

## Message from the President



**Takashi Shimizu**

Representative Director,  
President & CEO

**In these times of uncertainty, our ability to promptly and flexibly respond to changes in the turbulent environment is key to our endeavor to build a robust business foundation and enhance the Company's value.**

### Embarking on the final year of Medium-Term '21 Plan

2025 is the final year of the Medium-Term '21 Plan, which was published in 2021. The full-year fiscal 2024 results hit record highs for net sales, operating income, ordinary income and profit, achieving and surpassing targets, not only in terms of profitability but also against some of the key indicators such as return on equity. We have received positive feedback from many stakeholders that, as we embark on the final fiscal year, there is now a real prospect that the plan's key performance indicators can be achieved.

Looking back on the business environment in the last few years, we have experienced many unexpected changes that were not included in the assumptions of the medium-term plan at the time of drafting. Despite this, our ability to promptly and flexibly respond to changes, as envisaged in the medium-term plan as the shared goal to work toward, made it possible to beat back these challenges swiftly and keep going forward. This, more than anything else, is where I feel most proud of our collective achievement.

We reorganized the corporate structure from the traditional divisional framework we had since the Company's founding to a function-based framework in 2017 and shifted our operations to focus on the mobility sector with tires and automotive parts as our core business in 2018. Just when the operations based on the new structure got going, however, we faced economic turmoil triggered by the COVID-19 pandemic and the Russian invasion of Ukraine. Chaos ruled the world, and global economy was disrupted. It is not an exaggeration to say that the last four years truly tested our ability to respond flexibly.

In 2024, we recognized the changing trends in large-diameter tires for large SUVs, a segment where we had a competitive edge in the North American market, and pivoted back to our original proposition of maximizing customer value. We mobilized the sales, marketing, technical services and other related departments both in Japan and the U.S. to ensure we gave our absolute utmost to meet our customers' needs with attention to detail. As a result, in North America as of 2024, we have far exceeded the targets of the medium-term plan for the ratio of units sold, ratio of priority products to total sales and proportion of total sales already.

Meanwhile in Europe, the same year saw many players in the automotive industry move to scale back their operations through business restructuring and reorganization as the demands for cars slowed. We, on the other hand, were able to seize this opportunity to move forward by consolidating the sales functions that were scattered throughout the EU at separate offices into a new sales company in Serbia, collocated with our European production base. We were able to do this thanks to a solid operational foundation we had been building up through our collective efforts to bolster areas of our strengths, and it will enable us to further strengthen the foundation of our European operations.

While we adjust our strategy flexibly and precisely in response to the changing business environment, one thing I always keep in mind when I make decisions is that we must never lose sight of our value-led management policy. This policy means that we start by cultivating a close relationship with our customers to identify their latent needs and feeding those insights back to the development team. This simple approach to marketing forms the core of inter-functional coordination that enables product differentiation through which we strategically



select and supply unique and high value-added products that meet the market trends of different regions. This is the policy that has enabled us to establish a unique position in the North American market. Every member of the management team follows this policy fully, and it is filtering down from these management members to the frontline workforce of their respective functional organizations now.

When we faced the unprecedented crisis of the COVID-19 pandemic, I called on everyone in the Company to turn this challenge on its head and see it as an out-of-ordinary opportunity for organizational capability building. I gathered the leaders of all functional organizations every day so they could all share the information they had obtained fully with everyone present. We all came to the same table to discuss each challenge we were facing and exchanged views as to what approach we should take to address it so we could collectively agree on a course of action. The leaders of the functional organizations were all peers in this flat structure I convened, and once they grasped the shared information and made a decision together, it immediately translated into a Company-wide action plan to be implemented promptly.

This speedy response to changes has been characterized by our relentless focus on what the Company represents and where our uniqueness lies, and I believe that the results we achieved in fiscal 2024 are the fruit of the capability building work we underwent. We have already passed the half-way point of the final year of the Medium-Term '21 Plan and entered the second half. Over the remaining months, we will continue our endeavor to raise our competency further and beyond the management targets set forth in the Plan.

### Our progress in sustainability management

One of the challenges we have set out to tackle in the Medium Term '21 Plan is to integrate ESG principles into our business management and to embed sustainability management throughout the Company. The business plans of functional organizations incorporate activity themes that are linked to the material issues identified by the Sustainability Committee, which was established in 2021, and a system of monitoring and reviewing their progress is in place and well embedded. We are also

making good progress with ESG governance in aspects such as coordination with the Technology Committee and other special committees, consultations with the Executive Committee, and activity reporting at the Board of Directors meetings. I feel assured that we have made progress in integrating business management with sustainability, which is one of the key themes of the Medium-Term '21 Plan.

In the meantime, environmental and social issues surrounding our business are too numerous to list and are becoming increasingly visible. Governments around the world are introducing policies to address them, and our industry is also facing calls to address these challenges. We must keep a close eye on these trends and respond from medium- to long-term perspective, assessing what risks our operations will face and what opportunities may arise.

We are seeing many operational challenges emerge one after the other, be it the impact of geopolitical instability on energy security and supply chain operations or fierce competition from new entrants to the North American market with a price undercutting strategy, all of which may severely affect our ability to achieve the management targets of the Medium Term '21 Plan. It is one of my priorities that we ensure effective issue management across the Company by raising our risk sensitivity and agility.

As part of the project to develop the next medium-term business plan, we are currently conducting a detailed examination of the ESG-related risks and opportunities to incorporate into it. We plan to update our sustainability-related activity themes as well as their targets and action plans at the final Committee meeting of fiscal 2025.

For now, the medium- to long-term challenges we must address include effective measures to take us toward carbon neutrality by 2050, manufacturing for a circular economy, and managing natural capital risks, including biodiversity within our natural rubber supply chain.

With the chance of achieving our 2030 target now in sight, a milestone toward the carbon neutrality goal, it is important that we increase our contribution to net CO<sub>2</sub> reduction through emissions reduction from production processes, use of renewable and other next-generation energy sources, and supplier engagement toward

achieving our SBT-certified Scope 3 targets.

With the implementation of the Ecodesign for Sustainable Products Regulation (ESPR) by the EU as part of its circular economy action plan, it is also crucial that we link up our product strategy with technology development in aspects such as recycled material content, resource efficiency and recyclability to meet the new regulation. In addition, the EU Regulation on Deforestation-free Products (EUDR) is set to come into effect by the end of this fiscal year. As a tire manufacturer, we must do more than just comply with these regulations but address the fundamental issue that led to their introduction by playing our part in halting the ongoing loss of natural capital and restoring nature.

One of the material issues for us is to strengthen our human resource base, and we are working on it through consultation with the Organization and Personnel Committee, which is responsible for discussing and determining how we manage our human capital. We have introduced a framework for career development that clearly sets out the expectations for each role, evaluates employees in a way that motivates them to raise the bar of their performance, and promotes personal growth. We are also working to provide a diverse workplace for flexible, employee-centered workstyle choices, and create an environment where every employee can make choices that enable them to achieve their own performance targets and optimal work-life balance. I am pleased that we are making good progress in terms of human resources policy goals set forth in the Medium-Term '21 Plan.

That said, I recognize that the next medium-term plan must present a human resource strategy closely linked to the management strategy, and set out measures that bring out the full potential of our talents, which in turn lead to higher corporate value.

### Toward the next medium-term business plan

We are currently developing the new medium-term business plan that starts from 2026. Throughout the course of the Medium-Term '21 Plan, we focused on the North American market, but I believe that there are many segments in that market where we can leverage our strength to make further inroads. In the European and Japanese markets, where our

efforts have concentrated on regrouping and strengthening the foundation of our operations, we will be making preparations to spring into action.

With protectionist tendencies gaining prominence in the world, some say that the free trade order that made global economic growth possible is facing a risk of collapse. It will be more important than ever to set out how we are going to assemble our global supply chains in the new era. I am convinced that, by strengthening the resilience of our business foundation, underpinned by our philosophy and vision, we can bolster our ability to promptly and flexibly respond to changes further and improve the quality and speed of our decision-making even in the face of this uncertain business environment.

It is our sincere wish to continue our constructive dialogue with our stakeholders through this Integrated Report in order to truly improve our corporate value. Thank you for your continued trust in and loyalty to the Toyo Tire Group.

