, Tourism Economy and International Affairs Division, Policy Bureau of Japan's Ministry of Land, Infrastructure and Transport (currently, Ministry of Land, Infrastructure, Transport and Tourism)
- Jul. 2008
- Deputy Governor, Yamagata Prefecture
- Dec. 2012
- Joined Hitachi, Ltd.; General Manager, CSR Division, Legal and Communications Group; Member, Environmental Strategy Office
- Apr. 2018
- Corporate Officer; Executive General Manager, Sustainability Promotion Division, Government & External Relations Group, Hitachi, Ltd.
- Dec. 2020
- Outside Director, Fuji Pharma Co., Ltd. (current position)
- Mar. 2021
- Outside Director, Nakanishi Inc. (current position)
- Mar. 2023
- Outside Director, Toyo Tire Corporation (current position)
- Jun. 2023
- Outside Director, Hirose Electric Co., Ltd. (current position)
- Significant concurrent positions
- Outside Director, Fuji Pharma Co., Ltd.; Outside Director, Nakanishi Inc.; Outside Director, Hirose Electric Co., Ltd.

Directors and Audit & Supervisory Board Members

Director, Chairman of the Board	Yasuhiro Yamada
Representative Director, President & CEO	Takashi Shimizu
Director, Corporate Officer	Tatsuo Mitsuata
Director, Corporate Officer	Satoru Moriya
Director	Ken Morita
Director	Atsushi Takeda
Director	Michio Yoneda
Director	Yukiko Araki
Standing Audit & Supervisory Board Member	Satoshi Taketsugu
Standing Audit & Supervisory Board Member	Mitsunobu Kohno
Audit & Supervisory Board Member	Katsusuke Amano
Audit & Supervisory Board Member	Tomoyuki Matsuba
Audit & Supervisory Board Member	Yasuhiro Kitao

Note 1: Ken Morita, Atsushi Takeda, Michio Yoneda and Yukiko Araki are outside directors.
Note 2: Katsusuke Amano, Tomoyuki Matsuba and Yasuhiro Kitao are outside auditors.

Corporate Officers

President & CEO	Takashi Shimizu*	Corporate Officer	Hiroshi Nobuzawa
Senior Corporate Officer	Tomoshige Mizutani	Corporate Officer	Yoji Imura
Senior Corporate Officer	Masayuki Kanai	Corporate Officer	Tetsuo Shimomura
Senior Corporate Officer	Iori Suzuki	Corporate Officer	Kenta Kuribayashi
Corporate Officer	Tatsuo Mitsuata*	Corporate Officer	Tamotsu Mizutani
Corporate Officer	Satoru Moriya*	Corporate Officer	Ichiro Shima
Corporate Officer	Yuji Miyazaki	Corporate Officer	Junichi Uda
Corporate Officer	Kiyohito Hasumi		
Corporate Officer	Hideaki Takahashi		

*Indicates post held concurrently with that of director

Skill matrix

○ Major skill / ● Other skill

Name	Officer category	Outside	Area able to exhibit particular expertise										Nomination and Compensation Committee
			Corporate management	Sales and marketing	Research and development	Manufacturing and quality assurance	Finance and accounting	Legal and risk management	Experience outside Japan	Digital transformation	Sustainability		
Yasuhiro Yamada	Director, Chairman of the Board		○	●				●	○			●	
Takashi Shimizu	Representative Director, President & CEO		○	○	●	●	○	○	○	○	○	●	
Tatsuo Mitsuata	Director, Corporate Officer		●	○					○	●			
Satoru Moriya	Director, Corporate Officer		●	●	○	●				●			
Ken Morita	Director	●	○		●	●						●	
Atsushi Takeda	Director	●	○	●				●				●	
Michio Yoneda	Director	●	○				●	●				●	
Yukiko Araki	Director	●	●						●		○	●	

Financial Summary (11 years)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Consolidated results (millions of yen)											
Net sales	291,110	370,218	393,782	407,789	381,635	404,999	393,220	377,457	343,764	393,647	497,213
Gross profit	74,031	115,810	132,911	153,500	136,267	136,982	134,169	130,822	123,239	161,041	197,976
Selling, general and administrative expenses	58,380	78,569	85,401	90,119	86,952	91,674	91,779	92,374	86,911	107,960	153,930
Operating income	15,650	37,240	47,510	63,381	49,315	45,308	42,390	38,447	36,328	53,080	44,046
Profit (loss) attributable to owners of parent	13,218	11,596	31,240	1,674	(12,260)	15,476	10,553	24,482	11,682	41,350	47,956
Capital expenditure	22,958	28,999	40,711	48,338	23,930	22,381	29,722	42,633	26,967	37,766	47,303
Depreciation and amortization	15,125	19,511	21,858	24,828	24,856	25,538	25,795	25,162	21,005	21,468	26,748
Net cash provided by (used in) operating activities	15,874	41,558	37,789	41,305	38,865	13,430	19,063	11,229	53,796	34,465	15,172
Net cash provided by (used in) investing activities	(21,064)	(22,504)	(30,122)	(46,009)	(13,785)	(10,633)	(28,428)	(38,271)	(27,856)	(37,538)	(16,712)
Net cash provided by (used in) financing activities	(1,173)	(5,095)	(12,680)	19,051	(31,317)	(13,513)	12,829	20,732	(12,638)	11,697	(16,231)
Year-end consolidated financial position (millions of yen)											
Total assets	354,285	433,327	481,966	522,937	491,088	473,876	469,381	468,746	445,579	531,229	598,889
Total liabilities	247,651	291,817	297,327	347,572	345,466	310,061	312,130	244,237	222,885	251,073	277,974
Interest-bearing debt	132,855	129,849	131,780	162,035	132,930	119,963	137,327	118,545	110,578	128,784	135,436
Net assets	106,633	141,510	184,638	175,364	145,621	163,815	157,251	224,509	222,694	280,155	320,915
Non-controlling interests	2,788	3,793	4,062	3,513	4,043	4,735	4,511	1,747	1,918	201	231
Equity capital	103,844	137,716	180,576	171,851	141,578	159,079	152,739	222,761	220,776	279,954	320,683
Data per share (yen)											
Earnings (loss) per share	52.03	45.65	245.97	13.19	(96.54)	121.87	83.11	161.41	75.89	268.62	311.51
Cash dividends per share (annual)	7	12	45	45	45	45	45	45	45	76	80
Net assets per share	408.78	542.15	1,421.84	1,353.19	1,114.82	1,252.66	1,202.75	1,447.23	1,434.23	1,818.60	2,083.00
Financial ratio (%)											
Operating income margin	5.4	10.1	12.1	15.5	12.9	11.2	10.8	10.2	10.6	13.5	8.9
Gross profit margin	25.4	31.3	33.8	37.6	35.7	33.8	34.1	34.7	35.9	40.9	39.8
Selling, general and administrative expense ratio	20.1	21.2	21.7	22.1	22.8	22.6	23.3	24.5	25.3	27.4	31.0
Return on equity (ROE)	14.1	9.6	19.6	0.9	(7.8)	10.3	6.8	13.0	5.3	16.5	16.0
Return on assets (ROA)	3.9	9.7	10.2	11.3	8.7	8.3	8.1	7.8	6.8	11.4	9.0
Capital ratio	29.3	31.8	37.5	32.9	28.8	33.6	32.5	47.5	49.5	52.7	53.5
Debt to equity ratio	1.3	0.9	0.7	0.9	0.9	0.8	0.9	0.5	0.5	0.5	0.4
Payout ratio	13.5	26.3	18.3	341.3	–	36.9	54.1	27.9	59.3	28.3	25.7

Consolidated Balance Sheets

Millions of yen

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of 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
Retirement 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

Millions of yen

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of 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

Millions of yen		
	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (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 sale of investment securities	358	18,252
Gain on sale of shares of subsidiaries and associates	—	32
Total extraordinary income	4,639	18,583
Extraordinary losses		
Loss on retirement of non-current assets	487	395
Loss on sale of investment securities	92	7
Impairment losses	1,136	736
Loss on product compensation	1,083	456
Provision for loss on litigation	—	1,340
Loss on COVID-19	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

Millions of yen		
	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (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
Non-controlling interests	206	30

Consolidated Statements of Cash Flows

Millions of yen		
	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Income before income taxes	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 dividend income	(1,729)	(1,608)
Interest expenses	1,458	1,278
Foreign exchange losses (gains)	(2,654)	(4,438)
Equity in losses (earnings) of affiliates	(167)	(199)
Loss (gain) on sale of non-current assets	(4,280)	(299)
Loss (gain) on sale 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 losses	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)
Subtotal	49,549	33,563
Interest and dividends income received	1,706	1,528
Interest expense paid	(2,050)	(1,292)
Payments of product compensation	(9,419)	(3,086)
Income taxes paid	(5,859)	(16,067)
Income taxes refunded	539	527
Net cash provided by (used in) operating activities	34,465	15,172

Millions of yen		
	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(36,312)	(43,030)
Proceeds from sale of property, plant and equipment	524	6,135
Purchase of intangible assets	(2,410)	(3,360)
Purchase of investments in securities	(20)	(16)
Proceeds from sale 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 loans payable	(1,742)	7,159
Net 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 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 from newly consolidated subsidiary	4,898	—
Cash and cash equivalents at end of the year	53,592	41,600

Investor Information

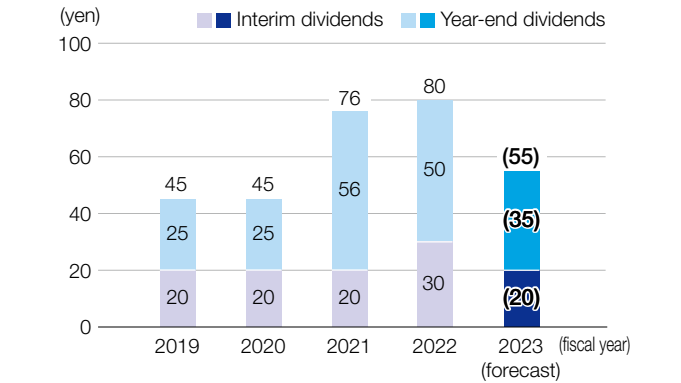
Stock information (As of December 31, 2022)

Total number of issued shares:	154,111,029
Number of shareholders:	38,885
Stock exchange listing:	Tokyo Stock Exchange
Shareholder register administrator and account management institution for special account:	Mitsubishi UFJ Trust and Banking Corporation
Independent auditor:	KPMG AZSA LLC
Fiscal year:	January 1 – December 31
Annual general meeting of shareholders:	March

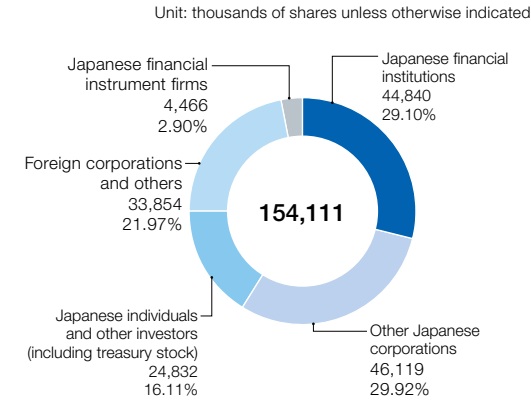
Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Mitsubishi Corporation	30,822	20.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,667	15.37
Custody Bank of Japan, Ltd. (Trust Account)	10,387	6.74
CEP LUX-ORBIS SICAV	5,867	3.81
Bridgestone Corporation	5,000	3.24
Toyota Motor Corporation	4,774	3.10
SMBC Nikko Securities Inc.	1,775	1.15
THE BANK OF NEW YORK MELLON 140044	1,734	1.12
Toyo Tire Employee Stock Ownership Plan	1,639	1.06
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,569	1.01

*The shareholding ratio is calculated excluding treasury stock (157,970 shares).

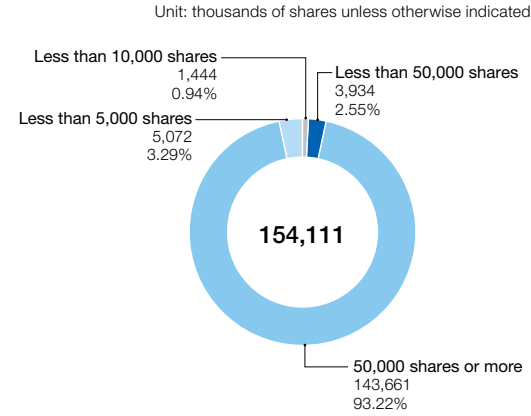
Changes in dividends per share



Breakdown by shareholder type



Breakdown by number of shares held



Corporate Data

Overview

Trade name	Toyo Tire Corporation
Established	August 1, 1945
Paid-in capital	55,935 million yen
Number of employees	11,744 (consolidated, including temporary employees) *As of December 31, 2022
Headquarters	2-2-13 Fujinoki, Itami City, Hyogo 664-0847, Japan Phone: +81-72-789-9100
Plants	Sendai Plant / Kuwana Plant, others
Lines of business	[Tire Business] Tires (for passenger vehicles, light trucks, trucks & buses) [Automotive Parts Business] Automotive anti-vibration rubber

Network in Japan

Office	Address	Telephone number
Headquarters	2-2-13 Fujinoki, Itami City, Hyogo 664-0847	072-789-9100
Tokyo Office	19F Shinagawa Seaside Park Tower, 4-12-4 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002	03-5780-8151
Nagoya Office	3 Syogayama, Uchikoshi-cho, Miyoshi City, Aichi 470-0213	0561-34-5911
Hiroshima Office	13-20 Hikari machi 1-chome, Higashi-Ku, Hiroshima City, Hiroshima 732-0052	082-264-3680
Sendai Plant	3-5-1 Fukiage, Iwanuma City, Miyagi 989-2484	0223-22-2191
Kuwana Plant	2400 Oaza Nakagami, Toin-cho, Inabe-gun, Mie 511-0294	0594-86-0100
Hyogo Manufacturing Complex	1183 Rokubuichi, Inami-cho, Kako-gun, Hyogo 675-1112	079-495-1519
Corporate Technology Center	3-10-1 Yato, Kawanishi, Hyogo 666-0131	072-789-1400
Tire Technical Center	2-2-13 Fujinoki, Itami City, Hyogo 664-0847	072-775-9000
Automotive Parts Technical Center	3 Syogayama, Uchikoshi-cho, Miyoshi City, Aichi 470-0213	0561-34-3211
Miyazaki Tire Proving Ground	2318 Kawakita, Tsuno-cho, Koyu-gun, Miyazaki 889-1201	050-3818-0090
Saroma Tire Proving Ground	Nishitomi, Saroma-cho, Tokoro-gun, Hokkaido 093-0504	

Affiliated companies (consolidated subsidiaries)	Address	Telephone number
Toyo Tire Japan Co., Ltd.	2-2-13 Fujinoki, Itami City, Hyogo 664-0847	072-789-9092
Toyo Tires Logistics Co., Ltd.	2-2-13 Fujinoki, Itami City, Hyogo 664-0847	072-789-9130
Orient Machinery Co., Ltd.	2-3-6 Fujinoki, Itami City, Hyogo 664-0847	072-787-7651
Toyo Chemical Industrial Products Co., Ltd.	1183 Rokubuichi, Inami-cho, Kako-gun, Hyogo 675-1112	079-495-1519
Fukushima Rubber Co., Ltd.	28 Aza Domaе, Miyashiro, Fukushima City, Fukushima 960-0116	024-553-1356
Ayabe Toyo Rubber Co., Ltd.	115 Kuri-cho, Sawa, Ayabe City, Kyoto 623-0222	0773-48-0001
Showa Estate Co., Ltd.	2-2-13 Fujinoki, Itami City, Hyogo 664-0847	072-789-9088

Global network

North America	Address	Telephone number
TOYO TIRE CANADA INC.	7791 Nelson Road, Unit #120, Richmond, B.C. V6W 1G3, CANADA	+1-604-304-1941
TOYO TIRE HOLDINGS OF AMERICAS INC.	3565 Harbor Blvd, Costa Mesa, CA 92626, U.S.A.	+1-714-229-6100
TOYO TIRE U.S.A. CORP.	3565 Harbor Blvd, Costa Mesa, CA 92626, U.S.A.	+1-714-236-2080
NITTO TIRE U.S.A. INC.	3565 Harbor Blvd, Costa Mesa, CA 92626, U.S.A.	+1-866-706-4886
TOYO TIRE NORTH AMERICA MANUFACTURING INC.	3660 Highway 411 NE, White, GA 30184, U.S.A.	+1-678-721-7200
TOYO TIRE NORTH AMERICA OE SALES LLC	3660 Highway 411 NE, White, GA 30184, U.S.A.	+1-678-721-7200
TOYO AUTOMOTIVE PARTS (USA), INC.	521 Page Drive, Franklin, Kentucky 42134, U.S.A.	+1-270-598-4100
TMM (USA), INC.	521 Page Drive, Franklin, Kentucky 42134, U.S.A.	

Central & South America	Address	Telephone number
TOYO AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	Carretera Estatal 431, Int63 Parque Tenologico Innovacion Queretaro El Marques, Queretaro, Mexico, Cp76246	+52-442-221-6183
NT MEXICO S. DE R.L. DE C.V.	Insurgentes Sur 800, Piso 9 Oficina B, Del Valle, Benito Juarez, Cp 03100 Ciudad De Mexico	+52-55-5998-9558

Oceania	Address	Telephone number
TOYO TYRE AUSTRALIA PTY LTD	1a, 2 Culverston Road, Minto NSW 2566, Australia	+61-2-8796-0222

Asia	Address	Telephone number
TOYO TIRE (SHANGHAI) CO., LTD.	Room 323, Ascendas Innovation Place, No.686 Jiujiang Road, Huangpu District, Shanghai, China	+86-21-58820880
TOYO AUTOMOTIVE PARTS (GUANGZHOU) CO., LTD.	No.10, St.2, Hefeng Erzong Lu, Yonghe Economic Zone, GETDD, Guangzhou, China	+86-20-82986828
TOYO TIRE ZHANGJIAGANG CO., LTD.	58,Donghai Road, Jiangsu Yangtze River International Chemical Industrial Park, Zhangjiagang City, Jiangsu Province, China	+86-512-35007100
TOYO TIRE (ZHUCHENG) CO., LTD.	Luhe Industry Area, Zhucheng, Shandong, China	
TOYO RUBBER CHEMICAL PRODUCTS (THAILAND) LIMITED	99/8,30,31 Moo 4 Tambol Kanham, Amphur U-Thai, Ayutthaya 13210, Thailand	+66-35-35-2347
TOYO TYRE MALAYSIA SDN BHD	PT 23101, Jalan Tembaga Kuning, Kawasan Perindustrian Kamunting Raya,P.O. BOX 1, 34600 Kamunting, Taiping, Perak Darul Ridzuan, Malaysia	
TOYO TYRE SALES AND MARKETING MALAYSIA SDN BHD	Level 2, Wisma Comcorp No. 37, Jalan Pelukis U1/46, Section U1, Temasya Industrial Park Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia	+603-5568-3188
SILVERSTONE MARKETING SDN BHD	Level 2, Wisma Comcorp No. 37, Jalan Pelukis U1/46, Section U1, Temasya Industrial Park Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia	+603-5568-3188

Europe	Address	Telephone number
TOYO TIRE HOLDINGS OF EUROPE GMBH	Halskestrasse 3-5, 47877, Willich, Germany	+49-2154-8911-111
TOYO TIRE DEUTSCHLAND GMBH	Halskestrasse 3-5, 47877, Willich, Germany	+49-2154-8911-111
TOYO TYRE (UK) LTD.	Shipton Way, Rushden, Northants, NN10 6GL, UNITED KINGDOM	+44-1933-411144
TOYO TIRE BENELUX B.V.	Blauwhekken 1, 4751 XD Oud Gastel, NETHERLANDS	+31-165-556475
TOYO TIRE ITALIA S.P.A.	via Napoli 33, 57014 Collesalveti, LI, ITALY	+39-586-962243
TOYO TIRE RUS LLC	127055, Moscow, Butyrskiy Val Street, 68/70, bld. 1, office 26B.	+7-495-987-1835
TOYO TIRE SERBIA D.O.O.	Industrijska 3 no. 5, 22320 Indjija, Serbia	