

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

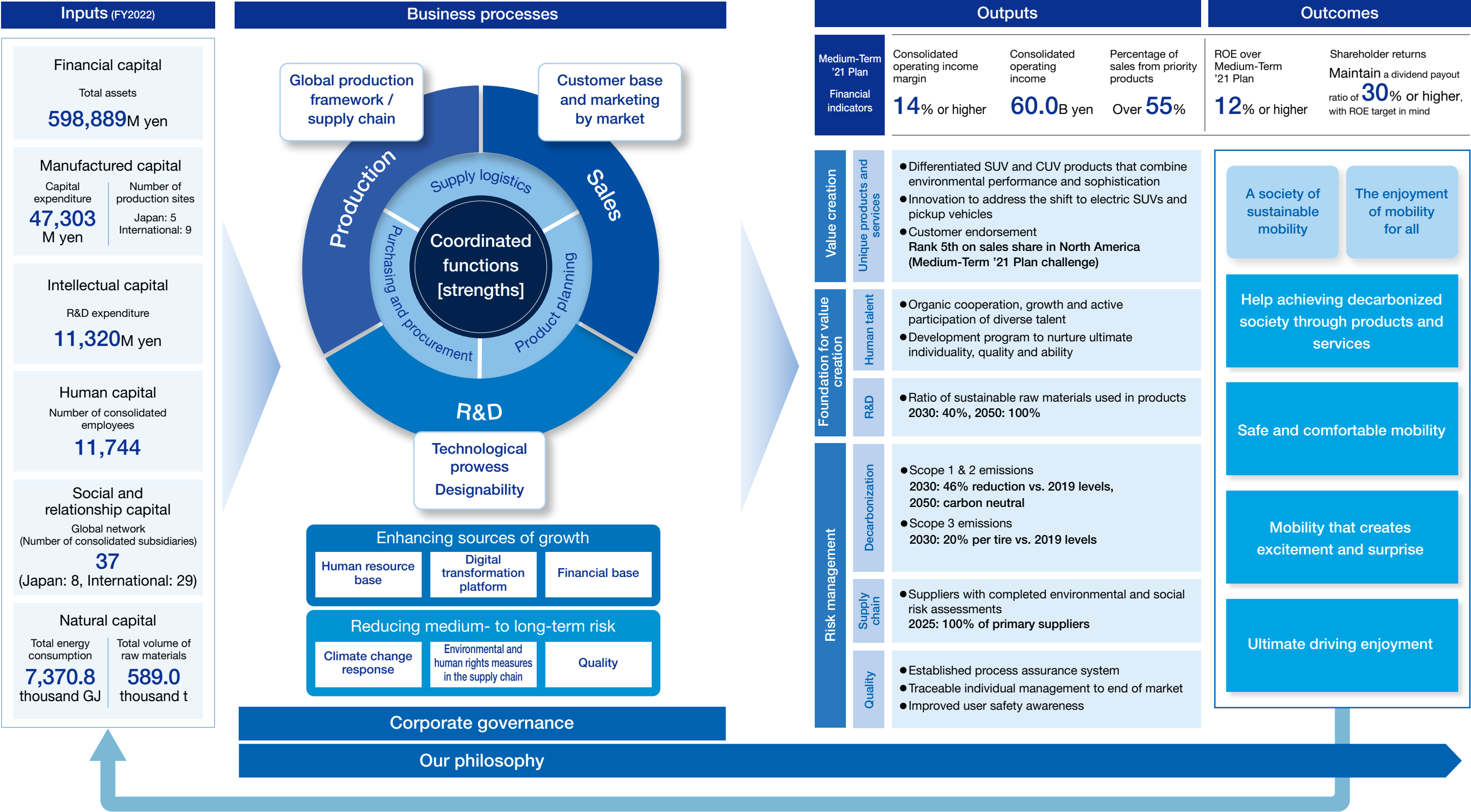
We understand that our own sustainability cannot be ensured without the sustainability of our suppliers of natural rubber and other raw materials, and that the genuine enjoyment of mobility is created through a healthy supply chain. We thus see environmental and social issues in the supply chain as key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

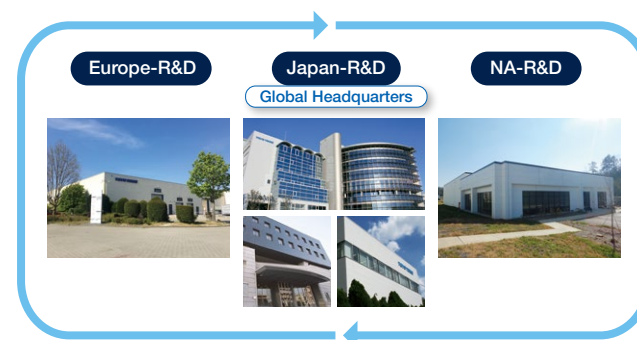
In 2022, we opened our first European plant in Serbia. The plant aims to deliver competitive products to the European market and to supply tires for passenger cars to the North American market. In Malaysia, we are consolidating our production bases and shifting to the production of high-margin brand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



- Japan-R&D**
 - All R&D functions
 - Development of high-performance technologies (research, development, evaluation, utilization of big data and AI)Responsible for all R&D functions and updates various platform technologies.
 - NA-R&D**
 - Marketing
 - Development of customer-oriented productsCooperates with the marketing department in North America, our core market, to develop customer-oriented products that respond to preferences.
 - Europe-R&D**
 - Advanced materials / next-generation mobility survey
 - Development of high-performance technologiesFocuses on surveys and research for the utilization of cutting-edge materials to facilitate the development of next-generation mobility technologies such as EVs.

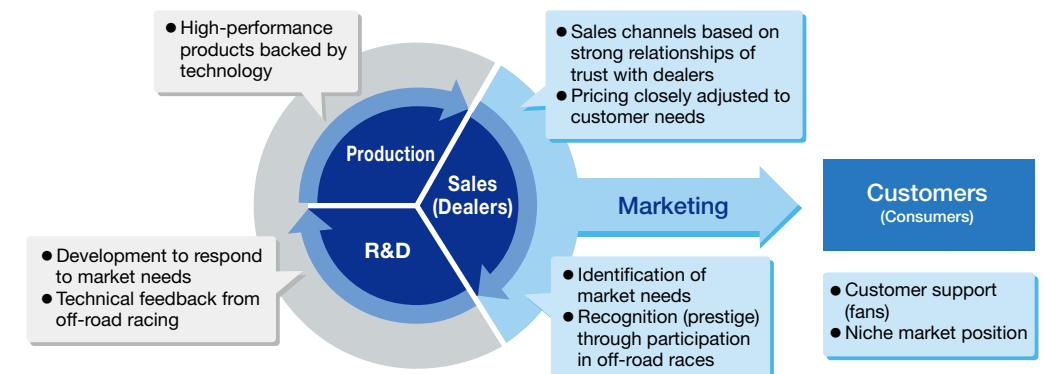
Solid customer base built to target the North American market

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.