

# CSR Report 2018





# Philosophy

## Company Philosophy

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

## Our Mission

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

## Our Vision

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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”

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### 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.

## Editorial Policy

When confirming the content and quality of this report, some of the GRI Standards, established by the Global Reporting Initiative and published in 2016, were used as reference. This report addresses activity performance for each of the seven CSR priority themes of the Group to answer questions regarding what impact the Group's corporate activities are having now and will have in the future on the economy, environment, and society.

Items that could have a substantial impact on the evaluation and decision making of stakeholders, such as the Group's mission, business strategy, and matters that stakeholders have directly expressed concerns about, have been positioned as material aspects (materiality) and are reported on as Topics.

The Group reports on its CSR activities in both Japanese and English, and these reports are available as a website version and pamphlet version\* (PDF version). The two versions should be used together as the pamphlet version (PDF version) provides a summary of activities while the website version provides their details.

\*The pamphlet version is Japanese only.

[〈Website report page〉](http://www.toyo-rubber.co.jp/english/csr/)

<http://www.toyo-rubber.co.jp/english/csr/>

[〈Pamphlet version \(PDF version\) download page〉](http://www.toyo-rubber.co.jp/english/csr/report/)

<http://www.toyo-rubber.co.jp/english/csr/report/>

[〈“GRI Content Index” page〉](http://www.toyo-rubber.co.jp/english/csr/gri/)

<http://www.toyo-rubber.co.jp/english/csr/gri/>

## Topic Boundaries

As a general rule, this report covers the company and group companies (all entities include in consolidated financial statements) taking into consideration factors including the organization's activities, their impact, and substantial expectations and interest of stakeholders. Scopes are noted individually for items for which the scope of the report differs. Although the Group transferred its Rigid Polyurethane Foam Business and part of its Chemical Industrial Products Business at the end of December 2017, some of the data in this report includes results from business sites that were transferred.

■ **Reporting period** : From January 2017 to December 2017

\*More recent information (up to June 2018) is included in some parts of the report.

■ **Reporting Cycle** : Once a year

■ **Contact point for questions regarding the report** :

TOYO TIRE & RUBBER CO., LTD. General Affairs Dept.,  
Administration Division

Information may differ from that previously announced as changes have been made to the scope of some of the data collected and conversion factors used in compiling process.

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# Business Impact of the Toyo Tires Group

The Toyo Tires Group engages in the mobility business in more than 100 countries and regions throughout the world, particularly in North America, Asia, and Europe.

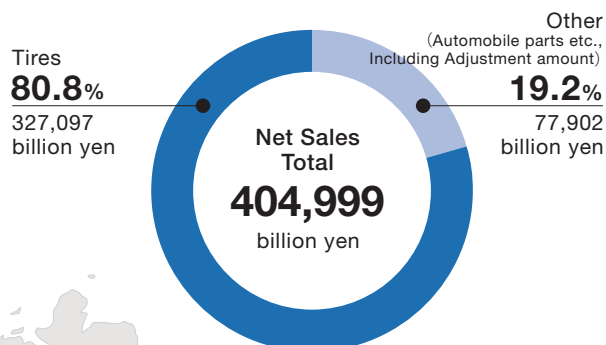
## Business Profile

Our primary business, which accounts for about 80% of net sales, is the production of automotive tires in Japan, the U.S., Malaysia, and China. We enhanced our supply capacity for tires at two plants in Japan, enabling us to increase production starting in 2018 by about one million tires compared to the previous year. Overseas, we are moving forward with efforts to reinforce our supply system at our U.S. and Malaysian plants, and as the first stage, we plan to build a system with greater production capability in 2019.

\*Annual number of tires produced is expressed in passenger car tire equivalent numbers  
<Product Brands> TOYO TIRES, NITTO, SILVERSTONE

In addition, we manufacture automotive parts that make use of our proprietary vibration control technology, such as automobile anti-vibration rubber, in Japan, the U.S., China, and Thailand.

### Net Sales by Business Segment



## Europe

Country where group companies are established

Germany, UK, Netherlands, Italy, Russia

European Tire Business Management

TOYO TIRE EUROPE GMBH

## Asia/Oceania

Country where group companies are established

China, Malaysia, Thailand, Australia

Consolidated Subsidiaries (Manufacturing base)

Toyo Tire Zhangjiagang Co., Ltd. (China)  
Toyo Tire (Zhucheng) Co., Ltd. (China)  
Toyo Automotive Parts (Guangzhou) Co., Ltd. (China)  
TOYO TYRE MALAYSIA SDN BHD  
SILVERSTONE BERHAD  
TOYO RUBBER CHEMICAL PRODUCTS (THAILAND) LIMITED



TOYO TYRE MALAYSIA SDN BHD

## Japan

Toyo Tire & Rubber Co., Ltd. (Headquarters)

Manufacturing base

Sendai Plant, Kuwana Plant,  
Hyogo Manufacturing Complex

R&D base

Corporate Technology Center  
Tire Technical Center  
Automotive Parts Technical Center

Consolidated Subsidiaries  
(Manufacturing base)

Fukushima Rubber Co., Ltd.  
Toyo Soflan Co., Ltd.  
Ayabe Toyo Rubber Co., Ltd.



Sendai Plant



Kuwana Plant

### Significant changes to the organization and its supply chain

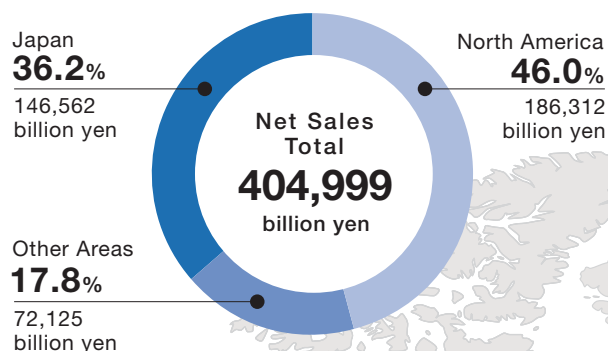
- The Chemical Industrial Products Business and Rigid Polyurethane Foam Business were transferred at the end of 2017, resulting in changes to related organizations, their supply chain structures, and details of contracts with business partners.
- \* See the Financial Results for details on changes to the organization (exclusion from the scope of consolidation).
- Production of automotive parts at TOYO TYRE AND RUBBER AUSTRALIA LTD. was terminated in early October 2017, resulting in changes to related organizations, their supply chain structures, and details of contracts with business partners. As of July 2018, although the company still exists as a tire sales company, this report addresses activity results for fiscal 2017 for the company as a production facility.

### Explanatory Notes

- : Headquarters & Business/Management
- : Manufacturing base ● : R&D base
- : Facility enhancement in 2017 ● : Main sales base

## Company Outline (As of the end of 2017)

### Net Sales by Geographic Segment



### Americas

Country where group companies are established

America, Canada, Mexico

Americas Tire Business Management

TOYO TIRE HOLDINGS OF AMERICAS INC.

Consolidated Subsidiaries (Manufacturing base)

TOYO TIRE NORTH AMERICA MANUFACTURING INC.

TOYO AUTOMOTIVE PARTS (USA), INC.

TMM (USA), INC.

Consolidated Subsidiaries (R&D base)

TOYO TIRE NORTH AMERICA MANUFACTURING INC.



TOYO TIRE NORTH AMERICA MANUFACTURING INC.

Company name: Toyo Tire & Rubber Co., Ltd.

Established: August 1, 1945

Headquarters: 2-2-13, Fujinoki, Itami City, Hyogo  
664-0847, Japan

Paid-in capital: 30,484,627,991 yen

Number of employees\*: 11,759 (1,144)

Number of employees by Geographic Segment:

Japan : 5,354 (1,144)

Americas : 1,927 (68)

Asia/Oceania : 4,370 (3)

Europe : 180 (2)

\*Number of people in parentheses is Temporary Employees

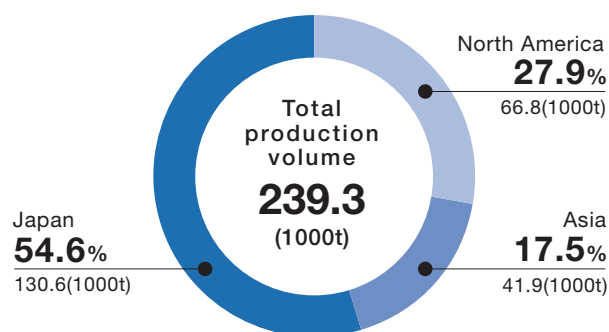
Consolidated subsidiaries:

Entities subject to consolidated financial statements : 44

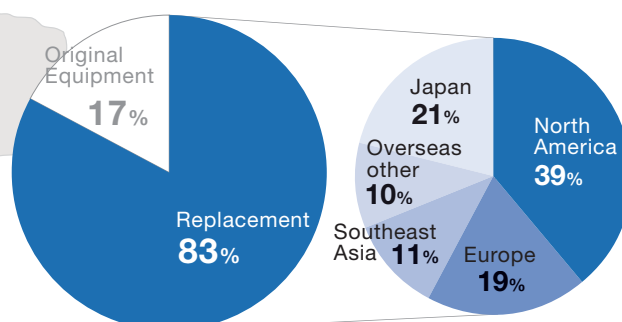
Affiliated companies : 11

\*Please refer to the securities report for economic performance in fiscal 2017.

### Percent of tire production volume (new rubber) by Geographic Segment



### Composition ratio of tire sales numbers by Geographic Segment



# Message from the President

## Pursuing Sustainability and Promoting Creation of an Entity that Can Win

### Approaching a Historic Transition Period

In fiscal 2018, the Toyo Tires Group started on a journey under a new structure that is centered on the mobility field, a field that encompasses tires and automotive parts. The automobile industry is approaching a historic transition period that is being referred to as a “once in a century” event, and major changes have also begun to occur in the structure of industry. It is my opinion that the only way to survive this transition period is to pursue “Our goal is to be a company”, which the Group touted in its philosophy since 2017, and to fulfill our mission.

As our mission, we have promised society that we will “create excitement and surprise with our products that exceed customer expectations and enriches society.” In addition to improving the quality of the mobility life of our customers through our technology, products, and services, I believe that this transition period will also enable us to maximize the value of next-generation mobility and contribute to the creation of a sustainable mobility society. The entire Group is currently striving to promote business management and reinforce the supporting business foundation in order to achieve this mission.



Takashi Shimizu

Representative Director and President  
Toyo Tire & Rubber Co., Ltd.

## Sustainability of a Mobility Society Vital for Business Activities

The Toyo Tires Group is now concentrating its business resources on the mobility field and moving forward to implement our Mid-Term '17 Business Plan, which is our growth strategy. For example, in the Tire Business, we are working to increase production capacity in the U.S., Malaysia, and Japan as well as reinforcing R&D functions in the U.S. and Europe. We are also engaged in efforts to improve rubber material design platform technology. In addition, in the Automotive Parts, we are steadily moving forward with investments for future growth, including joint development with EV manufacturers.

On the other hand, as we expand the scope of the Group's business globally, the impact of our business activities on society and the global environment is growing and becoming more complex. Through our communication with stakeholders, including customers, business partners, and investors, we realize that there are demands of the Group to achieve both business growth while responding to social issues. For the Toyo Tires Group to sustainably grow and develop, we believe that it is important to move forward with our business activities with the awareness that the existence of a sound and sustainable mobility society, the foundation of this growth and development, is vital.

## Promoting the Sustainability of the Toyo Tires Group

In January 2018, we identified environmental (E), social (S), and governance (G) issues that must be given priority, taking into consideration the major impact that they have on the decision making of our stakeholders as well as from the perspective of risks and opportunities stemming from the Group's business activities. Subsequently in May, we

positioned ESG issues as business issues related to the Group's sustainability and, based on approval of the Executive Committee, which serves as the decision-making body for business execution, we launched the Sustainability Promotion Working Group (WG) as an entity to undertake company-wide efforts. The WG brings together the responsible parties in related business organizations in the four topics of supply chain, environment, human rights and labor, and SDGs. It serves as a venue for discussions regarding the orientation and goals of efforts to tackle priority issues in collaboration with group companies both in Japan and overseas. In the future, based on the discussions by the WG, we will formulate policies that respect the standards and principles related to international norms and will fulfill our responsibility as a global company by undertaking business activities that adhere to those policies. As for progress in promoting the sustainability of the Group, we will also actively disseminate the CSR report.

## "TOYO TIRE", Resolutely Fulfilling its Responsibilities to a Mobility Society

At the 102nd General Meeting of Shareholders held on March 29, 2018, approval was obtained to change the company name to Toyo Tire Corporation as of January 1, 2019. With a new management system, we will be presenting a resolution for "TOYO TIRE" to be a genuinely global brand with renewed pride and reaffirming our responsibility towards this business. This change in our company name is a declaration of our intent to create a new history and continue to contribute to the mobility society.

Thank you for your continued support and encouragement.

July 2018

# CSR Policy

## Basic Policy (Established in May 2014)

The Toyo Tires Group seeks to remain a company admired by individuals and society, each member keenly aware of their “Connection” with society.

## Priority Theme & Ideal Status

Priority Theme	Ideal Status in 2020	Priorities	Stakeholders	
			Directly	Indirectly
<b>1</b> Product and Service Reliability and Innovation	Providing eco-friendly products and services founded on high quality and safety	<ul style="list-style-type: none"> <li>Ensuring product quality based on thorough customer orientation</li> <li>Efforts to alleviate and adapt to climate change</li> <li>Development of human resources with technical expertise</li> </ul>	Customers	Shareholders and Investors Creditors Business organizations
<b>2</b> Contribution to the Global Environment	Promoting environmental management on a Group-wide basis	<ul style="list-style-type: none"> <li>Efforts to alleviate and adapt to climate change</li> <li>Efforts to reduce water risk</li> <li>Resource recycling efforts</li> </ul>	Local Communities Environment	NGOs Shareholders and Investors Business organizations
<b>3</b> Respect for Human Rights and Diversity	Diverse employees actively working in an environment with a global sense of human rights	<ul style="list-style-type: none"> <li>Fulfilling responsibility to respect human rights</li> <li>Review labor standards taking into consideration customary international law</li> </ul>	Employees	NGOs Shareholders and Investors Business organizations
<b>4</b> Collaboration with Business Partners	Entire supply chain engaging in CSR activities	<ul style="list-style-type: none"> <li>Supply chain management (Society and Environment)</li> </ul>	Business Partners (Suppliers/Logistics)	Shareholders and Investors Business organizations Local Communities NGOs Government
<b>5</b> Harmony with Local Communities	Contributing to local community development while responding to stakeholders' voices	<ul style="list-style-type: none"> <li>Engagement with local communities</li> <li>Preserving biodiversity</li> </ul>	Local Communities Environment	NGOs Government Shareholders and Investors
<b>6</b> Creation of Safe and Healthy Workplaces	With priority given to safety, promoting the creation of workplaces that ensure well-being and security	<ul style="list-style-type: none"> <li>Global-level worker safety and health management</li> </ul>	Employees	Business organizations Shareholders and Investors NGOs
<b>7</b> Reinforcement of Corporate Governance and Compliance	Engaging in business activities with integrity while constantly improving management transparency	<ul style="list-style-type: none"> <li>Reinforcing corporate governance</li> <li>Further spreading awareness of placing greatest priority on compliance</li> </ul>	We are working to reinforce corporate governance/compliance as the foundation of CSR management, while paying close attention to all stakeholders.	

## Identification Process of Priority Themes (2013-2014)

We have identified, from a wide range of CSR issues, those that need to be addressed as a high priority, based on the materiality of each issue to the Group and its stakeholders. In May 2014 we consolidated those issues into seven priority themes.



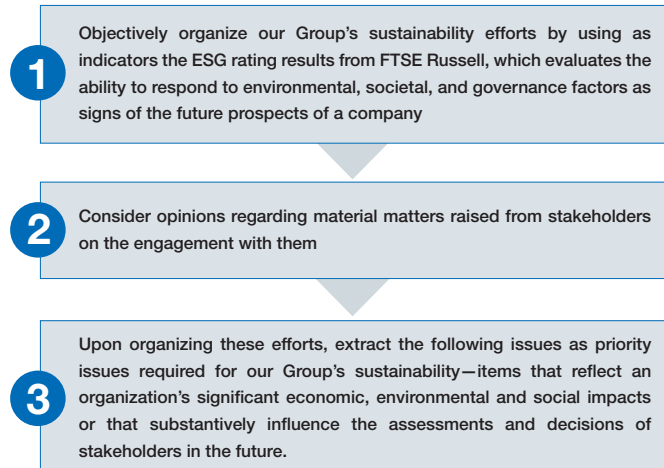
## Extracting priority issues required for the sustainability of the Toyo Tires Group (2017)

Taking into consideration the accelerating changes in the business environment after identifying priority themes and our vision for 2020 as well as new demands of our stakeholders, we have extracted issues that should be addressed with priority in order to achieve sustainability by our Group into the future.

Extracting of issues was done by stressing objectivity, taking into consideration the results of evaluations conducted by independent rating organizations, and after obtaining the opinion of independent experts.

Of the priority issues that were extracted, a working group (WG) was established for each those issue that require cross functional activity promotion, with the WG considering responses to these issues.

### Extracting process for priority issues

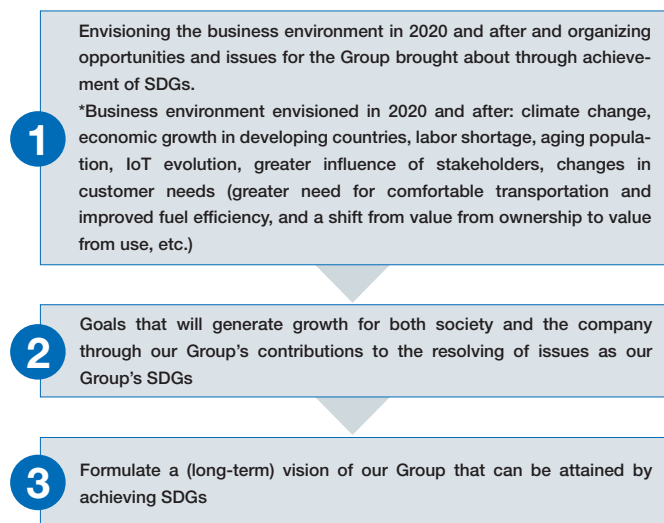


## Contributions to Achieving SDGs and Examining Future Ideal Status (2017-)

Having positioned contributing to efforts to achieve the 2030 sustainable development goals (SDGs) adopted by the United Nations as one important business issue, we have established cross functional WGs group-wide where this issue is discussed. After compiling the goals by the end of fiscal 2018 and obtaining approval by the Executive Committee as SDGs for our Group, we plan to expand these throughout the entire Group and all organizations.

Furthermore, we defined our “Ideal Status in 2020” to visualize where we want to be as a company in each current priority theme and we are also examining a long-term vision for our Group that can be realized by achieving SDGs.

### The process of setting SDGs for our Group



## Promotion System

To promote sustainability, the Executive Committee (chairperson: President), which has been delegated authority by the Board of Directors, has approved the creation of WGs to discuss issues that should be addressed with priority, and the WGs debate an action plan that includes orientation, goals, and targets. The WG brings together the responsible parties in related business organizations, the discussed action plan is approved by the Executive Committee, and the plan is spread throughout the entire Group and all organizations. WGs for the four themes of “Supply Chain”, “Environment”, “Human Rights & Labor”, and “SDGs” have already been established and discussions are underway.

To promote sustainability, the Executive Committee manages the progress of activities undertaken by each WG, and evaluations are made of the effectiveness of the management methods for each theme using the results of performance ratings by an independent organization, the opinions of stakeholders obtained from the complaint processing mechanism, and industry trends. Improvements are then made.

# Toyo Tires Group Priority Themes and Value Chain

Value Chain	R & D	Raw materials/ Purchasing	Manufacturing	
	We are implementing technological innovations and differentiating technology to create products that excite and surprise customers.	Efforts are being made to ensure a stable and sustainable supply of natural rubber and other raw materials with the quality and volume essential for business growth.	We are promoting the development of proprietary construction methods and equipment systems and working to enhance our strong, quick global supply system.	
Impact on the Economy, Environment, and Society (Current) Affected stakeholders Employees, Shareholders / Investors, Creditors, Customers, Business Partners, Community, NGOs, Government, Industry Association, Research Institution	Supplying products and services that contribute to solving environmental and social issues	Changes in required amount of raw materials and diversification of required types	Changes in production volume and construction of global production system	

## Events Expected as Future External Environment Events

Climate change, economic growth in developing countries, labor shortage, aging population, IoT evolution, greater influence of stakeholders, changes in customer needs (greater need for comfortable transportation and improved fuel efficiency, and a shift from value from ownership to value from use, etc.)

## Possible Risks and Opportunities from Events Expected as Future External Environment Events

1 Product and Service Reliability and Innovation	<ul style="list-style-type: none"> <li>• Increase in demand for climate change-compatible products and services</li> <li>• Introduction of new technologies (improved R&amp;D capabilities and quality)</li> </ul>		<ul style="list-style-type: none"> <li>• Introduction of new technologies (improved production capabilities and quality)</li> </ul>	
2 Contribution to the Global Environment	<ul style="list-style-type: none"> <li>• Increase in demand for climate change-compatible products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of raw materials and suppliers</li> <li>• Introduction of new technologies (new materials)</li> </ul>	<ul style="list-style-type: none"> <li>• Greater importance of environmental burden countermeasures around production facilities</li> <li>• New equipment (greater production efficiency)</li> </ul>	
3 Respect for Human Rights and Diversity	<ul style="list-style-type: none"> <li>• Greater importance of measures to continually secure and train engineering human resources with technical expertise</li> </ul>			<ul style="list-style-type: none"> <li>• Diversification of employee composition</li> </ul>
4 Collaboration with Business Partners		<ul style="list-style-type: none"> <li>• Diversification of raw materials and suppliers</li> <li>• More opportunities for collaboration with suppliers</li> </ul>		
5 Harmony with Local Communities			<ul style="list-style-type: none"> <li>• More opportunities for collaboration to supplement technology, areas, and customers</li> </ul>	
6 Creation of Safe and Healthy Workplaces			<ul style="list-style-type: none"> <li>• Diversification of employee composition</li> <li>• Introduction of new technologies (improved safety and work efficiency)</li> </ul>	
7 Reinforcement of Corporate Governance and Compliance	<ul style="list-style-type: none"> <li>• Expand business areas (increase business even in areas where there is a high risk of corruption occurring)</li> <li>• Diversification of employee and director composition</li> <li>• Diversification of business partners</li> </ul>			

Recognizing the impact of our Group's business activities (value chain) on the economy, environment, and society, we have organized possible risks and opportunities resulting from events expected as future business growth and external environment events into priority themes and extracted those that should be handled in order to achieve our vision.

While effectively leveraging our Group's resources and resolving issues through the active adoption of new technologies, we will promote its sustainability by lessening or avoiding expected risks, as well as increasing and expanding opportunities.

Logistics	Sale	Use/ Waste recycling
To satisfy our customers' needs, we are working on optimizing our logistics by diversifying and streamlining our distribution options; tight inventory control and best method and routing for shipments, etc..	We are engaged in efforts to improve customer satisfaction by building relationships of trust and strengthening both our product proposal and sales strengths.	We are working to extend product life cycles by providing products with outstanding environmental performance, durability, and safety.
Changes in logistics volume and expansion of logistics network	Change in sales volume and diversification of sales network	Changes in volume used, use in wider range of areas, and greater collection volume



#### Reference Material:

World Energy Outlook 2016 (IEA), Structural Changes Related to the Automotive Industry and Corresponding Response (Ministry of Economy, Trade and Industry 2015), 44th Medium-Term Economic Forecast Summary FY2017-FY2030 (Japan Center for Economic Research 2018) etc.

#### Priorities

		<ul style="list-style-type: none"> <li>• Diversification of users and areas</li> <li>• Introduction of new technologies (improved R&amp;D capabilities and quality)</li> </ul>	<ul style="list-style-type: none"> <li>● Ensuring product quality based on thorough customer orientation</li> <li>● Efforts to alleviate and adapt to climate change</li> <li>● Development of human resources with technical expertise</li> </ul>
<ul style="list-style-type: none"> <li>• Greater importance of environmental burden countermeasures in the logistics process</li> </ul>		<ul style="list-style-type: none"> <li>• Improved recycling technology</li> <li>• Introduction of new technologies (waste collection management technology)</li> </ul>	<ul style="list-style-type: none"> <li>● Efforts to alleviate and adapt to climate change</li> <li>● Efforts to reduce water risk</li> <li>● Resource recycling efforts</li> </ul>
	<ul style="list-style-type: none"> <li>• Greater importance of measures to continually secure and train sales human resources</li> <li>• Diversification of sales areas</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of users and areas</li> </ul>	<ul style="list-style-type: none"> <li>● Fulfilling responsibility to respect human rights</li> <li>● Review labor standards taking into consideration customary international law</li> </ul>
<ul style="list-style-type: none"> <li>• More opportunities for collaboration with logistics</li> <li>• Diversification of new business partners</li> <li>• Introduction of new technologies (logistics management technology)</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of new business partners</li> <li>• Introduction of new technologies (sales management technology)</li> </ul>		<ul style="list-style-type: none"> <li>● Supply chain management (Society and Environment)</li> </ul>
		<ul style="list-style-type: none"> <li>• More opportunities for collaboration to alleviate and adapt to climate change</li> </ul>	<ul style="list-style-type: none"> <li>● Engagement with local communities</li> <li>● Preserving biodiversity</li> </ul>
			<ul style="list-style-type: none"> <li>● Global-level worker safety and health management</li> </ul>
			<ul style="list-style-type: none"> <li>● Reinforcing corporate governance</li> <li>● Further spreading awareness of placing greatest priority on compliance</li> </ul>



Priority  
Theme 1

# Product and Service Reliability and Innovation

## Ideal Status in 2020

Providing eco-friendly products and services founded on high quality and safety

## Priorities

- Ensuring product quality based on thorough customer orientation
- Efforts to alleviate and adapt to climate change
- Development of human resources with technical expertise

## Reasons for being Priority Issues

In order to enrich society by creating excitement and surprise with our products that exceed customer expectations, the Toyo Tires Group has positioned as priority issues both resolving environmental and social issues through our products and services and training human resources who can continue to respond to changes in the business environment and the customer needs.

## Policies

The Toyo Tires Group states as its manufacturing principle that we will “strive for the highest level of quality, safety, and societal benefits in our products and services” and we will ascertain changes in market trends and customer needs in an accurate and timely manner, and promote product development through unique ideas and a drive to take on new challenges not influenced by conventional wisdom. At the research and development stage, we will support a precautionary approach towards environmental issues, and continue to develop products and services that reduce, prevent, and minimize the negative impact on the environment.

As for product quality and safety, we operate a quality management system based on ISO9001 and ISO/TS16949 and have established risk countermeasures through foreseeing and predicting. Furthermore, our fundamental philosophy and action guidelines regarding product safety is clearly defined in the “Toyo Product Safety Charter.”

## Management Approach

### Goals

As a quality improvement Goal, we perform quality risk analysis (quality planning and quality design) for each value chain and are sure to reflect that in each project. And we work to ascertain the state of their quality with a constant awareness of customer satisfaction by referring customer opinions of our products and services.

Through the collaboration between the Production, Sales, Engineering, and other departments, we will work to make improvements to provide even higher quality products. We also push forward with efforts to improve current issues from various perspectives through personnel exchanges with all Group companies.

We will improve fuel efficiency, wear resistance, and safety in all product development activities, which are our goals in solving environmental and social issues through our products and services. We will also promote human resource training and personnel exchanges (research and technology), which support these technological innovations.

### Responsibilities

**R&D:** Corporate Officer of R&D Headquarters

**Production Engineering:** Corporate Officer of

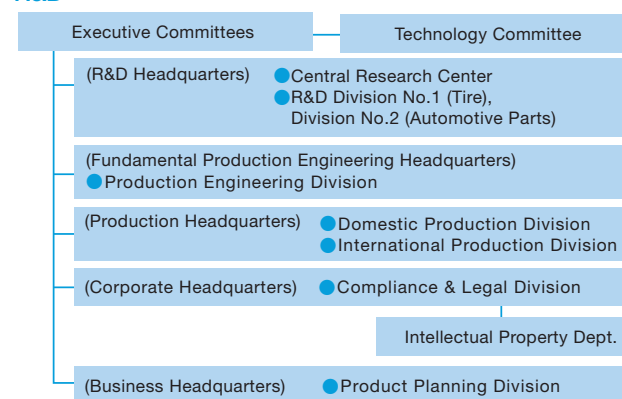
Fundamental Production Engineering Headquarters

**Provision of products and services:** Corporate Officer of Sales Headquarters

**Quality Assurance:** Corporate Officer of Quality Assurance, Environment & Safety Headquarters

### Activity Promotion System

#### R&D



#### Quality Assurance



# Quality Assurance Efforts

## Improving the Quality of the Development Process

While considering it important to achieve greater quality in the upstream business processes for manufacturing, we aim to raise the quality not only of products and services that we introduce to the market but also the development process itself.

For new products that we develop, our Quality Assurance Department checks the design reviews that are performed at every stage, from product planning stage to production planning stage. This is to ensure that quality is designed into our products and production processes.

## Responding to the Quality Standards of Each Country

Against the background of, for example, climate change and expanding demand for mobility resulting from population increase in emerging countries and economic expansion, more and more countries and regions are introducing new laws and systems relating to performance and quality for improving fuel efficiency of automobiles and reducing of CO<sub>2</sub> emissions from automobiles.

### Examples of efforts to respond to quality standards

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

## Maintaining and Improving Quality and Customer Satisfaction

We understand that we are linked to customers and society through our products and services, and we will strive every day to maintain and improve product quality at our production sites. We are also conscious of efforts to improve our “quality as a company” at all workplaces and we are working to provide the “customer first” products and services. We continually conduct product satisfaction surveys in markets and feedback customer requests to the design and production sites.

Every time our customers contact us with an inquiry or a complaint, we consider this as an opportunity to gain an understanding of the expectations of the Group and to improve our products and services.

The total number of inquiries received by the Customer Relations Department in Japan in fiscal 2017 was 2,448. For inquiries and requests received by phone or on our website, the Customer Relations Department staff provide a “clear and accurate” explanation so that customers can gain a full understanding of the issue.

When receiving an inquiry about a tire, the staff first ask the customer to provide as much information as possible and explain about how to “properly use our products”, for example, the optimum air pressure for the tires when to change tires and the storage method of the tires. Our staff also suggest the best tires for customers’ vehicles or the desired performance.

We want our customers to shop for our products with ease, confidence, and satisfaction. So, we are working hard to improve the level of service provided by sales associates and receptionists at our tire sales subsidiaries.

For example, Toyo Tire Japan Co., Ltd. and independent distributors in Japan, conduct work-specific training to train human resources so that they possess the required level of service quality for their respective work types (sales, reception, engineering).

## TOPICS

### QC Circle Activities, the Source of Sustainable Growth

For more than 50 years, the Group has undertaken QC circle activities to take the initiative to raise the level of quality management using what we have learned from a front-line perspective. In fiscal 2017, there are now around 300 circles across all facilities. A “company-wide QC Circle Conference” is held every year so that employees can share their experiences and achievements and to learn from one another. More than 70 people from 10 facilities throughout Japan participated in the conference in fiscal 2017, and 12 circles gave presentations on their quality improvement activities.



Fiscal 2017 company-wide QC Circle Conference

# Improving the Environment and the Society through our Products

## Tire Technology

The Toyo Tires Group conduct research and development on structural design, material design, and analytic & production technologies in order to develop new generation of tire technologies.

We are working closely with universities and public research institutes on reducing environmental impact, improving performance, and developing new systems.

### Proprietary Technology

#### ◎Nano Balance Technology

Platform technology for material design. We will work to optimize operations so that we can achieve the required level by conducting R&D activities through the integration of the four nano-level systems of “research, analysis, material design, and processing.”

#### ◎T-mode

Integrating general tire simulations that analyze tire movement and structure with driving simulations, which analyzes car movements, makes it possible to design tires to match the car type and use.

#### ◎e-balance

This is platform technology for truck and bus tires that enable an increase in important basic tire performance related to wear resistance, uneven wear resistance, fuel efficiency, and durability.

#### ◎A.T.O.M. (Advanced Tire Operation Module)

This makes it possible for us to produce tires with superior precision, quality, and unique design needed for large tires. As of 2017, the technology has been introduced at the Sendai Plant in Japan and overseas at Toyo Tire North America Manufacturing Inc. (TNA), Toyo Tyre Malaysia Sdn Bhd (TTM) in Malaysia, and Toyo Tyre Zhangjiagang Co., Ltd. (TTZ) in China.



A.T.O.M.'s molding drum



Sidewall design produced with A.T.O.M.

## TOPICS

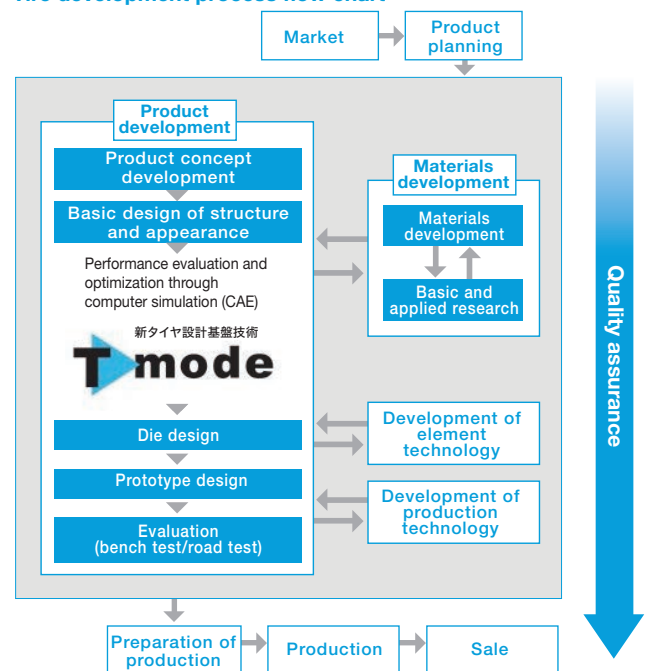
### Published “noair” Airless Tires

The paradigm shift in the mobility society, such as greater use of electric vehicles (EV), autonomous driving technology, and car sharing, is expected to reduce opportunities for automotive tire maintenance.

In September 2017, we became the first company in the industry to hold a technological announcement regarding the new tires “noair”, non-pneumatic tires that can actually be mounted on passenger cars and driven at high speeds.

With “noair”, there is no need to worry about flat tires and there is no need to carry a spare tire. This leads to reducing the weight of cars and increasing fuel efficiency. In addition, through proprietary technology such as the X-shaped spokes

### Tire development process flow chart



### Improving Tire Performance

With increased the risk of climate change and abnormal weather, there are demands for better tire performance, such as greater fuel efficiency, wear resistance, and wet braking performance, to reduce or adapt to those risks. We are continuing to research and develop products that meet the needs of society, centered on our proprietary Nano Balance Technology.

As a result, tires launched in fiscal 2017 provide greater performance, including fuel efficiency, wear resistance, and wet performance than previous tires.



made from a special resin and adopting fuel efficient rubber tread developed using Nano Balance Technology, these tires have lower rolling resistance compared to conventional tires.



"noair"



"noair" mounted on a vehicle

\* The vehicle is the FOMM1.0, an EV by FOMM Corporation

## TOPICS

### Three Tire Products Win 2017 Good Design Award

Three of our new tire product types launched in fiscal 2017 were won the Good Design Award. This makes it the seventh consecutive year that our tires have received the award.

The award-winning products were the new OPENCOUNTRY A/T plus sport utility vehicle (SUV) tires launched in March 2017, the Winter TRANPATH TX studless tires for high-roof SUV and minivans launched in August 2017 (both TOYO TIRES brand), and the NT421Q SUV tires (NITTO brand) with superior fuel efficiency launched in February 2017. This is also the first time that a NITTO brand tire was presented with the award.



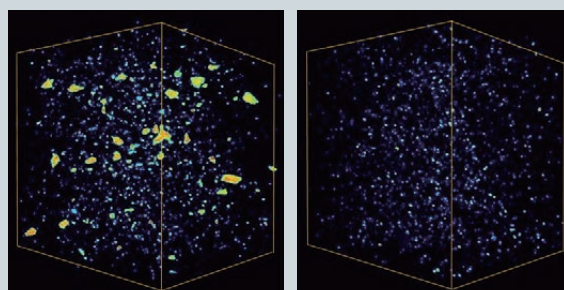
\*OPEN COUNTRY A/T plus suits ECE R117-2 international standards, and NT421Q suits a grade of "A" for rolling resistance and "b" for wet grip under the Japanese tire labeling system.

### Creating a Development Process that Dramatically Reduces Fuel Consumption for Truck and Bus Tires

Transportation, a part of the social infrastructure, is currently faced with the need to tackle issues such as compliance with environmental regulations and improving transport efficiency. Under such circumstances, improving the wear performance and fuel efficiency of tires for trucks and buses used on transport vehicles is expected to be one way of solving these problems.

With the goal of developing "high performance truck and bus tires" that meet these demands of society, we leveraged our Nano Balance Technology to establish a new development process that dramatically reduces fuel consumption while maintaining high wear performance.

We plan to commercialize these technologies through development and production of new tires for trucks and buses in 2018.



Particle dispersion state of filler  
(left: conventional process/right: new process)

## Automotive Parts Technology

In order to respond to diversification of where cars are sold throughout the world, we are moving forward with efforts to develop automobile anti-vibration rubber parts that also possess cold resistance and high durability in addition to conventional products that focus on heat resistance.

For leading technology development, we are moving forward with development based on increasing performance while reducing weight and aiming to apply these to next-generation vehicles. As for analysis technology, we are working to create the most optimal designs in terms of low weight and reduced costs by increasing the sophistication of our analysis system, including seeking a correlation between actual car performance and equipment evaluations.



Our air suspension for commercial vehicles

## Training Human Resources with Technical Expertise

With an eye toward a future in which the market environment is projected to be dramatically different due to the mobility revolution, the Toyo Tires Group is focusing its efforts on training professionals who can transform difficulties and crises into opportunities for sustainable growth. Human resource training supports technological innovation, the backbone of our Group, and we will engage in education and training that focuses on basic knowledge education, exchanges with parties outside the company, and passing on technology.

For example, Toyo Tire & Rubber Co., Ltd. aims to train human resources with “problem-solving skills and innovative capabilities” based on thinking oriented toward customer needs as well as “logical thinking and facilitation capabilities,” which are important abilities.

In fiscal 2017, the technology headquarters responsible for our tire development conducted about 115 hours of education and training for tire technicians who joined the company less than five years previous in order to advance the skills of young employees. As for the results of these education and training activities, a check is made using post-class tests to ensure that the target level is achieved.

## TOPICS

### Joint Development of Suspension Module for EVs Launched with GLM

The development of EVs has accelerated, with many different automobile manufacturers mapping out their own mass production plans in quick succession. In order to meet the demand of a future mobility society, the Toyo Tires Group has concluded an agreement with EV manufacturer GLM Co., Ltd. to jointly develop suspension modules for EVs.

The primary parts being promoted for development by the companies are “active air suspension”<sup>\*1</sup> to ensure a smooth flat ride<sup>\*2</sup>. We are aiming for commercialization before the end of 2020.

We aim to become a supplier that can propose greatly added value.

<sup>\*1</sup> Suspension that electronically dampens vibrations in vehicles

<sup>\*2</sup> Ensures a comfortable ride by damping juddering or vibrations with automatic control of the vehicle's shock absorbers to best suit the road conditions

## TOPICS

### Holding of the 7th Company-wide Technology Development Presentation

We hold a company-wide technology development presentation as a venue to present the Company's cutting-edge technology-related efforts and their results to management.

For fiscal 2017, there were six entries. Three awards, including the Outstanding Technological Development Award, were presented after evaluating the entries based on five perspectives (originality, logicity, future prospects, development speed, and presentation content).

#### The 2017 awards

■ **Outstanding Technological Development Award:**  
Leading Development of Automotive Parts for EVs

■ **Unique Award:**  
Development of New Tire Production Methods

■ **Surprise Award:**  
Development of Polymers That Adapt to Changes in the Mobility Environment



The 7th Company-wide Technology Development Presentation

Priority  
Theme **2**

# Contribution to the Global Environment

## Ideal Status in 2020

Promoting environmental management on a Group-wide basis

## Priorities

- Efforts to alleviate and adapt to climate change
- Efforts to reduce water risk
- Resource recycling efforts

## Reasons for being Priority Issues

The Toyo Tires Group is actively engaged in efforts to reduce, prevent, and minimize its negative impact on society, which is growing as the scale of the Group's business increases. In particular, environmental issues such as alleviating and adapting to climate change, reducing water risk, and resource recycling are considered likely to arise and have a major impact on society as our Group continues to conduct business into the future. So, these issues are positioned as priority issues to achieve our sustainability.

## Policies

In the Toyo Global Environmental Charter, we clearly indicate our fundamental philosophy and action guidelines for promoting environmentally conscious behaviors and activities.

Furthermore, we support international norms such as the United Nations Rio Declaration on Environment and Development and Agenda 21 and have quickly established countermeasures for environmental issues based on a precautionary approach, including risk assessments, in order to fulfill our environmental responsibilities.

We respond to organization issues by operating ISO14001-based environmental management system, and disclose the environmental performance of our corporate activities in our CSR report.

## Management Approach

### Goals

For our activities within Japan, we have also formulated the Toyo Global Environmental Action Plan, the target year of which is 2020. We create annual activity plans, set objectives, and manage efforts to achieve this plan. Furthermore, we translate the activity plan and objectives into English each year and share it with each overseas business site.

As for global warming countermeasures, since the adoption of the Paris Agreement in 2015, countries throughout the world have set greenhouse gas reduction targets and compiled measures that each entity should undertake as global warming countermeasure plans. We are also moving forward with a review of our medium- and long-term targets taking into consideration laws, ordinances, regulatory standards, and plan targets for countries and regions in which the Group conducts business.

### The FY2018 Policy (Excerpt) \*Domestic

#### Response to Climate Change

##### ● Energy Conservation

**Targets** Reduce energy consumption per unit of production by an average of at least 1% per year on a medium- to long-term basis.

##### ● Preventing Global Warming

**Targets** Reduce CO<sub>2</sub> emissions intensity per unit of production by 15% compared to fiscal 2005 by the end of fiscal 2020.

#### Efforts to Reduce Water Risk

**Targets** Set voluntary targets at each site

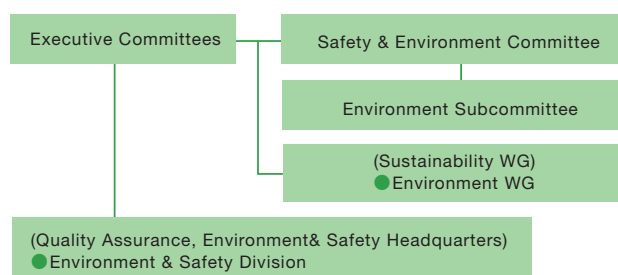
#### Resource Recycling Efforts

**Targets** Achieve a 100% recycling rate by the end of fiscal 2020 and maintain it thereafter.

### Responsibilities

Corporate Officer of Quality Assurance, Environment & Safety Headquarters

### Activity Promotion System \*Domestic



\*Overseas (at affiliated companies), the environmental manager of each company promotes activities based on the group policy examined and established by the Sustainability Promotion WG.



# Response to Climate Change

## Risks and Opportunities posed by Climate Change

We recognize that risks and opportunities posed by climate change are important business issues.

As for our response to climate change, we have established a company-wide working group (WG) and discuss action plans, which include orientation, goals, and targets. The WG brings together the responsible parties in related business organizations, the discussed action plan is approved by the Executive Committee which the Board of Directors delegates authority to, and the plan is spread to all companies and organizations in the Group.

From the research results published by the Intergovernmental Panel on Climate Change (IPCC) and other research institutions, we consider the following to be the main medium- and long-term risks and opportunities that could arise due to climate change as the Group continues its business activities.

We will promote various activities, including examining business strategies that consider the 2 degrees C target and the setting of emissions reduction targets based on scientific evidence.

### Main medium- and long-term risks and opportunities that could arise due to climate change

- Greater demand for products and services adapted to climate change
- More sophisticated technologies to reduce waste and recycle resources
- Reduce use of raw materials and more advanced replacement technology
- Diversification of raw materials
- Diversification of procurements sources
- Greater importance of environmental burden countermeasures
- Promotion of greater energy efficiency through IoT (increase energy efficiency)
- Introduction of EVs for logistics mobility and autonomous driving
- Response to environmental regulations in each country

In response to the above risks and opportunities, we are moving forward with, for example, efforts to reinforce our response to environmental regulations in each country, which include changing fuel sources, making active use of renewable energy, and improving energy efficiency of facilities.

## Reduction of Energy Consumption

We are moving forward with efforts to reduce energy consumption through the effective use of energy required for business activities both in and outside the organization in order to contribute to the alleviation of climate change. Efforts are also being made to develop new products and technologies that contribute to climate change alleviation and adaption.

In fiscal 2017, Sendai plant of Toyo Tire & Rubber Co., Ltd. was changing the fuel from heavy oil to natural gas and updating equipment with the change in fuel. The equipment started operations in 2018.

### Energy consumption within the organization

	2015	2016	2017
Energy consumption within the organization [1000GJ]	7,156	7,521	7,825
Domestic [1000GJ]	4,314	4,369	4,403
▶ From non-renewable sources [1000GJ]	4,082	4,146	4,187
▶ From renewable sources (Solar, Thermal Recycle by Used tire) [1000GJ]	232	222	216
Oversea [1000GJ]	2,842	3,152	3,422
▶ From non-renewable sources [1000GJ]	2,841	3,152	3,421
▶ From renewable sources (Solar) [1000GJ]	0.67	0.67	0.67

### Energy consumption outside of the organization (in Logistics)

	2015	2016	2017
Domestic transportation energy consumption [GJ]	143,102	154,555	148,362

### Energy intensity

	2015	2016	2017
Energy intensity (energy consumed/monetary unit of sales) [1000GJ/100 million yen]	1.75	1.97	1.93
Energy intensity by domestic main manufacturing base (Conversion to crude oil/production volume) [kl/1000t]	846.83	878.14	876.98
Reduction rate compared to the previous year that Energy intensity by domestic main manufacturing base	-0.46%	+3.70%	-0.13%

### Production ratio of Fuel Efficient Tires

	2015	2016	2017
Tires for Passenger Vehicles (PCR) [%]	20.6	27.0	25.1
Tires for Trucks and Buses (TBR) [%]	5.9	8.0	7.1



Gas-turbine cogeneration system introduced at the Sendai plant

## Reduction of Greenhouse Gas (GHG) Emissions

Greenhouse gas (GHG) emissions are said to be the main cause of climate change, and we are working to reduce GHG emissions by making effective use of energy through business activities both in and outside the organization and our products.

In fiscal 2017, we updated equipment at production facilities, made more efficient use of heat (fixing steam and air leaks), introduced inverter-type electrical equipment, and switched to LED lighting. As a result, we reduced our CO<sub>2</sub> emissions in Japan by 4,174 t-CO<sub>2</sub> annually.

## GHG emissions

	2015	2016	2017
Direct (Scope 1) GHG emissions by domestic tire manufacturing base [1000t-CO <sub>2</sub> e]	175.34	259.50	262.87
Energy indirect (Scope 2) GHG emissions by domestic tire manufacturing base [1000t-CO <sub>2</sub> e]	91.30	97.65	97.63
Other indirect (Scope 3) GHG emissions by domestic tire manufacturing base [1000t-CO <sub>2</sub> e]	9,152.35	7,649.96	7,891.07
Direct (Scope 1) GHG emissions by overseas tire manufacturing base [1000t-CO <sub>2</sub> e]	72.63	84.11	89.76
Energy indirect (Scope 2) GHG emissions by overseas tire manufacturing base [1000t-CO <sub>2</sub> e]	158.44	169.99	184.88
Other indirect (Scope 3) GHG emissions by overseas tire manufacturing base [1000t-CO <sub>2</sub> e]	4,107.61	4,582.57	5,253.02
GHG emissions intensity by domestic tire manufacturing base (Scope1+2/production volume) [t-CO <sub>2</sub> /t]	1.72	1.76	1.77
Compared to fiscal 2005 of GHG emissions intensity by domestic tire manufacturing base (Scope1+2/production volume)	107%	109%	110%

※ Type of GHG: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>

## Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions

\*Domestic manufacturing base

	2015	2016	2017
NOx [t]	354.6	335.8	349.2
SOx [t]	19.2	23.4	19.3
Volatile organic compounds (VOC) [t]	792.2	794.1	812.6

# Efforts to Reduce Water Risk

We recognize that access to fresh water is essential for human life and wellbeing and is recognized by the United Nations (UN) as a human right. So, we are aware that water risks in business activities are one of the business issues we face.

We have established a company-wide WG as for our response to water risks as well as climate change.

Upon evaluating water risks for the area where operations are conducted, WGs engage in efforts to reduce water intake and waste water by making effective use of the water appropriate for the risk level.

Using data (Aqueduct Water Risk Data) disclosed by Aqueduct, a global resource research institute, we ascertain whether the area around production facilities is a high risk area.

In addition, checks are made to ensure that no business sites use water taken from a wetland listed in the Ramsar Convention or any other nationally or internationally proclaimed conservation area, the water source has been identified as having high biodiversity value, such as species diversity and endemism, or total number of protected species, and a high value or importance to local communities and indigenous peoples.

## Reducing Water Withdrawal and Water Discharges

Primarily at its production facilities, our Group mainly withdraw water from municipal water supplies or other public or private water utilities and ground water for its boiler equipment, parts processing facilities, product cooling, cooling towers, welfare facilities, and other facilities. Regarding water withdrawal and water discharges, each production facility is responsible establishing its own goals based on the size of the facility and products they produce. We are also revamping our equipment to reuse water as much as possible in each production process.

For example, Fukushima Rubber Co., Ltd. conducted renovation work to reduce the diameter of the groundwater pump, which resulted in an annual reduction in water intake of about 66,000 m<sup>3</sup>. We also reduced water intake at the Kuwana Plant by about 18,000 m<sup>3</sup> annually by updating equipment.

There were no unplanned water discharges in fiscal 2017.

## Total water withdrawal

	2015	2016	2017
Total water withdrawal [million t]	3.91	4.02	3.98
▶ Domestic [million t]	3.08	3.19	3.10
▶ Oversea [million t]	0.83	0.82	0.88

## Total water discharge and quality by main manufacturing base

		2015	2016	2017
Sendai Plant	Total water discharge [1000t]	—	678.41	904.99
	Biological Oxygen Demand (BOD) [t/Month]	3.25	2.39	1.99
	Chemical Oxygen Demand (COD) [t/Month]	6.83	7.13	6.20
Kuwana Plant	Total water discharge [1000t]	—	334.23	309.91
	Biological Oxygen Demand (BOD) [t/Month]	0.73	0.67	0.86
	Chemical Oxygen Demand (COD) [t/Month]	1.51	1.31	2.24
Hyogo Manufacturing Complex	Total water discharge [1000t]	—	111.50	111.92
	Biological Oxygen Demand (BOD) [t/Month]	0.12	0.19	0.22
	Chemical Oxygen Demand (COD) [t/Month]	0.33	0.31	0.28

\* See the website for details on scope of data collected, collection period, source of information, and calculation conditions and basis.

## Resource Recycling Efforts

The Toyo Tires Group considers our mission to contribute to the shift from a society that consumes resources to one that recycles as the social responsibility of a manufacturer that conducts business globally.

As the scale of our production activities expands, the amount of raw materials we use also increases. Therefore, we strive to secure a stable and sustainable supply of raw materials indispensable for business growth, such as natural rubber, the main raw material in the procurement stage, in terms of both quality and volume. We are also moving forward with efforts to develop new materials and to improve product design and production processes to make more efficient use of materials.

We are working to reduce waste in our business activities with a target of achieving a waste recycling rate of “100% by the end of fiscal 2020.” As for when products are used, efforts are being made to extend the service lives of products, which includes manufacturing products with outstanding durability and producing reused tires (retreaded tires) from used tires.

There were no significant spills that we were liable for in fiscal 2017.

### Examples of resource recycling efforts

- Moving away from incinerating waste and switching to thermal recycling
- Replaced wooden pallets with more durable plastic pallets
- Examining alternatives for regulated substances
- Efforts related to chemical substance risk assessments based on independent initiatives, wear dust, and used tires

### Main Materials used

	2015	2016	2017
Total weight of Main Materials used [1000t]	346.74	335.91	334.43
▶ Renewable materials used (Natural and Synthetic Rubber, Tire Cords, etc.) [1000t]	185.76	180.62	179.00
▶ Non-renewable materials used (Carbon Black, Cements, etc.) [1000t]	160.99	155.30	155.43
Reference: Raw material use efficiency during tire production	71.3%	73.8%	79.3%

### Waste

	2015	2016	2017
Total weight of waste [1000t]	32.56	32.45	36.58
▶ Domestic [1000t]	18.88	17.81	19.25
▶ Oversea [1000t]	13.68	14.64	17.33
Domestic total weight of Recycling [1000t]	18.87	17.81	19.25
Domestic Recycling rate [1000t]	97.51%	99.38%	99.68%
Domestic total weight of Reuse [1000t]	1.18	1.08	0.90

## TOPICS

### TOYO TIRES Brand, also known for High Quality Recycled (Retreaded) Tires

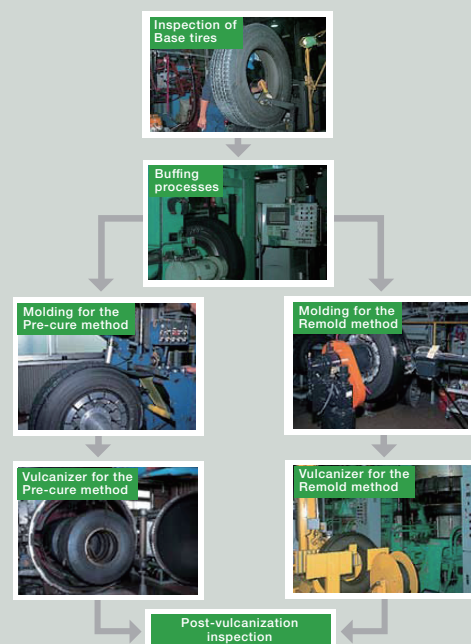
Collecting and recycling used tires is an important issue in the tire industry for recycling resources. As one solution, we are working to spread the use of retreaded tires. Retreaded tires involves replacing the tread (the part of a tire that comes into contact with the road surface) on worn tires to make them serviceable again. Since retreading reuses all the remaining part of the tire, it naturally saves resources and even emits less CO<sub>2</sub> than in manufacturing new tires\*.

We produce and supply highly durable, high quality tires, and we have received high praise from users regarding retreaded products.

We contribute to the promotion of resource recycling in the transportation industry by spreading the use of high quality retreaded tires.

\*Retreaded tires produce 59% less CO<sub>2</sub> in comparison to new tires during production. (Source: Japan Retreader's Association)

### Retreaded tire production flow



\* See the website for details on scope of data collected, collection period, source of information, and calculation conditions and basis.



Priority  
Theme **3**

# Respect for Human Rights and Diversity

## Ideal Status in 2020

Diverse employees actively working in an environment with a global sense of human rights

## Priorities

- Fulfilling responsibility to respect human rights
- Review labor standards taking into consideration customary international law

## Reasons for being Priority Issues

In order to respond to the greater diversity in stakeholders, the Toyo Tires Group supports and respects international norms, reduces the risk of business activities negatively impacting human rights, as well as positions opportunities to support and promote the benefits of human rights as issues that should be addressed with priority.

## Policies

We respect international norms related to human rights and labor, such as the Universal Declaration of Human Rights and the ILO Declaration. In addition, we actively contribute to the promotion and spread of human rights to the extent that they impact the Group's business activities in order to fulfill our responsibility to respect human rights.

In particular, for the work environment, we provide safe and healthy work conditions, thoroughly prohibit not only discrimination in HR practices but also the direct and indirect use of forced and child labor. We also support and promote the enjoyment of human rights in collaboration with business partners so that the Group does not take part in human rights violations.

We have positioned the promotion of diversity as an important human resources policy, and we are moving forward with efforts to reinforce systems to train diverse human resources and for them to fully demonstrate their capabilities.

The Toyo Tires Group Charter of Corporate Behavior was compiled as corporate action principles applied uniformly across the Group in order to faithfully conduct business activities. The charter addresses the undertaking of business in a manner that respects human rights and the culture and customs of each region as well as valuing diversity among all people in the workplace.

## Management Approach

### Goals

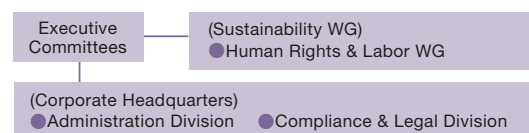
We respect human rights in the workplace and work to eliminate all forms of discrimination and to promote diversity.

### Responsibilities

Corporate Officer of Corporate Headquarters

### Activity Promotion System <sup>\*Domestic</sup>

#### Human Rights



#### Employment



<sup>\*</sup>Overseas (at affiliated companies), the HR and General Affairs manager of each company promotes activities based on the group policy examined and established by the Sustainability Promotion WG.

## Respect for Human Rights

### Fulfilling Responsibility to Respect human rights

At the Toyo Tires Group support the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. As for workplaces, business partners, and the communities in areas where we operate, we conduct business activities while addressing respect for the human rights of all people engaged in our work, whether directly or indirectly, as part of our code of conduct.

As a Group that conducts business throughout the world, we consider the respecting of human rights a business issue that should be addressed with priority. As such, we have established a company wide working group (WG) and discuss action plans, which include orientation, goals, and targets. The WG brings together the responsible parties in related business organizations, the discussed action plan is approved by the Executive Committee (chairperson: President), which the Board of Directors delegates authority to, and the plan is spread to all companies and organizations in the Group.

Furthermore, in fiscal 2017, we were unable to confirm any complaints regarding human rights-related concerns in the grievance mechanism disclosed by the Group, and we will continue to work to prevent or reduce any negative impact on human rights.

# Diversity of Human Resources

## Employment Situation

We are committed to ensuring fair employment practices and treatment of employees across our organization.

In terms of recruiting, the Toyo Tires Group endeavors to secure necessary human resources through various methods - not only new graduate and mid-career recruiting, but also disabled persons and the reemployment of retired employees.

For example, for Toyo Tire & Rubber Co., Ltd., the employment rate target for female, foreign nationals, and returnees/-students who returned from study abroad was 30% of new graduates, but in fiscal 2017, the figure was only 17.3%.

Efforts to promote diversity and equal opportunity, etc. include supporting women in the workplace.

Initiatives are not limited to women, and we work to create a workplace where all employees, whether male or female, can take on new challenges; to provide career development support, taking into consideration diverse values and lifestyles; and to strengthen workplace communication. As a rule, women and men receive the same compensation in our Group.

To create workplaces where diverse individuals can fully demonstrate their capabilities, we are promoting work-life balance through reforms to how people work. For example, as part of efforts to support employees with family responsibilities, we have established childcare and family-care leave systems, which enable employees to concentrate on raising their children (up to the age of two) or caring for family members (for a maximum of one year).

We are also moving forward with efforts to formulate a policy to reduce excessive work time.

### Information on employees (FY2017, Nonconsolidated)

#### Total number and rate of new employee hires

\*Full-time employee including mid-career hiring

- Total number: 260
- Rate by age group:  
(Under 30age) 191: (30-50age) 67: (Over 50age) 2
- Rate by gender: (Male) 236 : (Female) 24

#### Diversity of employees \*Full-time employee

- Rate by gender: (Male) 3,624: (Female) 222
- Rate by age group:  
(Under 30age) 813: (30-50age) 2,353: (Over 50age) 680
- Number of People with Disabilities: 22
- Number of Female Managers: 41
- Number of Foreign Managers: 7

## TOPICS

### Contributing to the Creation of Employment from the local community by Enhancing Production Capability at Overseas Facilities

Since our foundation, the Group has worked to create a three-way (Japan, Americas, and Asia) global supply system and has contributed to the creation of employment and more reviving the economy in communities where the Group operates.

For example, Toyo Tire North America Manufacturing Inc. (TNA) has expanded its supply system since it was established in 2004, and even though the number of employees has grown to over ten times the original number since that time.

And we will move forward with an examination of creating new production sites with the idea of reinforcing a system with greater production capability at Toyo Tyre Malaysia Sdn Bhd (TTM) and supplying products to global markets.



Staffs of TNA (up) and TTM (down)

### Review Labor Standards Taking into Consideration Customary International Law

The Group makes various pledges in its Toyo Tires Group Code of Conduct Handbook, including to support the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work; to prohibit harassment and all other forms of discrimination in the workplace and to prohibit forced labor as well child labor of children under the working age.

We view labor-related issues as priority issues and have

established company-wide working groups and are moving forward with efforts to review labor standards and establish company policies taking into consideration customary international law so that we can construct a decent work environment in all workplaces as the foundation of our Group's future growth.

## Current Situation of Labor Management Relations

We consider the establishing of constructive dialogues between companies and labor representatives is a way to share information on workplace issues which will lead to solutions to these issues.

For example, having obtained the approval of the Toyo Rubber Labor Union, the sole negotiating organization, Toyo Tire & Rubber Co., Ltd. clearly states terms related to discussions and negotiations with the union in its labor contracts. The Toyo Rubber Labor Union has 3,330 members (as of the end of September 2017). All employees of the Company join the labor union except managers and executives.

We hold the Labor-Management Conference on Business Management Measures (six times a year) and Central Conference (once a year).

## Improvement of Education and Training Programs

We consider our people to be our most important resource to support continued business growth and we are aware of the importance of developing these human resources. In this changing labor environment, we have expanded our education and training, the goals of which are for employees to acquire the skills needed to achieve business management targets.

For example, Toyo Tire & Rubber Co., Ltd. divides its training programs into three categories: "Grade-Specific Training", "Selective Training", and "Independent Training". We created training programs to meet the objectives of these three categories and employees' grade levels and years of service. In particular, for fiscal 2017, we reinforced training related to basic business skills required for employees until they become managers.

To encourage our employees to work toward their future goals, our Company defined our career development policy. Each department develops career path plan and share it with the rest of the company.



Advanced Facilitation Training

## FY2017 Training

### Stratified Training

Title	Target	Times/Periods	Trainees
Logical Thinking	5th year of joining company	14 hours	18
Presentation	6th year of joining company	15 hours	18
Advanced Facilitation	6th year of joining company * Superiors	14 hours	17
<b>Management Literacy *Correspondence training</b>			
▶ Basic Management strategy	6-9th year of joining company	3 months	91
▶ Advanced Management strategy	12-15th year of joining company	3 months	98
▶ Basic Marketing	6-9th year of joining company	4 months	91
▶ Advanced Marketing	12-15th year of joining company	4 months	97
▶ Basic Accounting	6-9th year of joining company 12-15th year of joining company	4 months	188

### Selection Training

Title	Times/Periods	Trainees
Overseas Trainee	2years *Max	4
<b>Management Personnel Development</b>		
▶ ACT I	156.5 hours	11
▶ ACT II	156.5 hours	10

# TOPICS

## Selective Management Human Resources Education and Training on the Theme of Toyo Tires Group Vision for 2030

Every year, we hold selective management human resources education and training where they study various management ideas from a variety of perspectives. In the training, business strategy proposals are developed through group discussions based on case studies and efforts are made to create human networks through inter-departmental exchanges of leaders.

In fiscal 2017, we conducted an extensive eight-month business environment analysis related to Toyo Tires Group Vision for 2030.

The analysis covered numerous topics such as changes in the state of world, mainly the automotive industry, and customer demands. Discussions were held on business strategy orientation as we look ahead to 2030.



Management Human Resources Education and Training Achievements Presentation Session



Priority  
Theme **4**

# Collaboration with Business Partners

## Ideal Status in 2020

Entire supply chain engaging in CSR activities

## Priorities

- Supply chain management (Society and Environment)

## Reasons for being Priority Issues

We are aware that solving the various and increasingly diverse social issues through our business activities is the corporate responsibility of the Toyo Tires Group as well as our significance in society. In order to solve social issues, we share the Group's thoughts on sustainable purchasing with business partners and position the avoidance of risk through collaboration and contributing to solving global social problems throughout the supply chain as issues what should be addressed with priority.

## Policies

We formulated the Toyo Tires Group's Basic Purchasing Policies in order to comply with laws and regulations related to free competition and fair transactions in every country and region as well as pursuing appropriate quality and price through fair transactions.

Toyo Tires Group CSR Procurement Guidelines were also established. We will promote sustainable purchasing in collaboration with business partners, the goal of which is to reduce, prevent, and minimize the negative impact that business activities have or could have on the environment or society and simultaneously raise corporate value and competitiveness. We will also secure stable supplies.

## Management Approach

### Goals

We share our sustainable purchasing policy with all business partners and efforts are made to ascertain conditions throughout the supply chain and conduct fair transactions.

### Toyo Tires Group Basic Purchasing Policies

#### 1 Compliance

Comply with applicable laws, regulations, and social norms and strictly maintain confidentiality in all purchasing activities.

#### 2 Partnership

Build and maintain an honest, healthy, and cooperative relationship with suppliers as equal partners.

Aim for mutual growth and development through enhanced communication and stronger bonds of mutual trust.

#### 3 Transparent and fair trade

When selecting suppliers, assess them from a comprehensive standpoint that takes into account their willingness to share and collaborate on CSR initiatives as well as on quality, price, delivery, and sustainable supply capacity.

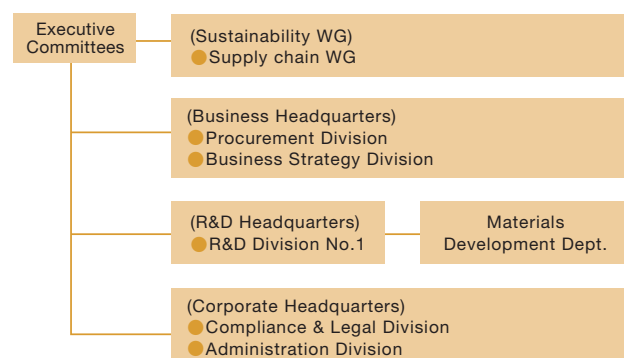
#### 4 Environmental responsibility

Promote purchasing activities that also aim to reduce impact to the global environment.

### Responsibilities

Corporate Officer of Business Headquarters

### Activity Promotion System



## Promotion of Fair and Transparent Transactions

The Toyo Tires Group includes free competition and fair transactions in the Toyo Tires Group Code of Conduct, and it adheres to antimonopoly laws and the Subcontract Act, undertaking fair purchasing activities, compliance with import and export related laws and regulations, and provides appropriate labels and explanations.

For example, at Toyo Tire & Rubber Co., Ltd., we ensure our business activities are based on fair and free competition by formulating purchasing transaction rules and cartel prevention rules.

### Thorough Compliance in Purchasing Transactions

With the Toyo Tires Group Code of Conduct as our action guidelines, we formulate our own codes of conduct to reflect differences in laws, regulations, and customs of each country and regions, and strive to spread and promote compliance.

For example, at our company in fiscal 2017, our Legal Affairs Department worked with the Compliance Department and Purchasing Department to conduct a self-assessment by all departments within the Group that work with suppliers. The assessment was intended to determine how well the departments understood the Subcontract Act and how much they complied with the law. We analyzed the assessment results and are implementing corrective and preventative actions as necessary.

Through the Subcontract Act Compliance Managers Meeting, have on-going study groups, started using standard manuals, and share information within the group. We ensure that those managers have adequate knowledge and understanding of the law.

### Use of Electronic Bidding System

With the goal of preventing misconduct and collusion due to contact between parties in charge of purchasing and reducing bidding-related costs, we introduced an electronic bidding system for selecting business partners at main locations in and outside Japan.

The system is designed to ensure fairness and transparency of our supplier selection process.

## Partnership with Business Partners

### Promotion of CSR Procurement

Creating a sustainable supply chain is indispensable for continuing to ensure a stable supply of natural rubber and other raw materials with the quality and volume essential for the growth of the Toyo Tires Group business.

Because this is an urgent high priority issue for the Group, we have established a company wide working group (WG) and discuss action plans, which include orientation, goals, and targets. The WG brings together the responsible parties in related business organizations, the discussed action plan is approved by the Executive Committee (chairperson: President), which the Board of Directors delegates authority to, and the plan is spread to all companies and organizations in the Group.

We conduct audits and inspections regarding the quality of purchased products and whether they contain regulated chemical substances. We have also formulated the Toyo Tires Group CSR Procurement Guidelines to respond to environmental and social issues within the supply chain and created the CSR Self-Assessment Checklist. We have also published Japanese, English, and Chinese versions of the CSR guidelines and provided them to overseas business partners. We hold briefing sessions in and outside Japan, share the spirit of the CSR Procurement Guidelines with business partners, and request that self-assessments and improvements be made.

### Response to the Conflict Minerals Issues

Conflict minerals refer to tin, tantalum, tungsten, and gold which are produced in conflict areas such as Central Africa. The US, Europe, and other countries are moving toward regulating these minerals since purchasing them could finance the local armed forces that propagate conflicts and violations of human rights. We conduct thorough investigations by tracing all the way back along the supply chain to refining companies to determine whether the materials or products supplied to us contain conflict minerals from the relevant countries, in cooperation with our customers and suppliers.

## TOPICS

### Supporting Efforts to Develop an Initiative to Achieve Sustainable Natural Rubber

The World Business Council for Sustainable Development's (WBCSD) Tire Industry Project Sustainable Natural Rubber Working Group has declared that it will launch an initiative to achieve sustainable natural rubber by involving a wide range of stakeholders in the natural rubber supply chain. In addition to participating in this working group, we are providing support for the initiative. And we are moving forward with efforts to revise the guidelines into a CSR Procurement Policy that respects the principles of this initiative.



Priority  
Theme **5**

# Harmony with Local Communities

## Ideal Status in 2020

Contributing to local community development while responding to stakeholders' voices

## Priorities

- Engagement with local communities
- Preserving biodiversity

## Reasons for being Priority Issues

With the goal of sharing our joy with all people related to our business activities (stakeholders) and contributing to the enrichment of society, we have positioned resolving social issues through dialogue and collaboration as well as contributing to the development of local communities as issues that should be addressed with priority.

## Policies

It is our opinion that overcoming environmental problems, securing human resources, and the stable growth of local economies are indispensable for our continued growth into the future.

Therefore, we will create common values with local communities by contributing to environmental protection to the extent that our business activities impact the environment, supporting raising next-generation children, and the growth of local communities by the Group's resources and collaboration with stakeholders based on various forms of communication.

At production facilities that are expected to have a particularly significant impact on the environment as the scale of our business grows, we will make use of a precautionary approach to respond to the risk that our impact on biodiversity in surrounding areas will increase.

## Management Approach

### Goals

We will resolve social issues through collaboration with stakeholders and aim to create common values.

### Responsibilities

Corporate Officer of Corporate Headquarters

### Activity Promotion System <sup>\*Domestic</sup>



<sup>\*</sup>Overseas (at affiliated companies), promote social contribution activities according to social issues of each country and region

## Engagement with Local Communities

We understand that our business activities have a direct impact on local economies, environments, and societies, and earnestly listen to the evaluations and expectations of society. And we emphasize communication with local communities at all our business sites. We also strive to properly understand the needs of stakeholders obtained through communication with them and reflect that in our business.

For example, at the Sendai Plant, we express our gratitude to members of the local community by holding the "FUREAI Community Fair" each year on the grounds of the plant. Plant tours are also popular and [this year], record 260 visitors participated in the tour, and we thus used manufacturing to deepen our bond with the community.



FUREAI Community Fair



## Environmental Protection Efforts

We understand that our business activities have the greatest direct impact on the environment of the areas around our production facilities in particular. Therefore, we not only build understanding of and trust in those activities by maintaining a dialogue with and providing information to stakeholders in areas around production facilities but also strive to reduce the physical and psychological environmental burdens. We also promote efforts to protect biodiversity in local communities as something that not only generates direct benefits for local life but also leads to sustainable growth.

For example, the Kuwana Plant works with the NPO Mori-no Kaze to undertake "TOYO TIRES Midori-no Tsunagari Mie" activities, through which we are transforming a local abandoned thicket into a healthy forest. In fiscal 2017, 102 employees and their family members (22 were children) participated in these activities where they planted trees, cut thickets, and picked up garbage. On the day of the event, participating children also learned about the environment.



TOYO TIRES Midori-no Tsunagari Mie forest preservation activities

## Support For Raising Next-Generation Children

We consider the sound upbringing of children, society's next generation, as a social issue that must be addressed for the continued development of local communities, and we provide donation to support the raising of next-generation children.

For example, Toyo Tyre Malaysia Sdn Bhd began the "Education Scholarship Program" which offers scholarships to highly motivated students who do not enjoy a favorable learning environment due to financial constraints. In fiscal 2017, we provided US\$ 48,000 for this project.



Students who have received scholarships

## Support for Development of Local Communities

As one of our responsibilities as a member of local communities, the Toyo Tires Group provides support for efforts to revive local economies and rebuild disaster-stricken communities.

For example, Toyo Tire Europe GmbH (Germany) sponsors Japan-Tag, a Japan-German exchange event held annually in Dusseldorf in cooperation with the local soccer team.

## TOPICS

### Start of Partnership with the Japan Philanthropic Association on Environmental Protection

We established the Toyo Tires Group Environmental Protection Fund in 1992 to provide financial support for organizations and activities related to environmental protection in Japan and overseas. We invited Japan Philanthropic Association to serve as a new independent organization that selects recipients for the fund. We have started to provide support for certified environmental protection NPOs and their work through the association.

In fiscal 2018, we will provide a total of 5 million yen in aid to five organizations selected by the association.

### TOYO TYRE & RUBBER AUSTRALIA LTD Launches Initiative to Support AFL Junior Team

TOYO TYRE & RUBBER AUSTRALIA LTD, which supports the GWS GIANTS Australian Football League (AFL) team, established the Kick for Cash for Clubs initiative to support Australian AFL junior teams and train future AFL players that will represent their country.

Through this initiative, the winning junior team receives \$100,000 in prize money, the right to train with a professional team, and training equipment.



Supported AFL junior team

#### Stakeholder Comment

### Restoring a Rich Natural Environment with the Toyo Tires Group and Aiming to Create a Sustainable Society

We would like to develop a support program that spreads similar activities throughout the country, restores an even richer natural environment, and leads to the creation of a sustainable Japanese society by shining light on organizations that possess lofty goals and earnestly conduct their work.

Yoko Takahashi  
President  
Japan Philanthropic  
Association



Priority  
Theme **6**

# Creation of Safe and Healthy Workplaces

## Ideal Status in 2020

With priority given to safety, promoting the creation of workplaces that ensure well-being and security

## Priorities

- Global-level worker safety and health management

## Reasons for being Priority Issues

Ensuring safety in business activities is a duty that corporations have to not only the local communities but also all their stakeholders as well. In order to prioritize safety in everything that we do, the Toyo Tires Group has positioned the preventing of industrial accidents, promoting the health of workers, and creating and continuing to manage a comfortable work environment as issues that should be addressed with priority.

## Policies

At the Toyo Tires Group, labor and management work together to operate an occupational health and safety management system based on OSHMS Guidelines and promote safety and health throughout the company. These efforts consist primarily of conducting risk assessments and implementing necessary measures based on their results under the leadership of top management.

The Group Safety and Health Committee, a joint labor-management committee, makes decisions regarding annual policies, targets, and plans related to occupational health and safety, which are then approved by the Safety and Environment Committee and implemented. Furthermore, the Group Safety and Health Committee evaluates progress in implementing plans and makes improvements.

## Management Approach

### Goals

The frequency of accidents, lost-time accident rate, number of fires, and several other indicators are used to ascertain the state of occupational health and safety in the workplace, and efforts are made to improve conditions at workplaces.

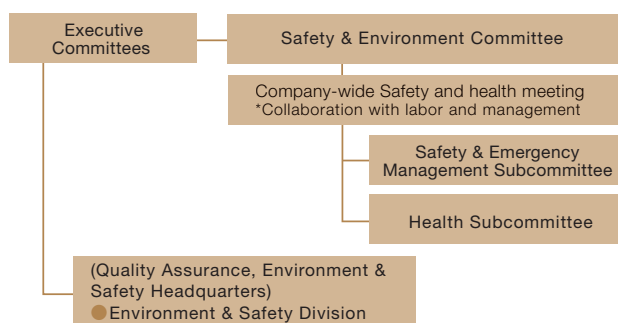
### The FY2018 Policy (Excerpt) \*Domestic

<b>Safety</b>	Strengthen the management system based on the safety management system and expand genuine preventive activities. Aim for zero accidents.
<b>Emergency</b>	Strive to strengthen disaster prevention and improve preparations for and training to respond to disasters.
<b>Health</b>	Create and reinforce an occupational health management system, reduce the sickness absenteeism rate, and implement workplace mental health measures.

### Responsibilities

Corporate Officer of Quality Assurance, Environment & Safety Headquarters

### Activity Promotion System \*Domestic



\*Overseas (at affiliated companies), Promote activities by safety disaster prevention managers and Health managers of each company according to laws and regulations of each country

## Creating Safe Workplaces

We are working to create safe workplaces from the three perspectives of “equipment,” “personnel,” and “management system development” at all business sites.

As for equipment, we are working to bring to the surface residual risks, risks that remain after implementing counter-measures. In terms of personnel, we are thoroughly enhancing risk management by indicating high residual risk, undertaking small-group-based hazard prediction (KY: Kiken-Yochi)

activities, etc. On the other hand, because of the prominence of accidents due to human error, it is important to continue activities to reduce risk and not only maintain but also raise people's awareness.

As for creating a management mechanism, we are expanding the safety management system (OSHMS/GSC/OHSAS18001).

#### FY2017 Safety performance

- The lost-time accident rate (Manufacturing base)  
\*Number of lost-time accidents per million hours worked in total

**Domestic: 0.42 Oversea: 2.85**

\* In Japan, this is calculated based on the number of accidents that resulted in lost time of at least one day or loss of a body part or function. For overseas, this is calculated based on the number of reported cases according to statutory standards in each country.

## Creating Disaster Resistant Workplaces

We have enhanced our efforts related to fire prevention management and strengthened our disaster prevention and mitigation efforts taking into consideration our experience with major disasters such as the Great East Japan Earthquake.

Activities such as practical firefighting training and blind earthquake training have been introduced at all business sites, and the goal is for workers to repeatedly participate in these activities to improve their effectiveness and to increase the number of participating employees. We conduct firefighting training for hazardous materials that is NFPA600 compliant, which means they meet the standards set by the National Fire Protection Association (NFPA).

#### FY2017 Emergency Management performance

- Disaster prevention drill implementation record

**Domestic: 22 sites** (Total number 5,084)

**Overseas: 11 sites** (Total number 3,071)

## Creating Healthy and Comfortable Workplaces

We consider employee health management from a business perspective and support the idea of strategically conducting health management.

We do not currently operate in countries and regions with particularly high risks of infectious diseases, but at all business sites, there are thought to be risks related to issues such as major illnesses due to diabetes and stress. Therefore, in conjunction with data health\* undertaken by the health

insurance society, we analyze data on the diseases and health status of our Group employees by region and business site and compare the results with that of other companies in the same industry to identify the characteristics and problems of our Group. We then examine countermeasures.

\* This refers to analyzing data, such as that on medical treatment bills, and using the results to improve the health of members.

## TOPICS

### Kuwana Logistic Center: Holding of the Forklift Safe Operation Skills Competition

At a special venue in the warehouse at Kuwana Plant, Kuwana Logistic Center held the 1st Forklift Safe Operation Skills Competition in order to raise the spirit that of safety first and compliance with laws.

There are plans to continue to hold the competition in 2018 and after and to horizontally deploy it to all logistics facilities.



Safe Operation Skills Competition

### Orient Machinery Co. Ltd.: Implementing of Safety Awareness Activities Based on Simulated Disaster Video

Orient Machinery Co. Ltd. undertakes various operations including the design, production, repair, and maintenance of tire production equipment.

The company created videos that show envisioned disasters recreated by the employees themselves, and this has taken root as a visible workplace safety awareness activity. We are also raising safety awareness by actively creating these videos.



Filming a Simulated Disaster Video

### Breast Cancer Prevention Seminar for Female Workers

Having hired a public health nurse in 2017, the Tokyo office of Toyo Tire & Rubber Co., Ltd. manages the health of employees in cooperation with an occupational health physician. At this breast cancer prevention seminar for female employees, trial palpations that make use of breast cancer palpation models were conducted in cooperation with the Chiyoda Public Health Center in Tokyo.



Breast Cancer Prevention Seminar



## Priority Theme 7

# Reinforcement of Corporate Governance and Compliance

## Ideal Status in 2020

Engaging in business activities with integrity while constantly improving management transparency

## Priorities

- Reinforcing corporate governance
- Further spreading awareness of placing greatest priority on compliance

## Reasons for being Priority Issues

Aware of our responsibility to various stakeholders, the Toyo Tires Group has positioned increasing awareness that compliance being the most important issue and maintaining an appropriate management system to ensure transparency in management and pursue fairness within the organization as issues that should be addressed with priority.

## Policies

We properly implement the principles of the corporate governance code in order to implement effective corporate governance. We ensure the rights and equality of shareholders, strive to establish appropriate cooperation and dialogue with stakeholders other than shareholders, and work to secure appropriate information disclosure and transparency to achieve this. Taking into consideration its accountability toward shareholders, the Board of Directors properly fulfills its roles and duties to raise profitability, increase capital efficiency, etc., in order to achieve sustainable growth and raise the Company's corporate value in the medium- and long-term.

As for efforts to strengthen compliance required to embody this philosophy, the Toyo Tires Group compiled not only the "Toyo Tires Group Charter of Corporate Behavior" as corporate action principles applied uniformly across the Group in order faithfully conduct business activities but also the "Toyo Tires Group Code of Conduct" for each director and employee to put the charter into practice. We strive to spread these throughout the Group.

## Management Approach

### Goals

We will increase the transparency of management and aim to implement highly specialized, effective corporate governance by spreading awareness of the corporate philosophy and improving compliance levels.

### Responsibilities

Corporate Officer of Corporate Headquarters

## Activity Promotion System

### Role of Governance Entities in Priority CSR Themes

In order to strengthen governance related to efforts targeting the seven priority CSR themes, the Executive Committee (chairperson: President) has created a system to promote the Group's sustainability management.

As for identifying the impacts, risks, and opportunities provided by the Group's sustainable development goals (SDGs) and various priority themes as well as formulating an action plan (orientation, goals and targets), group-wide working groups (WG) established upon approval by the Executive Committee discusses the issues, and then the corporate officer in charge of the Corporate Headquarters compiles the information and reports it to the Executive Committee. WGs for the four themes of "supply chain", "environment", "human rights and labor", and "SDGs" have already been established and discussions are underway. The effectiveness of the processes for each theme discussed by WGs is debated and evaluated when the report is made to the Executive Committee.

Based on the strategy and policy set by the WG, the related special committees develop plans for important activities, analyze the results, and formulate improvement measures, and progress in implementing the plans by the divisions responsible for execution of business operations is reported to the Executive Committee. The corporate officers in charge of the various control departments, which are responsible for the various themes, are in attendance as chairs of the related special committees.

## Internal Control System

In accordance with the Companies Act in Japan, the basic policy on constructing the internal control system was decided by the Board of Directors, and the internal control system was created in line with that basic policy. The basic policy is reviewed each year to reflect changes in the management environment and to ensure that our internal control system remains effective.

“Reporting Hotlines” have been established and operated as a system to enable employees to directly report and seek advice regarding their concerns, such as compliance issues that could develop into a crisis. In addition, multiple reporting routes have been secured, and a system that makes it easy for required information to rise to the governance organization has been created.

## Corporate Governance System

Corporate governance system of the Toyo Tire & Rubber CO., LTD. consists of the Board of Directors, which is for decision-making and supervision; the Executive Committee, which serves as the decision-making body for business execution; the Special Committees, which act as deliberative and consultative bodies for their respective areas; and the Audit & Supervisory Board, which audits the performance of the Board of Directors and overall business execution.

The Board of Directors nominates candidates who are judged capable of managing the company in a manner that contributes to an increase in corporate value because of their experience, personality, and knowledge. Candidates are elected by shareholders at the annual general meeting of shareholders.

The chairperson of the Board of Directors also serves as the president, who is responsible for executing operations. At least one-third of directors are outside directors, which ensures the independence of the Board of Directors and encourages and strengthens debate. Regular independent evaluations of the Board of Directors ensure the functionality and effectiveness of the Board of Directors and various committees.

The Company’s corporate officers are prohibited from acts that result or may result in conflicts of interest with the Group.

## Compliance Promotion System

Within Toyo Tires Group, compliance is deemed a matter of the highest priority in management, and the president of Toyo Tire & Rubber CO., LTD. works as the party in charge of compliance to create and improve the compliance system.

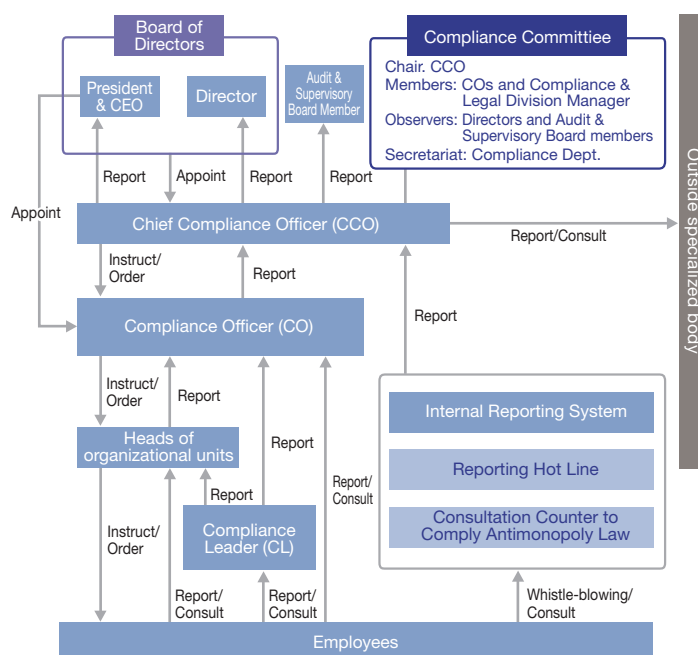
In addition to establishing the Compliance Committee, one of the special committees that debates and examines issues related to promoting compliance, we have a system of compliance officers and are striving to promote compliance, mainly by the chief compliance officer (CCO), compliance officers (CO), and compliance leaders (CL).

## Governance Structure \*As of April 2018



## Compliance Promotion System Diagram \*As of April 2018

\*The Compliance Dept. provides support at all stages so that the system properly and effectively functions.



# Corporate Governance

## Spreading the Philosophy

As of January 1, 2017, the Toyo Tires Group has formulated a new philosophy which will be the basis for the work of all corporate officers and employees, and measures are implemented to spread the philosophy among all employees.

In order to spread the philosophy, we have created opportunities for the Company's corporate officers and general managers to discuss it with subordinate employees at our business sites and affiliated companies in Japan. At overseas affiliated companies, our president visits the companies himself and explains the philosophy.

## Work of the Board of Directors

In fiscal 2017, the Board of Directors met at least twice a month for a total of 26 times, with the directors and Audit and Supervisory Board members participating.

The effectiveness of the Board of Directors is analyzed and evaluated using a signed survey of directors and Audit and Supervisory Board members regarding the operation, composition and abilities, and general items of the Board of Directors. The results are compiled by a third party in order to ensure impartiality. The results of an analysis and evaluation for fiscal 2017 reveal that there was a positive self-evaluation for all items, and it can be argued that the effectiveness of the overall Board of Directors is ensured. We are, however, continuing to make improvements to the operation of the Board of directors, such as standardizing the allotment of time for the minutes of the Board of Directors and increasing the provision of information to outside directors.

## Strengthen the Risk Management System

As the risk manager, in our Group, the person in charge of the Corporate Control Department is responsible for parties below the risk management officer appointed for each risk and the risk management system as stipulated in the Risk Management Rules. The main risks are managed through established activities not only to evaluate and analyze potential risks for the Group during non-emergency times and to reduce the possibility of them occurring, but also to minimize damage during emergencies and to promptly restore business.

The risk management officers have the following roles related to the main risks they are responsible for.

- ① Develop and maintain various systems, measures, rules, and risk management systems, and compile and manage Risk Management Manuals.
- ② Report on (i) the creation status for the risk management system, (ii) evaluation and improvement plans for the risk management system, and (iii) the implementation status of the risk management system improvement plans to the Risk Management Committee at least once a year.

- ③ Immediately report to the risk manager if a report about concerns of an emergency are received by a business site or division manager.

## Dialogue with Shareholders and Investors

The Company holds a general meeting of shareholders once a year and a quarterly financial results briefing. During the first half and full year briefings, our top executives provide detailed business information, including financial results, future business outlook, business environment, and market trends, to institutional investors and securities analysts. In addition to announcing financial results, there were also small meetings attended by the president and other parties as well as several engagement opportunities for managers and institutional investors.

In addition, efforts are made to improve understanding of the Group's management by providing opportunities each quarter for IR staff to respond to the particular concerns of institutional investors and analysts (handling individual inquiries). Furthermore, the Group actively works to respond to requests by the growing number of overseas investors, which includes enhanced responding to individual inquiries except during the quiet period and conducting overseas roadshows.

During fiscal 2017, the IR staff held dialogues with over 400 shareholders and investors from 300 companies. About 5% of those provided opportunities to discuss our ESG. The opinions and requests of shareholders and investors are regularly used as feedback for management and in-house related departments.

## TOPICS

### Holding Tours of Tire Production Facilities in the Americas for Analysts and Institutional Investors

In order to increase the understanding of Japanese analysts and institutional investors regarding the potential of the Americas market, our core business, we held a tour of Toyo Tire North America Manufacturing Inc (TNA), a tire production facility in the Americas.

Local management provided an explanation of various items including an overview of the plant, our proprietary A.T.O.M. manufacturing method, organization, R&D strategy in the Americas, sales strategy. The participants also viewed the TNA process. They were also taken to a distributor who handles our products, making it possible for participants to directly obtain information on how our products are evaluated by the market.



Meeting during analyst tour

# Compliance

## Spreading Awareness of the Charter of Corporate Behavior and Code of Conduct

The Toyo Tires Group has the “Toyo Tires Group Charter of Corporate Behavior” and “Toyo Tires Group Code of Conduct”. Taking into the consideration differences in laws, regulations, and customs between countries and regions, the various overseas Group companies have created independent codes of conduct using the code of conduct as action guidelines.

In Japan, reading aloud the Code of Conduct Handbook, which was developed as a tool to spread the code of conduct, is done by all corporate officers and employees, including those at Group companies, and after completing the training, participants submit a pledge that states they will promote compliance. In fiscal 2017, all employees received the training and submitted pledges.

Overseas, the Code of Conduct Handbook has been translated into seven languages (English, Russian, German, Italian, Chinese, Thai, and Malaysian) and distributed to all business sites. We are working to spread the code of conduct throughout the Group and reinforce compliance.

## Internal Reporting System

We have been operating an internal reporting system since fiscal 2006. “Reporting Hotlines” have been established in Toyo Tire & Rubber Co., Ltd. Audit Department, an independent law office, and independent specialized companies as an in-house whistle blower system. Not only employees but also business partners can use the system, and reports can also be made anonymously. Overseas, we are moving forward with efforts to establish hotlines at each business site.

## Preventing Anti-Competitive Behavior

We are moving forward with the building of a compliance system, conducting educational activities, etc., in order to thoroughly comply with competition related laws and ordinances in all countries. As for concrete measures, sales staff are required to submit a prior request to meet with competitors, a post-meeting report of request for exemption, and a pledge to adhere to antimonopoly laws in line with the “Cartel Prevention Rules”.

In addition, we are actively working to comply with laws and ordinances, and these efforts include establishing an Antimonopoly Law Compliance Hotline, having the Audit Department conduct audits of the compliance status with Cartel Prevention Rules, and providing training, including e-learning, to related parties.

## Anti-Corruption

In addition to prohibiting all corrupt practices that could lead to misconduct, violations of laws, and breach of trust in our business activities, we strive to avoid all negative impacts, such as poverty in transition economies, damage to the environment, abuse of human rights, abuse of democracy, misallocation of investments, and undermining the rule of law, that could arise from corrupt practices.

The risk of corruption in countries and regions in which the Group has business sites is evaluated using the fiscal 2017 Corruption Perceptions Index (CPI) surveyed and published by the international NGO, Transparency International. We believe caution be required in particular for business activities in countries with a CPI of less than 40.

We are conducting educational activities at a time when regulations related to corrupt acts, particularly bribery, are being reinforced around the world. Between fiscal 2016 and fiscal 2017, in Japan, Malaysia, Thailand, and China, attorneys from local law offices were invited to serve as instructors for Anti-Corruption seminars.

## TOPICS

### Results of the FY2017 Compliance Survey

\*Response rate 93.0% [90.4% for 2016]

#### ① Conducting compliance promotion activities

Conducted at least one activity to raise compliance awareness within the last year. **97%** (88% in FY 2016)

#### ② Awareness and understanding of compliance

Know the meaning of compliance. **85%** (83% in FY 2016)  
\* Toyo Tires Group's compliance: We shall comply with laws and internal rules in all aspects of our business activities and shall conduct ourselves according to the highest ethical standards.

#### ③ Making compliance part of the corporate character

Conscious of compliance when conducting your work. **94%** (92% in FY 2016)

### Comment

There is growing awareness of compliance among employees, including a larger number of workplaces enthusiastically engaged in compliance activities and a greater number of communication opportunities within the workplace. Our goal is to continue to review our training and education activities and to increase and firmly root a strong compliance awareness among all employees through communication at all workplaces.

Ryo Imada  
Toyo Tire & Rubber CO., LTD.  
Compliance & Legal Division  
Compliance Dept.,





# Fiscal 2017 CSR Activities Summary

## Launching Full Efforts to Promote Sustainability

The Toyo Tires Group extracted issues that should be addressed with priority in order to achieve sustainable growth (sustainability) into the future. Company-wide working groups (WGs) were then established to solve those problems, and discussions were started. Organizations that are closely tied to each theme were assembled as WG members, and we are

now moving forward with an examination of related policies and strategies. Furthermore, staff of overseas affiliated companies also take part in all WGs, making the promotion of sustainability a Group-wide effort.

## Sustainability Promotion Working

Working group (WG)	Members (Domestic <sup>*1</sup> )	Fiscal 2018 activities	Planned activities for next fiscal year and beyond
SDGs WG	<b>Corporate Headquarters:</b> ●Corporate Planning Division, Others <sup>*2</sup>	Create our group SDGs and our vision for the group in 2030	Set targets for each goal and individual targets for each division; conduct communication with stakeholders on SDGs
Supply Chain WG	<b>Business Headquarters:</b> ●Procurement Division <b>R&amp;D Headquarters:</b> ●R&D Division No.1	Update CSR Procurement Guidelines(examine policies for sustainable procurement of raw materials, including natural rubber)	Educate suppliers of the revised purchasing policy, request cooperation in order to achieve sustainable raw material procurement, and build a monitoring system
Environment WG	<b>Quality Assurance, Environment &amp; Safety Headquarters:</b> ●Environment & Safety Division <b>R&amp;D Headquarters:</b> ●Central Research Center ●R&D Division No.1 <b>Production Headquarters:</b> ●Domestic Production Division <b>Fundamental Production Engineering Headquarters:</b> ●Production Engineering Division	Create a Climate Change strategy (scenario analysis)	Examine environmental management methods based on CDP question items, evaluate and analyze risks, and have environment data certified by a third party
Human Rights & Labor WG	<b>Corporate Headquarters:</b> ●Administration Division ●Compliance & Legal Division <b>Quality Assurance, Environment &amp; Safety Headquarters:</b> ●Environment & Safety Division	Create a Human Rights and Labor policy and an Anti-Corruption policy	Analyze and evaluate risks, conduct due diligence, and spread the new policy throughout the company

<sup>\*1</sup> Responsible parties at related overseas companies also participate in all WGs.

<sup>\*2</sup> Organizations closely tied to each goal participate as members.

# Comment from External Expert / Comment by Corporate Officer in Charge of CSR

## Comment from External Expert

For the Tire and Automotive Parts (Business), there are numerous ESG issues that should be tackled by not only the Company and Group companies but by the entire supply chain. These are environmental (E), social (S), and governance (G) related issues that should be resolved in order to create a sustainable society in line with the demands of international society. They have been included in numerous principles, agreements, and agendas, such as the United Nations Global Compact (2000), Guiding Principles on Business and Human Rights (2011), the Paris Accord (2015), and SDGs (2015).

As noted in the “Message from the President” in this report, the Company has captured these changes, identified ESG issues that should be addressed with priority in January 2018, and positioned them as business issues related to the Group’s sustainability in May. Furthermore, based on the approval of the

Executive Committee, the decision-making body for business execution, four Sustainability Promotion WGs were launched to examine the issues of supply chain, environment, human rights and labor, and SDGs. Various efforts including not only indicating a policy of identifying issues and making company-wide efforts through a commitment by management from a long-term perspective but also respecting international norms and related standards can be highly praised.

Efforts to address ESG issues are assessed for the three stages of policy, system and execution, and disclosure. It is hoped that in the future, each WG will create a concrete implementation plan, work with the other WGs to execute the plans, set standards to evaluate achievement (KPIs), and disclose the status and results of its efforts to stakeholders.



**Hirose Etsuya**  
Senior Executive Officer  
ESG Research Center  
QUICK Corp.

## Comment by Corporate Officer in Charge of CSR

Thank you for the valuable opinions from an expert perspective regarding the Toyo Tires Group CSR Report 2018.

As for our efforts to solve ESG problems, we are trying to promote sustainability in the mobility field, which is currently undergoing rapid changes, and are greatly encouraged by the fact that our capturing changes in the business environment and building a global sustainability promotion system have been highly praised.

We are now at the stage of moving forward with formulating a global policy taking into consideration international standards, and going forward, we will resolve identified priority issues while the Executive Committee manages performance based on the formulated policy. The group, and in particular the WGs, is examining SDGs that will generate growth for society and Group through the

Group’s contributions to the solving of issues. When setting goals, we search for those that not only solve issues requested by society but also those that create surprise and new discoveries within society and can contribute to enriching society.

We will continue to proactively inform stakeholders about these sustainability activities via these CSR reports, etc. We strive to improve both quality and reliability while considering the accuracy and clarity of the reported details with reference to international guidelines such as GRI standards, CDP question items, and Business Reporting on the SDGs in order to correctly assess our group’s corporate activities regarding information disclosure.



**Hirokazu Miyabe**  
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