

CSR Report 2019

TOYO TIRES



Toyo Tire Corporation

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*It is English version published.
Japanese version was published in June 2019.



TOYO TIRE

will Innovate the Future

January 1, 2019, we changed its English name to “Toyo Tire Corporation”.

TOYO TIRE will place the mobility business at the core of its operations, and continue to live up to its name with a sense of pride and responsibility toward the tire business by contributing to a mobility society.

Philosophy

Company Philosophy

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

Our Mission

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

Our Vision

Our goal is to be a company that:

- Stays one step ahead of the future through constant technological innovation;
- Drives entrepreneurial and creative spirit through a progressive culture; and
- Shares in the enjoyment felt by everyone involved in our activities.

Our Fundamental Values: “The TOYO WAY”

Fairness

Be fair and selfless in one’s actions to benefit society.

Pride

Take pride in one's self, work and company, and to persevere.

Initiative

Show initiative in all matters, and take ownership of one’s actions.

Appreciation

Demonstrate sincere compassion and appreciation for people and society.

Solidarity

Continuously advance creativity and innovation by working together to mobilize our corporate knowledge and capabilities.

Editorial Policy

When confirming the content and quality of this report, some of the GRI Standards, established by the Global Reporting Initiative (GRI) and published in 2016 or 2018, were used as reference. We have finalized the boundaries of the content and the items in this report, taking into consideration factors including the organization’s activities, their impact, and substantial expectations and interest of stakeholders.

- Topic Boundaries: 42 Group Companies* (as of the end of April 2019)
*Toyo Tire Corporation and the group companies (excluding the affiliated company accounted for by the equity-method)
- Setting the Organizations Name in This Report:
Toyo Tire Corporation → “Toyo Tire Corporation”, all group companies → “TOYO TIRE” or “the group”, the each company of the group → each company name, all group companies affiliated with TOYO TIRE HOLDINGS OF AMERICAS INC. → “TTHA group”
- Reporting Period: From January 2018 to December 2018
*More recent information (up to April 2019) is included in some parts of the report.
- Reporting Cycle: Once a year *Previous Publish: July 2018
- Contact Point for Questions Regarding the Report:
Toyo Tire Corporation General Affairs Dept.,
Corporate Infrastructure Division

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The website version provides the details of this PDF version.

<Website report page *globalsite>
<https://www.toyotires-global.com/csr/>
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https://www.toyotires-global.com/csr/pdf/gri2016_en.pdf

*This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.
**Information may differ from that previously announced as changes have been made to the scope of some of the data collected.

Bringing a New Way of Driving from TOYO TIRE to the World

Business Impact of TOYO TIRE

TOYO TIRE has deployed its mobility business in over 100 countries and regions, including North America, Asia, and Europe.

With our eyes on the “mobility society” of the future, we are aiming to further strengthen our global network.

Business Profile

Our primary business, which accounts for more than 80% of net sales, is the production of automotive tires in Japan, the U.S., Malaysia, and China.

With the aim of optimizing operations in the tire production system in the future, we have plans to reinforce production capacity and construct new production bases in the U.S. and Malaysia, and reinforce production facilities for truck and bus tires in Japan.

*Please refer to the outline in the figure.

<Product Brands> TOYO, 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.

Company Outline (As of the end of 2018)

Company Name: Toyo Tire Corporation
(Company name changed in January 1, 2019)

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*: 11,449 (1,355)

Number of Employees by Geographic Segment:**

Japan	5,286 (953)
Americas	1,924 (397)
Asia/Oceania	4,126 (4)
Europe	113 (1)

*The information of entities included in the consolidated financial statements
**Number of people in parentheses is Temporary Employees

Kuwana Plant

In December 2020, scheduled to complete installation of equipment to increase production by 0.2 million truck/bus tires per year



Consolidated Subsidiaries:
Entities subject to consolidated financial statements which are excluded the affiliated companies accounted for by the equity-method 41
Affiliated companies 12
*Please refer to the securities report for economic performance in fiscal 2018.
(Significant changes to the organization and its supply chain)
As of December 31, 2018, 100% of shares were issued to F.C.C. Co., Ltd. in connection with the divestiture of the flexible polyurethane foam business, 65% of shares were transferred to T.T.M Co., Ltd., and TOYO TIRE MEXICO LLC was eliminated as a result of a business integration. As the result, 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).

TOYO TIRE NORTH AMERICA MANUFACTURING INC.

In January 2019, manufactured its 50 millionth tire*1
In April 2019, start up operation of new equipment that can increase production by 1.2 million units*2 per year In June 2021, scheduled to complete installation of equipment to increase production by 1.2 million units*2 per year

*1 Actual production volume
*2 Equivalent to number of passenger car tires



The bases that have significant impact on the local area (Manufacturing/R&D)

Japan

Toyo Tire Corporation (Headquarters)

Manufacturing base	R&D base
Sendai Plant, Kuwana Plant, Hyogo Manufacturing Complex	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.

Americas

Country where group companies are established

America, Canada, Mexico

Americas Tire Business Management

TOYO TIRE HOLDINGS OF AMERICAS INC.

Manufacturing base

TOYO TIRE NORTH AMERICA MANUFACTURING INC.
TOYO AUTOMOTIVE PARTS (USA), INC.
TMM (USA), INC.

R&D base

TOYO TIRE NORTH AMERICA MANUFACTURING INC.

Asia/Oceania

Country where group companies are established

China, Malaysia, Thailand, Australia

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

Europe

Country where group companies are established

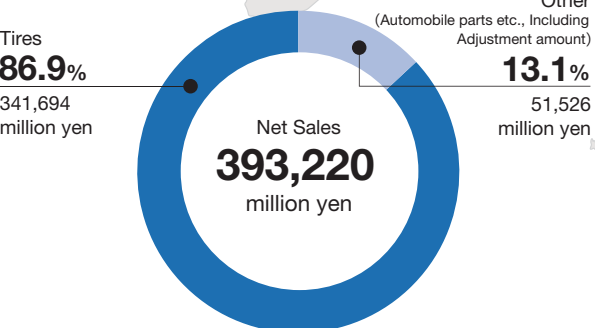
Germany, UK, Netherlands, Italy, Russia

European Tire Business Management

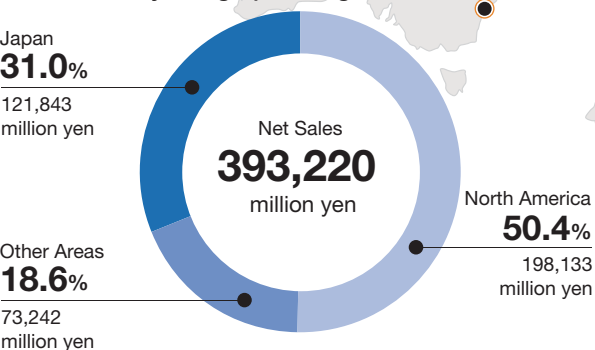
TOYO TIRE EUROPE GMBH (Germany)
*In Autumn 2019, scheduled to set up R&D base

Explanatory Notes	●:Headquarters & Business/Management ●:Manufacturing base ●:R&D base ○:Facility enhancement in 2018 ●:Main sales base
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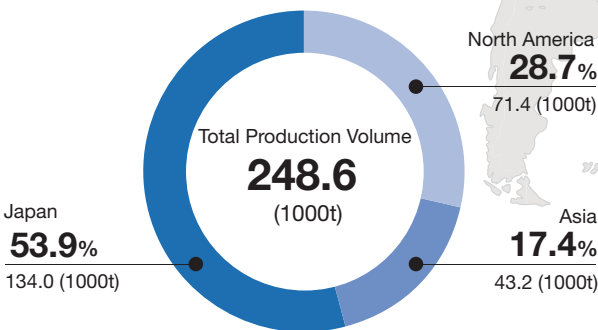
Net Sales by Business Segment



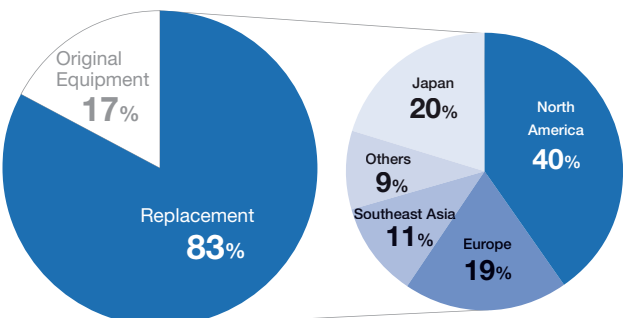
Net Sales by Geographic Segment



Percent of Tire Production Volume (New Rubber) by Geographic Segment



Composition Ratio of Tire Sales Numbers by Geographic Segment



Message from the President

Together with Our Stakeholders, TOYO TIRE will Pave the Way to Sustainability



T. Shimizu
Takashi Shimizu
Representative Director,
President & CEO

Opening New Doors as TOYO TIRE

On January 1, 2019, we changed our company name (trade name) to Toyo Tire Corporation. To pass along to the future the history and assets cultivated over the past 70 years that has been supported by our various stakeholders, this year, we opened a big new door known as the “second founding of the company.”

There is no promise of growth on the other side of the door, but with the spirit of transformation cultivated by our company up to now, we will continue to pave the way toward achieving growth and development in the future. TOYO TIRE places mobility business at the core of our business management both in name and reality, and we declare our intent to continue to contribute to the mobility society while having the joy, pride, responsibility, and preparedness to be in this business.

Progress on Promoting Sustainability in 2018

The world in which we are aiming to grow in is facing global-scale social issues, such as climate change, poverty, demographic changes, and rapid urbanization. In addition, in the automobile industry where we have placed ourselves, in responding to these issues and in pursuit of a rich mobility society, we are undergoing a period of major changes so called once in a century.

As such, to achieve this sustainable growth in business and society, we identified “climate change,” “human rights, labor, and anti-corruption,” “sustainable procurement responsibility,” as important business issues, and in 2018, we established company-wide working groups (WG for promoting sustainability) to respond to these issues, and put a structure for preparedness into place. In 2018, through these WGs, we organized the opportunities and

Sustainable Development of TOYO TIRE and Community

(expanding our business opportunity and reducing our business risk)



risks related to the impacts of climate change, established “Global Human Rights & Labor Policy” and “Global Anti-corruption and Anti-bribery Policy,” and revised its “CSR Procurement Guidelines” by adding a new “Sustainable Natural Rubber Procurement Policy.” Further, we had discussed “TOYO TIRE’s SDGs.” In that sense, last year was a year of preparation for us to promote sustainability in the future.

Additionally in 2019, we stood on the starting line for sustainability-oriented management has set “TOYO TIRE’s SDGs” as “Ideal Status in 2030.”

Set the “TOYO TIRE’s SDGs”

The realization of a sustainable society is a prerequisite for our business growth, and we recognize it is our responsibility, as a company that is expanding its business globally, to contribute to the Sustainable Development

Goals (SDGs*) proposed by the United Nations. The achievement of “TOYO TIRE’s SDGs” will contribute toward resolving global social issues, and our aim is to expand business opportunities or reduce business risks in 2030. These activities embody “Our Vision” established in the Group’s philosophy and will lead to the achievement of “Our Mission.”

We promote “TOYO TIRE’s SDGs” with a sense of responsibility and determination and to contribute to the UNSDGs, Toyo Tire Corporation signed the United Nations Global Compact (UNGC) in 2019. We support the 10 principles published by the UNGC in the four areas of human rights, labor, environment and anti-corruption, in addition to ensuring accountability and transparency to society. Through collaboration and dialogue with our stakeholders going forward, together, we will also promote sustainability.

Thank you for your continued support and encouragement.

*Adopted at the UN Summit in September 2015. They are the universal common goals that aim to achieve by 2030 and for “leave no one behind.”

Promote Sustainability

In addition to developing the basic policy for CSR activities in 2014, TOYO TIRE has developed seven issues (priority themes) to focus on, and has been working toward achieving the “Ideal Status in 2020,” to visualize where we want to be as a company for each theme. In response to accelerating changes in the business environment and the emergence of new social issues, for the Group to achieve sustainability in the future, we extracted four priority issues in 2017. From 2018, a working group (WG for promoting sustainability) was established for each of these four

priority issues, to consider the response as the Group, and the issues are now being considered across the organization.

The SDGs WG, which is one of the WG for promoting sustainability, set 14 goals as a result of repeated discussions about the Group’s sustainable development goals (please refer to page 9-10 for details). The achievement of “TOYO TIRE’s SDGs” also means the realization of the “Ideal Status in 2030,” continuing on from the “Ideal Status in 2020.”

2014

Established Basic Policy

TOYO TIRE seeks to remain a company admired by individuals and society, each member keenly aware of their “Connection” with society.

Identified 7 Priority Themes & Ideal Status in 2020

Priority Themes	Ideal Status in 2020
1. Product and Service Reliability and Innovation	Providing eco-friendly products and services founded on high quality and safety
2. Contribution to the Global Environment	Promoting environmental management on a Group-wide basis
3. Respect for Human Rights and Diversity	Diverse employees actively working in an environment with a global sense of human rights
4. Collaboration with Business Partners	Entire supply chain engaging in CSR activities
5. Harmony with Local Communities	Contributing to local community development while responding to stakeholders’ voices
6. Creation of Safe and Healthy Workplaces	With priority given to safety, promoting the creation of workplaces that ensure well-being and security
7. Reinforcement of Corporate Governance and Compliance	Engaging in business activities with integrity while constantly improving management transparency

2014-2017The accelerating changes of business environment
→ It has become clear the emerging social issues.

2017

Extracted four priority issues for our sustainability

- Responding to climate change
- Responding to human rights and anti-corruption
- Responding to the responsibility for sustainable procurement
- Setting and achievement of TOYO TIRE’s SDGs (Ideal Status in 2030)

2018

Established the WG for promoting sustainability

2019

Set the “TOYO TIRE’s SDGs”

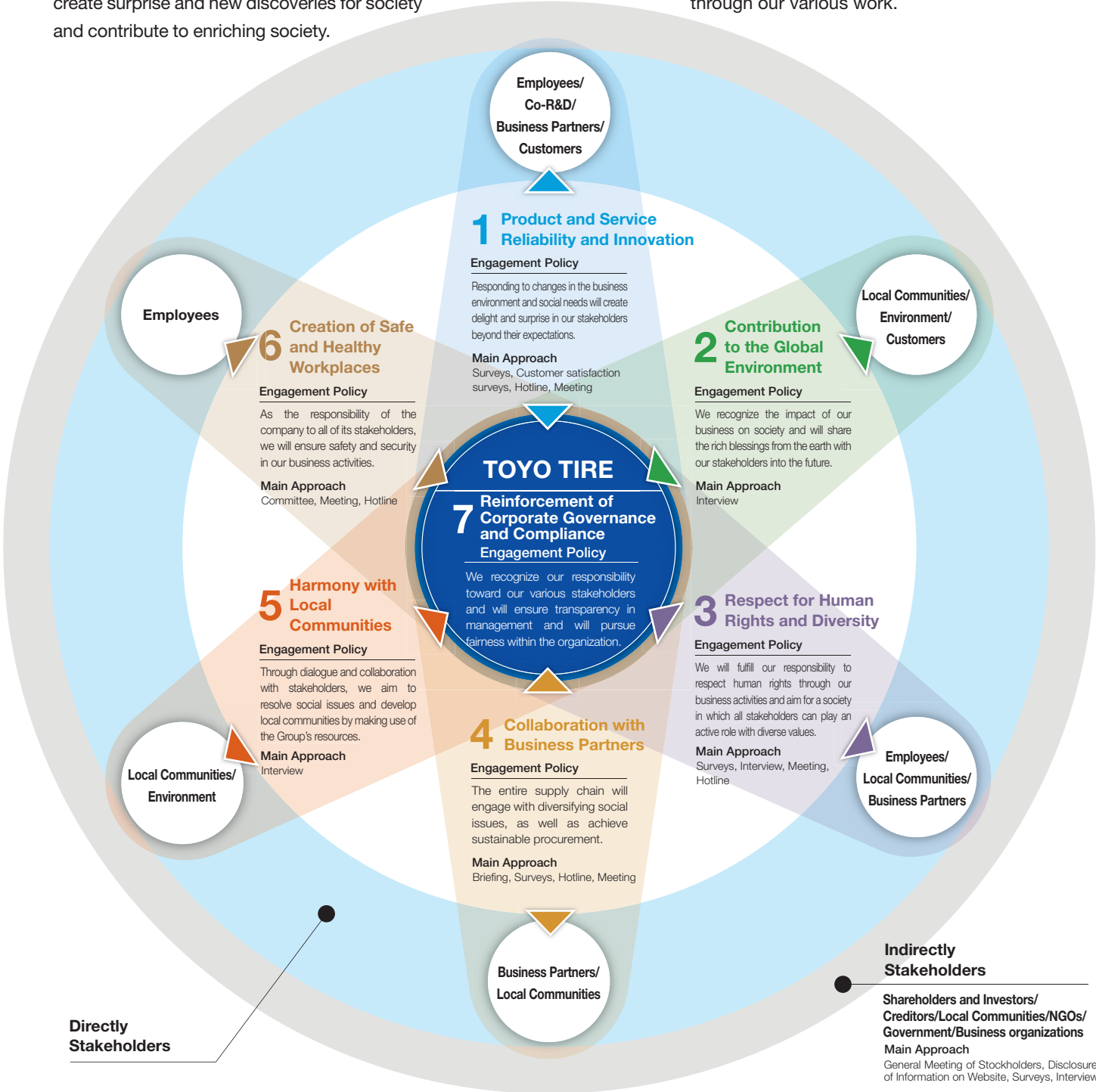
Stakeholder Engagement

TOYO TIRE identifies stakeholders who have a major direct or indirect impact at each stage of the value chain. We consider the impact on the evaluation and decision-making of all stakeholders and examine the priority issues.

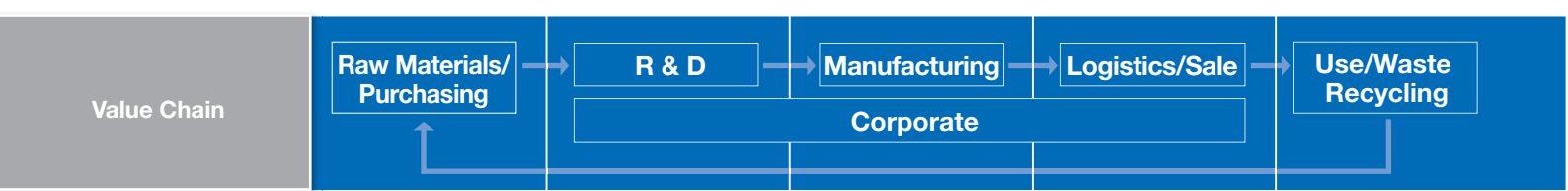
The significance of the Group in society is that we not only solve the issues requested by our stakeholders, but we also create surprise and new discoveries for society and contribute to enriching society.

Through our opportunities for engagement with stakeholders, we strive to be accountable by communicating information accurately and clearly.

And we also check if we are providing business partners and customers with not only products and services, but also the excitement that exceeds their expectations through our various work.



Value Chain & SDGs



The Group has envisioned the business environment in the future and has identified TOYO TIRE's opportunities and risks with respect to global issues at each stage of the value chain. To resolve these issues by using our resources and solutions and bring about growth in both society and us, we have set goals as "TOYO TIRE's SDGs."

By achieving the Group's "TOYO TIRE's SDGs," we will also resolve global social issues, and contribute to the achievement of the United Nation's SDGs.

Priority Themes	TOYO TIRE's Opportunities and Risks with Respect to Global Issues					TOYO TIRE's SDGs	Related UNSDGs
1 Product and Service Reliability and Innovation	Raw Materials/ Purchasing: Resource depletion by climate change and increasing demand	R & D: •Social inclusion •Advancement of user needs •Climate risks include transition risks and physical risks			Use: Traffic demand increase	We will contribute to widespread of mobilities that will be enable social participation by using higher functionality technologies. We will contribute to progress of mobilities by focusing on adding of value of products and technologies. We will contribute to the mobility industry efforts that will adapt to climate change and aim to mitigate the influence by climate change by innovations. We will contribute to sustainable resource recycling through optimization of resource utilization and improvement of product durability. We will contribute to realize the safe and secure mobility society through implementing safety awareness and supporting for improving maintenance skills.	
2 Contribution to the Global Environment	Raw Materials/ Purchasing: Resource depletion by climate change and increasing demand		Manufacturing/Logistics/Sale: •Climate transition risks •Resource depletion by climate change and increasing demand		Waste Recycling: Resource depletion by climate change and increasing demand	We will contribute to improve resource usage efficiency including water and energy through promoting to upgrade of equipment and operation on manufacturing sites. We will contribute to promote the use of renewable energy in the region to increase renewable energy share of energy used at manufacturing sites.	
3 Respect for Human Rights and Diversity			Logistics/Sale: Market stabilization, Sustainable growth			We will contribute to promote local employment and to develop and stabilize the local economy by strengthening global network. We will contribute to create a society where diverse peoples are able to get equal opportunities and play an active role by providing work environment that employees can continue to challenge with peace of mind. We will contribute to create a society where SDGs become mainstream through developing human resources to support sustainable development of the world.	
4 Collaboration with Business Partners	Raw Materials/ Purchasing: Building a sustainable supply chain			Logistics/Sale: Building a sustainable supply chain		We will contribute to create a society where ethical consumption is standardized by building a sustainable supply chain through cooperation with stakeholders.	
5 Harmony with Local Communities		Corporate: Market stabilization, Sustainable growth				We will contribute to develop the whole world economy steadily by improving regional education and culture level through deployment of our resources.	
6 Creation of Safe and Healthy Workplaces			Manufacturing/Logistics/Sale: Utilization of diverse human resources and technology			We will contribute to create a society where everyone are able to work safety and healthy though "smartness" -development and introduction of technologies that reduce the human load, e.g. AI and IoT.	
7 Reinforcement of Corporate Governance and Compliance	Value Chain: Business globalization and borderless	Corporate: Responding to climate change impacts				We will contribute to minimize social impact of extreme weather phenomena derived from climate change by building a robust value chain.	

Product and Service Reliability and Innovation

TOYO TIRE's SDGs (Ideal Status in 2030)

We will contribute;

- to widespread of mobilities that will be enable social participation by using higher functionality technologies.
- to progress of mobilities by focusing on adding of value of products and technologies.
- to the mobility industry efforts that will adapt to climate change and aim to mitigate the influence by climate change by innovations.
- to sustainable resource recycling through optimization of resource utilization and improvement of product durability.
- to realize the safe and secure mobility society through implementing safety awareness and supporting for improving maintenance skills.

the UNSDGs relating to our challenge



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 (Opportunity & Risk)

In the business environment, TOYO TIRE foresees the following; increased demand or tightening of regulations for products and services that concern climate change; globalization of our business area; diversification of consumers, etc. We necessary to respond to these changes in the business environment. So, we regard our priority issues as the development and supply of products and services that meet the needs of the next-generation mobility society, strengthening of technological and material development to achieve this, improvement of quality, and training of human resources.

Activities in 2018

- The risk measures based on the “Foresight and Prediction”
- The development of technologies for the next generation mobility society

Management Approach

Policies

TOYO TIRE 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 IATF16949 (the former 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 Tire Group Product Safety Charter.”

Goals

As a quality improvement Goal, through the product planning and production transfer preparation stages, which include material purchases and logistics, we perform quality risk analysis for each process and are sure to reflect that in each R&D project.

We will work to ascertain the state of their quality with a constant awareness of customer satisfaction by referring customer opinions of our products and services. The collaboration between the Quality Assurance, Production, Sales, Engineering, and other departments, we will work to make improvements in order 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 functionality in all product development activities, which are our goals in resolving global issues through our products and services. We will also promote human resource training.

Responsibilities (July 2019)

R&D

Senior Corporate Officer & Vice President of R&D Headquarters

Production Engineering

Corporate Officer & Vice President of Production Headquarters

Provision of products and services

Corporate Officer & Vice President of Sales Headquarters

Quality Assurance

Senior Corporate Officer & Vice President of Quality Assurance, Environment & Safety Headquarters

Quality Assurance

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 rapidly introducing new laws and systems relating to performance and environmental quality for improving fuel efficiency of automobiles and reducing of CO₂ emissions from automobiles. We are working to strengthen our handling of quality standards throughout the Group by responding to all quality related to increasingly complex laws and regulations.

The Group holds a Global Quality Management Committee (Global QMC), where those responsible for quality assurance and other relevant people from tire production facilities in global meet once a year. At this meeting, we share and discuss initiatives related to product quality, improvement of the quality system for production, the logistic and supplier quality demanded by customers (business partners).

In FY 2018, the first Global QMC of the automotive parts business was held and there was a meaningful exchange of opinions among those from our offices in global.



The 1st Global QMC of automotive parts business

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. The total number of inquiries received by the Customer Relations Department in Japan in fiscal 2018 was 2,309. 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 we receive inquiries and requests from our customers, we analyze the details and make suggestions to applicable departments. By doing so, we hope to improve “the ease of use” of our products and services for our customers. We shall endeavor to promptly and satisfactory respond to customers who submit an inquiry. And we work sincerely in cooperation with our business offices and Technical Service Dept. to resolve their issue, establish and maintain well-relationships with customers.

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 frontline perspective. In fiscal 2018, activities were launched not only at production facilities but also sales companies in Japan. There are now more than 300 circles across all facilities. At all the circles, members bring with them their experiences and knowledge in order to resolve issues as well as working to improve quality by ascertaining current conditions, setting goals, developing activity plans, and analyzing issues.

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. In FY 2018, 6 circles from Japan

and 5 circles from outside Japan gave presentations on their quality improvement activities, all of whom had been selected from preliminary rounds. The presentation content of all circles was judged from the perspective of analysis capabilities (whether the true cause was pursued while using the QC method effectively) and execution capabilities (whether all members understood their roles and were actively engaged), and the activities from outstanding circles were recognized.



Company-wide QC Circle Conference

Resolving Global Issues

Supporting the Participation of Diverse Individuals in Society

In developed countries such as Japan, several issues exist such as the rapid decline in population, the increase of the aging population, and measures to take for vulnerable road users as a result of natural disasters. Through our products and services, we contribute to the mobility society that supports the participation of diverse individuals in society. For example, the automotive parts business produces Air Suspension, which absorbs and reduces shocks and vibrations transmitted from the road surface. Air Suspension are used on buses and trucks and it reduces the burden to the user and cargo. On commuter buses, there is a height adjustment function that allows passengers to ascend and descend to support barrier-free access. We support everyone's ability to safely and comfortably move around in their daily lives.

*The automotive parts that absorb and mitigate the shock and vibration transmitted from the road surface.

TOYO TIRE has been conducting business for more than 70 years since its establishment and has constantly made technical innovations, in addition to seizing changes and evolution in society, and has delivered products and services that contribute to resolving social issues to customers in global.

*More information is available at <https://www.toyotires-global.com/rd/>

Responding to Increasingly Sophisticated Customer Needs

In addition to changes in the social environment, the values of people involved in mobility and customer needs for the Group is becoming increasingly sophisticated. The Group does not only resolve issues according to the needs of the stakeholders, but we are also working on product development, with the aim to provide new realizations and joy. For example, the neo-futuristic airless concept tire “noair” that we developed is aimed to pursue a maintenance free tire and realize a spare less solution. This neo-futuristic airless concept tire responses to new needs in the mobility society. And the “noair,” in 2017, have reached the

industry-leading level of being able to mount the tires on passenger cars and drive at high speeds.

Responding to Climate Change Risks

We are actively engaged in developing technology to respond to the various climate change risks that is expected in the future, such as improving technology for fuel-efficiency and low emissions, and the development of next-generation mobility to replace engine vehicles, etc. For example, TOYO TIRE Corporation has begun joint development of a suspension module (composite components) for electric vehicles (EV) with GLM Co., Ltd. which is the EV manufacturer. We have started developing automotive parts to achieve a comfortable ride by automatically controlling the vehicle's shock absorbers and damping the juddering or vibrations to best suit the road conditions, and we are aiming for commercialization in 2020.

Responding to Resource Depletion due to Climate Change and Increased Demand

It is essential to the sustainable growth of society to resolve the issue of shortages in natural resources caused by climate change and population growth. We are working on reducing the use of raw materials in all value chain; research on next-generation material such as new functional rubber and sustainable raw material; development of material and products with a high-level of wear resistance, etc. For example, using our proprietary technology, “Nano Balance Technology,” we have established a new development process that can maintain a high-level of wear resistance through optimizing resource characteristics while achieving significant fuel efficiency. We have started supplying products using this technology from the spring of 2019, contributing to resource saving by improving product life.

TOPICS

Snow tire M925 for snow plow trucks received GOOD DESIGN AWARD 2018

The snow tire M925 for snow plow trucks released in July 2017 received GOOD DESIGN AWARD 2018.

The M925 is a specialized tire developed for snow plow trucks. In recent years, the mainstream method for snow removal on expressways changed from the conventional method of using large machines at slow speeds to high-speed snow removal work. The orientation of the unusual V-shaped pattern of the M925 provides a powerful driving force even on icy and snowy road surfaces. For snow removal work on expressways up until now, there was a great deal of resistance due to the snow and it was difficult to drive the vehicle straight ahead, requiring the driver to have a high-level of driving skill. Mounting the M925 tires onto the vehicle has made it possible to reduce the burden on the driver.

The selection panel commented, “the concept of a tire for snow plows is new. And by considering the conditions of use for snow plows and the conditions required for the tires, the creation of an original tread pattern has been inevitably created due to function and not for appearances, and can be evaluated as a design. In addition, the pattern design as a result of this well represents its function. It gives an impression of being able to grab hold of snow very well and the appearance is also attractive.”



*M925” Snow tires for snow plow trucks

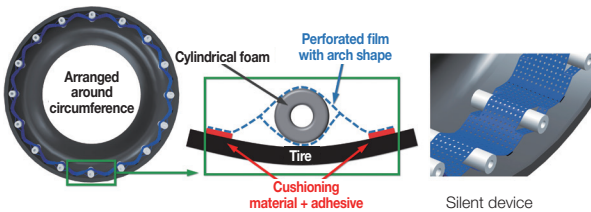
Uniquely developed device effectively reduces resonance in tire cavity

While the mobility environment undergoes a major transformation, through the spread of electric and hybrid vehicles, there is demand for a quieter environment inside the vehicle. To contribute to achieving a more comfortable mobility society, TOYO TIRE is working on developing products equipped with our proprietary silence technology, “Toyo Silent Technology.”

When the tires come in contact with the road surface, noise that is generated by the vibration from the air inside the tire is called tire cavity resonance, and is one source of vehicle interior noise. We visualize through a simulation the state of the air inside the tire that is the cause of this noise when the vehicle is actually traveling, and we worked on reducing the noise that was identified using the flow of the air inside the tire.

Using our company's unique approach, we arranged a porous film in the direction of the flow of air (the pathway of the air), and

devised a “structure through which generated sound can pass (device).” In the actual vehicle tests, it was possible to significantly reduce the peak of tire cavity resonance by installing this device. We plan to continue to study commercialization of tires equipped with this device in the future, and to expand the market.



TOPICS

Apply its own “Mobility Aerodynamics” technology

Improving the aerodynamic characteristics of an automobile (reducing the air resistance that an automobile is subjected to when it moves) leads to improvement of fuel efficiency. In addition, in EVs, which are becoming increasingly popular, by increasing the aerodynamic characteristics, it is possible to increase the driving distance by the amount of one full charge. In this way, in the development of next-generation mobility, it is social significance to more accurately understand the ideal aerodynamic characteristics, and this technology is said to have great industrial value.

About 15% of the total air resistance that a moving vehicle is subjected to is due to the rotation of the tires. And the analysis

and control of the air flow around the driving tire leads to improvement of fuel-efficiency in mobility overall. We have established “Mobility Aerodynamics” technology, which can analyze and predict the characteristics of air resistance and flow over the vehicle body by combining various conditions for the tire when the vehicle is traveling. We expect that the results of the analysis gained from this highly accurate simulation improve our technological advantage in development tires.

In the future, we will develop tires that optimize the aerodynamic characteristics of individual vehicles. We contribute to the development of next-generation mobility in response to climate change through the improvement of fuel efficiency.



Visualization of air resistance using “Mobility Aerodynamics” (aerodynamic simulation) technology

Supplying fuel-efficient super single tire for trucks and buses “NANOENERGY M175 & M675” to the North American market

From the spring of 2019, we have begun supplying the “NANOENERGY M175 & M675,” a fuel-efficient super single tire* that was developed using the polymer “Nano Composite Polymer,” which was produced using our proprietary new technology, to the North American market.

M175 and M675 are superior tires for trailer heads and trailers, with improved tire life (prolonging the life of the product) and environmental performance compared with conventional tires. These are able to achieve compatibility in two conflicting performance elements, wear performance and fuel-efficiency, at a higher level.

M175 and M675 will contribute to transport efficiency and improvement of fuel-efficiency, because the weight reduction for the entire vehicle will contribute to a significant increase in the loading capacity. The United States has launched the “SmartWay® Program.”

*Up until now, in terms of load bearing, the standard configuration was a double tire, for which two tires were installed on each side per axle, but now the single tire that is installed with one on each side is called the super single tire.



Tech-Human Resources

With an eye toward a future in which the market environment is projected to be dramatically different due to the mobility revolution, TOYO TIRE is focusing its efforts on training professionals who can transform difficulties and crises into opportunities for sustainable growth.

Toyo Tire Corporation 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. This will be done through company-wide, grade-specific training. At each of our technical headquarters, we will conduct training for young employees so that they acquire technical expertise and promote annual human resource training to achieve each organization’s mission. In fiscal 2018,

the Technology Development Division responsible for our tire development conducted about 115 hours/employees 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.

The goal of this training is to raise the teaching skills of mid-level employees by having them serve as instructors. As for the outcome of these education and training activities, to participants, there is the post-class tests to ensure that the target level is achieved. And also, to the mid-level employees who served as instructors, there is the conducting of surveys and evaluations by their superiors and they continuously improve the level of the teaching skills.

TTHA Group (U.S.) provides training of employees to enhance their technical capabilities and problem-solving skills. In FY 2018, 1,318 employees in the TTHA Group participated in approximately 14,000 hours of training.

TOPICS

Holding of the 8th Company-wide Technology Development Presentation

At Toyo Tire Corporation, technological development that meets customer needs and responds to the opinions of the Production and Sales Departments is conducted while constantly keeping commercialization in mind. In addition, 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 2018, 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 2018 awards

■ Outstanding Technological Development Award

Development of thermoplastic liquid crystal elastomer material*

■ Unique Award

Rubber material modeling using molecular simulation

■ Surprise Award

Development of visualization technology for equipment

*Elastomer material: polymer material that is elastic like rubber



The 8th Company-wide Technology Development Presentation

Toyo Tire Corporation (the Central Research Center) won the Award in Chemical Technology and Environmental Technology from the Kinki Chemical Society (KCS), Japan

The research and development results from Toyo Tire Corporation (the Central Research Center) received both the KCS Award in Chemical Technology (70th) and the KCS Award in Environmental Technology (18th). This time is the sixth time that we have won the Award in Chemical Technology and the second time for the Award in Environmental Technology.

The Award in Chemical Technology

This Award is for those whose industrial, social and academic values are apparent in research and technology related to chemistry.

Winning Research

Thermoplastic liquid crystal polyurethane elastomers and the creation of those fibers and the thermophysical properties

The Award in Environmental Technology

This award recognizes the new and improved technologies that are actively aware and directing of the maintenance and improvement involved in coexisting within the global environment, and that are made the industrial, social, and technological values clear.

Winning Research

Development of separation membranes for carbon dioxide gas

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Priority Theme 2

Contribution to the Global Environment

TOYO TIRE’s SDGs

(Ideal Status in 2030)

We will contribute;

- to improve resource usage efficiency including water and energy through promoting to upgrade of equipment and operation on manufacturing sites.
- to promote the use of renewable energy in the region to increase renewable energy share of energy used at manufacturing sites.

the UNSDGs relating to our challenge

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Priorities

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

Reasons for being Priority Issues (Opportunity & Risk)

With the impact of climate change becoming more severe, societal demands on mobility are also increasing. TOYO TIRE recognizes that efforts to adapt to and mitigate climate change is the most important issue affecting the growth of the Group in one way or another. Reduction in the emission of greenhouse gases to achieve the “2-degree goal” set in the Paris Agreement, reduction of the water risks that are increasing due to climate change and increased demand, and resource recycling are our responsibility not only to modern society but also to future generations. So, we have positioned these as priority issues to be addressed for the sustainability of the Group.

Activities in 2018

- Organization of the impact by climate change to our business
- Promoting the reduction of CO₂ emission
- Organization of the water security impact to our business

Management Approach

Policies

In the Toyo Tire Group Global Environmental Charter, we clearly indicate our fundamental philosophy and action guidelines for promoting environmentally conscious behaviors and activities. And we support international norms; the United Nations Rio Declaration on Environment and Development, Agenda 21 and the Ten Principles of United Nations Global Compact (UNGC), etc.

To fulfill our environmental responsibilities, we quickly establish countermeasures for environmental issues based on a precautionary approach (risk assessments). 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.

Goals

For our activities within Japan, we have formulated the Toyo Tire Group Global Environmental Action Plan, the target year of which is 2020, plan and manage annual activity. And we translate the plans into English and share it for business sites outside Japan.

As for global environmental issues such as climate change, water security, resource cycle, etc., we are moving forward with a review of our medium- and long-term targets.

The FY2019 Policy of Environment Section meeting, Safety & Environment Committee (Excerpt)

Response to climate change

Conduct energy conservation activities

- Reduce energy consumption per unit of production by at least 1% year-on-year
- Preparation of measures for reducing energy in FY 2020

CO₂ emission reduction

- Preparation of setting the mid- and long-term targets after 2030, 2050
- Independently set and achieve targets regarding year-on-year change
- Reduce CO₂ emissions per unit of production 15% compared to fiscal 2005 by December 2019

Introduction of renewable energy

- Increasing the renewable energy usage

Efforts to reduce water risk

Reduce and manage of water resources

- Reduction of water withdrawal by source: 10% reduction over 5 years
- Management of water discharge: Improve management precision

Resource recycling efforts

Establishing a Sound Material-Cycle Society by maintaining and increasing waste recycling rate

- Maintaining a waste recycling rate of 100%

Responsibilities (July 2019)

Senior Corporate Officer & Vice President of Quality Assurance, Environment & Safety Headquarters

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Climate Change

Opportunities and Risks posed by Climate Change

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

We have established a company-wide working group (WG) and discuss action for climate change issues. The WG brings together the responsible parties in related business organizations and discusses about action plans. The 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.

The WG is considering actions for climate change that we should engage in while referring to the contents of the CDP*1 Climate Change Questionnaire and Final Report (Recommendations) of TCFD*2. Based on the predicted impact of climate change published by IPCC and various research institutes, we are in the process of organizing climate-related long-term opportunities, risks (physical and transition), and financial impact that will occur in continuing corporate operations.

For example, we recognize the impact of climate change as an opportunity, and receives profit from the development and sales of fuel-efficient products. And there are some countermeasures that have launched in response to the risks of the strengthen environmental regulations in each country, such as changing fuel sources, making active use of renewable energy, and improving the energy efficiency of facilities. In future, we will prioritize these opportunities and risks that have been organized, evaluate the business impact using scenarios that are based on scientific evidence, and set long-term targets.

*1 An international NGO working in environmental fields (climate change, water security and forest). Uses questionnaires to collect information related to companies' CO₂ emissions and initiatives on climate change, etc., evaluate and disclose.

*2 Task Force on Climate-related Financial Disclosures. Established by the Financial Stability Board (FSB) in 2015 for the purpose of discussing the financial industry's response to climate change issues.

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. Efforts are also being made to develop new products and technologies that contribute to climate change alleviation and adaption.

The case of reducing energy consumption

Efficiency Initiatives

Fuel conversion at Sendai plant in Japan (started its operation from 2018)

Amount of reductions in energy consumption compared with the previous year

pre-launch: 131.4 (1000GJ)

Types of energy included in the reductions

Fuel (heavy oil, thermal coal, used tires), Purchased electricity

Energy Consumption within the Organization	2016	2017	2018
Energy Consumption within the Organization (1000GJ)	7,202.7	7,569.1	7,528.2
In Japan (1000GJ)	4,199.5	4,322.9	4,268.9
▶ From non-renewable sources (1000GJ)	3,977.2	4,106.8	4,131.4
▶ From renewable sources (Solar, Thermal Recycle by Used tire) (1000GJ)	222.3	216.1	137.6
Outside Japan (1000GJ)	3,003.2	3,246.2	3,259.2
▶ North America (1000GJ)	1,459.1	1,654.7	1,725.0
▶ Asia (1000GJ)	1,544.1	1,591.5	1,534.2
▶ From non-renewable sources (1000GJ)	3,002.6	3,245.5	3,258.6
▶ From renewable sources (Solar, Thermal Recycle by Used tire) (1000GJ)	0.67	0.67	0.67

Reductions in energy requirements of products (Fuel Efficient Tires)	2016	2017	2018
Amount of reductions in energy consumption (GJ/km) *Estimated values	162.4	164.0	186.7
*Reference: Production ratio of Fuel Efficient Tires			
▶ Tires for Passenger Vehicles (PCR)	27.0	25.1	28.6
▶ Tires for Trucks and Buses (TBR)	20.9	21.6	25.3

Energy intensity	2016	2017	2018
Within the Organization			
▶ Energy intensity *energy consumed/monetary unit of sales (1000GJ/100 million yen)	1.89	1.87	1.91
Main production facilities			
▶ Energy intensity *Conversion to crude oil/production volume (kl/1000t)	667.5	679.2	680.7
▶ Compared to the previous year that Energy intensity	+4.99%	+1.75%	+0.23%

*Types of energy included in a unit of production: same as "Energy consumption within the organization"

*The target of the annual activity plans in FY 2018: Reduce energy consumption per unit of production by at least 1% year-on-year

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.

We are promoting fuel conversion and equipment renewal at manufacturing bases as a countermeasure to scope 1 and 2. And we are promoting development of Fuel Efficient Tires as a countermeasure to scope 3, too.

GHG emissions	2016	2017	2018
Direct and Indirect GHG emissions (1000t-CO ₂ e)	625.4	637.3	610.3
▶ In Japan (1000t-CO ₂ e)	351.3	344.0	313.6
▶ Outside Japan (1000t-CO ₂ e)	274.0	293.3	296.8

CO ₂ GHG emissions intensity (Scope 1+2/production volume)	2016	2017	2018
*Manufacturing Base in Japan			
CO ₂ GHG emissions intensity (t-CO ₂ /t)	1.30	1.35	1.33
Compared to fiscal 2005 of GHG emissions intensity	-4.79%	-1.08%	-2.34%

*Type of GHG: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃

*The target of the annual activity plans in FY 2018: Reduce CO₂ emissions per unit of production 15% compared to fiscal 2005 by December 2019

Water Security

We recognize that access to fresh water is one of Human Rights. So, we are aware that water risks in business activities are our business issue.

The company-wide Working Group (WG) also discusses about the water securities, not only climate change. The WG is examining the water security that we should address with reference to the details of the CDP Water Security Questionnaire. Using the Aqueduct Water Risk Data disclosed by Aqueduct (World Resources Institute: WRI), the Group has identified water-related impacts on business activities around our production facilities. And we will engage in efforts to reduce water intake and waste water through effective use of the water appropriate for the size of the impact. In this evaluation, we are examining water utilization plans, improvement of work processes, and the promotion of recycled water usage in bases that operate in communities that have been assessed as being impacted by water either now and in the future.

Interactions with water as a shared resource

Identify water-related impacts for our business activities (manufacturing)

Approach

Accessed the water-related impacts by Aqueduct Water Risk Data (Aqueduct, WRI) at the end of February 2019.

Result

Around Zhucheng (China), where the Group's production facility is located, has been evaluated the water-related impact as high because in this area, there is a large demand for water and the yearly and monthly fluctuations in the water supply are significant. In the areas around Zhucheng, Zhangjiagang (both of China), Phanthong (Thailand) and Perak (Malaysia), the predictions for 2030 has assessed that, if stable economic development continues in the future, the ratio of demand to water supply are expected to increase more than the present demand. These areas have the Group's production facilities. In this forecast, the demand will be 1.4 times in Zhucheng, Zhangjiagang (both of China), and Phanthong (Thailand) and doubled for the area around Perak (Malaysia).

We checked that no business sites use water taken from wetlands listed in the Ramsar Convention or any other nationally, internationally proclaimed conservation area, high biodiversity area, and importance water resources to local communities and indigenous peoples. As for impacts for which sufficiently accurate information is difficult to obtain for our Group to report on at the current time, we will work to ascertain current conditions giving priority to areas where there is a risk of increased water risk in the future.

*Identify using the following information;
Ramsar Sites Information Service, UNESCO-World Heritage Center, Ministry of the Environment (Japan), Agency for Cultural Affairs (Japan)

TOPICS

Eliminating the Coal-Fired Boiler at Tire Plant

The Sendai Plant (Toyo Tire Corporation, Japan) has been working toward updating equipment in stages since 2017 to change the source of thermal energy to natural gas, and all updates were completed in January 2019.

The Sendai Plant is one of our main production facilities in Japan. Up to now, the steam and electricity in the site were made by a boiler fueled by the mixed combustion of coal and used tires. So, it had been an issue how to respond to the increase in energy consumption and CO₂ emissions by accompany the increase in production volume.

We had moved forward with phased upgrades to highly efficient natural gas turbines from 2017 to 2019. As the results, the Sendai Plant is expected to reduce CO₂ emissions in 2019 by approximately 24% compared with the previous year.



Gas-turbine cogeneration system introduced at the Sendai plant

Reduction in GHG emissions due to direct impact of efforts to reduce emissions in fiscal 2018 (t-CO₂/year)

Introduced the highly efficient systems (reducing energy consumption)	493.4
Reducing the energy loss	2,189.4
Change to LED	83.6
Others	672.3

*Type of GHG: CO₂

*Scope of reduced GHG emissions: Scope 1 & 2

*Boundary: in Japan

*The details of each performance that energy and water usage, significant air emissions (GHG, others), and waste, and the detail of each data (boundary, period, assumptions underlying of data) are available at our website.

Reducing Water Withdrawal and Water Discharges

Primarily at its production facilities, our Group uses water withdrawal from ground water, third-party 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, Toyo Soflan Co., Ltd. (Japan) uses 13 cooling towers and the rate for recycling water is 96%. The Kuwana plant (Toyo Tire Corporation, Japan) has reduced the amount of water intake by 800 m³/month by reviewing its use of boilers, and we are also analyzing waste water for use as recycled water. There were no unplanned water discharges in fiscal 2018.

Water withdrawal				
		2016	2017	2018
Total water withdrawal (1000kL)		3,943.7	3,892.8	3,719.6
▶ In Japan (1000kL)		3,131.1	3,027.9	2,833.0
▶ Outside Japan (1000kL)	All areas	812.6	864.9	886.6
	Areas with water stress	95.3	101.9	105.0

*We are currently not operating anywhere in Japan with a high level of water stress
*At present, all water intake is from fresh water
(water for which the total dissolved solids are 1,000 mg/L or less)

Management of water discharge-related impacts at manufacturing bases (Toyo Tire Corporation)

Sendai Plant	<div>Control parameters</div> <p>pH, BOD, COD, SS, fluorine(F), boron (B), zinc (Zn), n-Hex (mineral)</p> <div>Regulatory standards</div> <p>the regulation value by the Water Pollution Control Law</p>
Kuwana Plant	<div>Control parameters</div> <p>pH, BOD, COD, SS, n-Hex (mineral), nitrogen (N), phosphorus, fluorine (F), Escherichia coli (E. coli), nitrite-nitrogen and nitrate-nitrogen, ammoniacal nitrogen, ammonia, etc.</p> <div>Regulatory standards</div> <p>the regulation value by the prefectural ordinance and the pollution prevention agreements with the local community</p>
Hyogo Manufacturing Complex	<div>Control parameters</div> <p>pH, BOD, COD, SS, n-Hex (mineral), nitrogen (N), phosphorus, zinc (Zn), Escherichia coli (E. coli), dichloromethane</p> <div>Regulatory standards</div> <p>the regulation value by the Water Pollution Control Law</p>

Water discharge			
	2016	2017	2018
Sendai Plant (1000kL)	—	983.3	773.8
Kuwana Plant (1000kL)	—	418.7	420.4
Hyogo Manufacturing Complex (1000kL)	—	109.3	109.1

*At present, all water intake is from fresh water (water for which the total dissolved solids are 1,000 mg/L or less)
*At present, the area around the above sites do not fall under a high level of water stress

Resource Recycling

TOYO TIRE 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.

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.

For example, TOYO TIRE NORTH AMERICA MANUFACTURING INC. (U.S.) has introduced new equipment that will contribute to resource consumption reduction in the production process. Use of this equipment will improve the functionality of the materials; thereby, reducing consumption of the raw materials and the processing time.

We are working to reduce waste 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.

The information that the management and treatment of specific chemical substances is available at our website.

There were no significant spills (oil, fuel, wastes, chemicals and other) for soil or water surfaces, that we were liable for in fiscal 2018.

Main materials used			
	2016	2017	2018
Total weight of main materials (1000t)	335.9	334.4	332.8
▶ Renewable materials (1000t)	180.6	179.0	190.7
▶ Non-renewable materials (1000t)	155.3	155.4	142.1
Percentage of recycled input materials used to rubber material	1.2%	1.2%	1.2%

Non-hazardous waste (industrial and general waste)			
	2016	2017	2018
Total weight (1000t)	31.2	34.8	32.5
▶ In Japan (1000t)	17.6	19.0	16.2
▶ Recycling (1000t)	17.5	18.9	16.2
▶ Reuse (1000t)	1.08	0.90	0.85
▶ Outside Japan (1000t)	13.6	15.8	16.3

Total Production Shipments of Recycled (Retreaded) Tires *TOYO Brand			
	2016	2017	2018
Production output (1,000 units/year)	113.5	124.9	131.0

*The details of each performance that energy and water usage, significant air emissions (GHG, others), and waste, and the detail of each data (boundary, period, assumptions underlying of data) are available at our website.

Respect for Human Rights and Diversity

TOYO TIRE’s SDGs (Ideal Status in 2030)

- We will contribute;
- to create a society where diverse peoples are able to get equal opportunities and play an active role by providing work environment that employees can continue to challenge with peace of mind.
 - to create a society where SDGs become mainstream through developing human resources to support sustainable development of the world.
 - to promote local employment and to develop and stabilize the local economy by strengthening global network.

the UNSDGs relating to our challenge



Priorities

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

Reasons for being Priority Issues (Opportunity & Risk)

For TOYO TIRE to grow as a global company in the future, we believe it is important to understand the diversification of our stakeholders. And we must respond in good faith to diversifying needs while having the consideration and appreciation for people and society. To create this environment, it is important to build an organization that can make the most of the personalities and values of people from various backgrounds and enable them to demonstrate their capabilities. So, we support and respect 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.

Activities in 2018

- Established Global Human Rights & Labor Policy
- Signed the “United Nations Global Compact (UNGC)”
- Launch of Work Style Reform

Management Approach

Policies

We respect international norms related to human rights and labor, such as the Universal Declaration of Human Rights, the ILO Declaration and the Ten Principles of United Nations Global Compact (UNGC). In addition, we set “Global Human Rights and Labor Policy” and 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 show our attitude towards the responsibility for respecting human right in procurement activities as “CSR Procurement Guidelines.” And 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 Tire 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.

*More information about the new policy is available at https://www.toyotires-global.com/csr/pdf/human_rights_en.pdf (Please refer to Priority Theme 4 for the CSR Procurement Guidelines, and to Priority Theme 7 for the Charter of Corporate Behavior).

Goals

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

Responsibilities (July 2019)

Corporate Officer & Vice President of Corporate Headquarters

Human Rights

Fulfilling Responsibility to Respect Human Rights

At TOYO TIRE, there are increasing opportunities to communicate with diverse stakeholders, both internally and externally. So, we have established the “Global Human Rights & Labor Policy,” and we are committed to corporate management that respects the human rights of all people involved in the business.

We consider the respecting of human rights a business issue that should be addressed with priority. We have established the company-wide working group (WG) and discuss action for the respecting of human rights. The WG brings together the responsible parties in related business organizations and discusses about action plans. The 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.

In fiscal 2018, 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. As for the impact that we have on parties outside the group organization for which sufficiently accurate information is difficult to obtain for our Group to report on at the current time, we will work to ascertain current conditions, which includes conducting research in the future on areas with high human rights risks.

TOPICS

Expressed the support for the Ten Principles of United Nations Global Compact

Toyo Tire Corporation supported the Ten Principles of United Nations Global Compact (UNGC) and signed at February 2019. We will recognize the UNGC and the Ten Principles as part of the strategy, culture, day-to-day operations of our company, and engage in collaborative projects which advance the broader development goals of the United Nations, particularly the SDGs. Furthermore, we support public accountability and transparency, and commit to report on progress according to the UN Global Compact COP (Communication on Progress) policy.



Global Human Rights & Labor Policy

TOYO TIRE established “Global Human Rights & Labor Policy” and commenced operations.

We respect the human rights of every person involved in our business activities, both in the workplace and the business communities we operate in. Our goal is to contribute to the creation of an inclusive society* by responding to globalization and diversification of stakeholders.

We recognize the possibility of causing, promoting or act in a manner that will have a negative impact for human rights. We will take reasonable steps to avoid these outcomes.

*An inclusive society: the process of improving the terms on which individuals and groups take part in society—improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity.

Diversity

Employment Situation

TOYO TIRE is committed to ensuring fair employment practices and treatment of employees across our organization. We are also striving to create workplaces where diverse individuals can fully demonstrate their capabilities, regardless of nationality or gender.

In terms of recruiting, we endeavor 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.

From FY 2018, Toyo Tire Corporation no longer publishes recruitment ratios on gender or nationality when hiring new graduates. Instead, we have changed to a policy that evaluates and hires human resources evenly.

As a diversity and equal opportunity initiative, we aim to the female success promotion, and in addition to reforming human resource systems, we conduct career interviews for all employees, human resource development planning, and gender-equality awareness training.

New employee hires*

- Total: 210 new employees
- Age groups: Under 30 years old; 149, 30-50 years old; 60, Over 50 years old; 1
- Gender: 236 Men, 24 Women
- Boundary: In Japan

Diversity of employees*

- Age group: Under 30 years old; 818, 30-50 years old; 2,053, Over 50 years old; 661
 - Gender: 3,304 Men, 228 Women
- Other indicators of diversity where relevant:
- People with disabilities; 18
 - Female managers; 37
 - Foreign managers; 5

*Full-time employee including mid-career hiring (the former Toyo Tire & Rubber Co., Ltd., in Japan at the end of 2018)
Total number and rate of new employee hires

For example, In accordance with a 10-year plan, Toyo Tire Japan Co., Ltd. is creating their work environments where women can play an active role. The 10-year plan has three themes; promoting women into managerial roles, creating a culture in which women can play an active role, and creating a work environment in which employees can work with peace of mind while also raising children.



The country-wide workshop for female employees (Toyo Tire Japan Co., Ltd.)

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 Corporation 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.

TOPICS

Launch of Work Style Reform

For the Group to continue sustainable growth and meet the expectations of our stakeholders, we believe it is necessary to create a work environment that accepts diversity in our human resources and promotes active engagement, regardless of gender, age, and constraints on working hours.

To respond to changes in the environment and fulfill the roles expected of our stakeholders, Toyo Tire Corporation has launched Work Style Reform aimed at enabling employees to design and optimize their own work style. In FY 2018, we established a model department within the company that worked on time management, making meetings more efficient, and trialing a telecommuting system. In FY 2019, based on the results gained in FY 2018, we established the “meeting operation manual,” and in addition to spreading this through the company, we also introduced a telecommuting system. We will continue to promote progressive initiatives in the model department.

Basic Policy for Examining and Implementing “Work Style Reform”

- (1)By making maximum use of the capabilities of our diverse human resources, we will achieve sustainable growth for the Group
- (2)Establish a “Work Style Reform Promotion System” with collaboration between labor and management, and promote activities in which the company operates as one team
- (3)Listen carefully to diverse opinions and promote activities that enable each control department to take initiative
- (4)Use the PDCA cycle to lead us to the next step while verifying the results of each activity

Discussion on the outlook for 2030 for the Group’s management human resources education and training

The selective management human resources education and training, which has been held since 2016, aims to develop future human resources in management. The participants in their 30s and 40s are selected to learn the essential requirements for business management, learn management literacy, and the program fosters a management mindset.

In FY 2018, with the objective of broadening and enhancing the perspectives of the participants, and in addition to the overall curriculum that focused on group training, students attended off-site schools for further training. At the off-site training sessions, participants discussed changes in customer needs, growth of emerging nations, and other cases with people outside the company. It was possible to exchange opinions and interact with people from other industries, which is not possible during in-house, group training, and helped participants change their way of thinking.

After the training, we will follow-up with participants, support their career development, and continue to develop of human resources in management.



The management human resources education and training

Collaboration with Business Partners

TOYO TIRE's SDGs (Ideal Status in 2030)

We will contribute to create a society where ethical consumption is standardized by building a sustainable supply chain through cooperation with stakeholders.

the UNSDGs relating to our challenge



Priorities

- Supply chain management
(Society and Environment)

Reasons for being Priority Issues (Opportunity & Risk)

It is essential to TOYO TIRE's sustainable growth that we understand the impact of its activities on the supply chain and engage in resolving social issues faced by the supply chain, as a global company. In addition, we believe that it is only through a sound supply chain that we can deliver safer, more secure products and services to consumers. To this end, we position contributing to sharing the Group's thoughts on sustainable procurement with business partners and solving global social problems throughout the supply chain as issues that should be addressed with priority.

Activities in 2018

- Promoting the sustainable procurement of the raw material including the natural rubber

Management Approach

Policies

We formulated the Toyo Tire 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 TIRE 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.

*More information about the new policy is available at https://www.toyotires-global.com/csr/pdf/procurement_en.pdf

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.

Responsibilities (July 2019)

Corporate Officer & Vice President of Business Headquarters

Transparent Transactions

With the Toyo Tire 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, in FY 2018, the Procurement Division collaborated with the Legal Dept. and the Compliance Dept. to create a checklist. We use this checklist to confirm whether the Subcontract Law applies to each transaction and to check for omissions in the information recorded in the documents that must be created and stored under the Subcontract Law. We conducted a self-assessment of the compliance status with the Subcontract Law and analyzed these assessment results and are implementing corrective and preventative actions as necessary. Furthermore, we conduct on-going study groups, promote the sharing of information within the group, and ensure that Subcontract Law compliance managers improve their knowledge and have a unified understanding of the law.

Partnership

Promoting Sustainable Procurement

Creating a supply chain that supports sustainable procurement is indispensable for continuing to ensure a stable supply of raw materials with the quality and volume to support the growth of TOYO TIRE. Sustainable procurement means that we work toward resolving social issues throughout the entire supply chain, from production to consumption, and aims for sustainability in society.

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.

CSR Procurement Guidelines

To work toward resolving social issues throughout the entire supply chain, from production to consumption, we have established the "TOYO TIRE Group CSR Procurement Guidelines."

The contents of the guidelines are periodically revised based on the demands of society and changes in the business environment. In the 2018 revisions, we added a policy concerning the sustainable procurement of raw materials (especially natural rubber).

For this revision, we plan to hold briefing sessions and request self-assessments based on the revised guidelines sequentially, in the order of business partners who we have determined to have the most significant impact on the Group's business activities (for example, business partners who have a large volume of transactions with the Group and business partners operating in areas where environmental and social risks are high). We will also address due diligence (analyze the risks in the supply chain and by providing these results as feedback to our business partners, improve the explicit and potential negative impacts) based on the content of the self-assessments.

International collaboration on the sustainable procurement of natural rubber

In the future, being able to procure a stable supply of natural rubber is a particularly important management issue for the Group, which uses natural rubber as the main raw material for manufacturing. Meanwhile, the natural rubber industry faces social issues, such as deforestation at production sites and infringement of the rights of local residents, and there is a worldwide movement to achieve sustainable procurement of natural rubber by resolving these issues.

Since 2016, we have endorsed the aims of the "Sustainable Natural Rubber Initiatives (SNR-i)*1" proposed by the International Rubber Study Group (IRSG), and we have promoted CSR procurement while gaining the understanding of our business partners. In addition, we also participated in the "Global Platform for Sustainable Natural Rubber (GPSNR)*2," a new framework launched in 2018 by the Tire Industry Project (TIP), a project of the World Business Council for Sustainable Development (WBCSD). The recently added policy for the sustainable procurement of natural rubber was created with respect to the content of the GPSNR's "Principles for Sustainable Natural Rubber."

*1 Initiatives with the aim to support the improvement of productivity, enhancing quality, support forest sustainability, water management, and to demonstrate the highest respect for human and labor rights across the natural rubber supply chain.

*2 A platform that aims for production and use of natural rubber around the world to be conducted in a method that considers the natural environment and social issues, going beyond the norms of the industry.

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

Participation in GPSNR

In 2018, the WBCSD's TIP launched the "Global Platform for Sustainable Natural Rubber (GPSNR)," involving a wide range of stakeholders in the natural rubber supply chain. We are also participating in this platform and we will work toward strengthening partnerships with related organizations and achieving sustainable rubber.

The GPSNR will work towards priorities identified by natural rubber stakeholders, namely: harmonizing standards to improve respect for human rights, preventing land-grabbing,

protecting biodiversity and water resources, improving yields, and increasing supply chain transparency and traceability.

In the future, through activities of the GPSNR, we aim to create a sustainable natural rubber supply chain in collaboration with stakeholders.



Global Platform for Sustainable Natural Rubber

Harmony with Local Communities

TOYO TIRE's SDGs (Ideal Status in 2030)

We will contribute to develop the whole world economy steadily by improving regional education and culture level through deployment of our resources.

the UNSDGs relating to our challenge



Priorities

- Engagement with local communities
- Preserving biodiversity

Reasons for being Priority Issues (Opportunity & Risk)

To become a company that is needed by society in the future, TOYO TIRE believes that it is important to aim at being a company that can share joy with everyone (stakeholders) who is involved in our business activities. It is our opinion that overcoming environmental problems, securing human resources, and the stable growth of local economies are vital to our continued growth in the future. To achieve this, we place importance on opportunities for dialogue with stakeholders, and position the resolution of issues in the local community and social issues through collaboration and contribution to the enrichment of society as issues that should be addressed with priority.

Activities in 2018

- Deepening the communication of our stakeholders

Management Approach

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.

Goals

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

Responsibilities (July 2019)

Corporate Officer & Vice President of Corporate Headquarters

Engagement

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. We emphasize communication with local communities at all our business sites, strive to properly understand the needs of stakeholders, and reflect that in our business.

At the Kuwana Plant (Toyo Tire Corporation, Japan), where approximately 1,800 employees work, we held factory tours for families of employees, to show how our employees engage in their work with a high level of awareness and to show a genuine manufacturing site. About 260 family members participated in the tour and through this tour, in addition to enabling family members to see the attractive features of the company, they also were able to gain a deeper sense of security and trust in the company.



The plant tours for families of employees (the Kuwana plant)

Environmental Protection

We understand that our business activities have the greatest direct impact on the environment of the areas around our production facilities. We build trust in those activities by maintaining a dialogue with and providing information to stakeholders in areas around production facilities, and strive to reduce the minus impact. And we 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 FY 2018, it was participated with a total of 116 employees and their family members (including 36 children), and local residents who were first time participation from the neighborhood.

We established the "Toyo Tire Group Environmental Protection Fund" in 1992 to provide financial support for organizations and activities related to environmental protection in and outside Japan. Contributing to the fund has taken root as a Group environmental conservation activity, and the employee participation rate has been over 80%.

*The details of the "Toyo Tire Group Environmental Protection Fund" are available at our website.



TOYO TIRES Midori-no Tsunagari Mie forest preservation activities (the Kuwana plant)

Support for Development

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

For example, TTHA Group (U.S.) engaged in a "Holiday Toy Drive," delivering toys collected from employees to children in the hospital over Christmas. The collected toys were delivered to the local Children's Hospital and handed out to children undergoing treatment as a gift to celebrate their discharge from the hospital.

Support for reconstruction in the disaster-hit areas (FY 2018)

- Contributions for the disaster recovery and reconstruction of "Sennen-Kibo-no-Oka" (Iwanuma City, Miyagi, Japan)
*By Toyo Tire Group Environmental Protection Fund
- Donations to support the heavy rainfall disasters at July 2018 in Japan (the Japanese Red Cross Society)
- Donations to support the victims of the California Fires in the Fall of 2018 (the American Red Cross)

Support for Next-Generation

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 has conducted the "Education Financial Assistance Program" which offers scholarships to highly motivated students who do not enjoy a favorable learning environment due to financial constraints since 2013. The project includes the "Undergraduate Scholarship Program" for university students and the "Student Financial Assistance Program" for elementary school students. Through these programs, we contribute to the standard of future living for their families and to the development of the local community. In fiscal 2018, we provided US\$ 52,800 for this project and it is used for bus fares, book expenses, tuition fees, and more.



Students who have received scholarships (TOYO TYRE MALAYSIA SDN BHD)

TOPICS

Showa Estate Co., Ltd. (Japan): Heartful Leaders Meeting held at TOYO TIRE headquarters

Showa Estate Co., Ltd. is a special subsidiary company of the Toyo Tire Corporation. The company cooperates with business sites within the Group to promote the employment of disabled persons and expand the range of their work, and there are many disabled persons who play an active role at each business site.

The company is a member of the Japan Association of Employers of Persons with Severe Disabilities, and in 2018, the "Heartful Leader Meeting" was held in a venue at the Toyo Tire Corporation headquarters for the first time. On the day, there were active discussions among special subsidiary companies in different industries to expand and promote the employment of people with disabilities, and there was a demonstration on hand-carving a tire by the staff of Showa Estate Co., Ltd..



A demonstration on hand-carving a tire (Showa Estate Co., Ltd.)

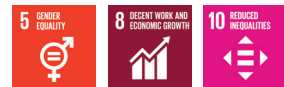
*Training for leaders who work in special subsidiary companies primarily in Hyogo Prefecture and Osaka Prefecture

Creating Safe and Healthy Workplaces

TOYO TIRE's SDGs (Ideal Status in 2030)

We will contribute to create a society where everyone is able to work safely and healthily through "smartness" -development and introduction of technologies that reduce the human load, e.g. AI and IoT.

the UNSDGs relating to our challenge



Priorities

- Global-level worker safety and health management

Reasons for being Priority Issues (Opportunity & Risk)

TOYO TIRE believes that it is our obligation to all their stakeholders that we are thorough in prioritizing safety in all business activities. The globalization and diversity are progressing for our employees within the company. And preventing industrial accidents and promoting the health of workers, creating a comfortable work environment, and continuing to manage and improving them, does not only reduce economic damage and loss of life, but also lead to improvements in performance and corporate value, such as better productivity and quality. Thus, we have positioned these as issues that should be addressed with priority.

Activities in 2018

- Strengthening the safety and disaster prevention level
- Expanding the company-wide activities for Health and Productivity Management

Management Approach

Policies

At TOYO TIRE, labor and management work together to operate an occupational health and safety management system based on OSHMS Guidelines (Guidelines on Occupational Safety and Health Management System, Ministry of Health, Labour and Welfare) 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 Company-wide Safety and Health Meeting, 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 Meeting evaluates progress in implementing plans and makes improvements.

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.

Fiscal 2018 Occupational Health and Safety Policy (Safety, Disaster prevention, Health)

Safety

Strengthen the management system based on the safety management system and expand genuine preventive activities. Aim for zero accidents. (Strive to transform the corporate character into one in which workers can work with peace of mind and have it takes root.)

Disaster Prevention

Strive to strengthen disaster prevention and improve preparations for and training to respond to disasters.

Health

Create and reinforce an occupational health management system, reduce the sickness absenteeism rate, and implement workplace mental health measures.

Responsibilities (July 2019)

Senior Corporate Officer & Vice President of Quality Assurance, Environment & Safety Headquarters

Safe Workplaces

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

With regard to physical aspects, by conducting a risk assessment on the hazards, we promote the elimination of hazards based on safety standards for equipment and safety measures such as an enclosure or interlock. From human aspects, we strive to bring to light the "residual risks" that remain

after countermeasures are implemented for hardware, and we are thoroughly enhancing risk management by indicating high residual risks, implementing work standards, and through small-group-based (independent improvement activities led by a small group) KY activities, etc.

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

FY2018 Safety Performance

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

In Japan: 0.60 **Outside Japan: 1.81**
(0.42 in FY2017) (2.85 in FY2017)

Disaster Resistant

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.

We have introduced activities such as practical firefighting training and blind earthquake training at all business sites. 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).

In preparation for natural disasters, for which the degree of damage increases each year, the Risk Management Committee, which is a special committee in our company, conducted simulations with the cooperation of external expert organizations, and extracted issues from the existing manual. Then, based on these issues, we revised the "Natural Disaster Response Manual" in March 2019.

FY2018 Emergency Management performance

- Disaster prevention drill implementation record

In Japan: 21 sites
(Total number 4,634 participants)

Outside Japan: 8 sites
(Total number 2,887 participants)

Health and Productivity

We consider employee health management from a business perspective and support the idea of strategically conducting health management. We have been reinforcing our preventative measures particularly for mental health issues that are the main cause of long-term absences.

In Japan, as one part of building the basic foundation for practicing health management and Work Engagement, holding mental health care seminars for all employees, from managers and supervisors to general staff. And we also conduct e-learning for mental health. We have been conducting stress checks at all offices in Japan even before we were required by the Industrial Safety and Health Act. The number of employees who receive the check is over 90% each year, and we are working to improve the work environment by analyzing the group results.

As a specific measure to promote mental and physical health in our employees, we are working to reduce the number of people on long-term sickness leave by promoting early detection and intervention with industrial health staff and Employee Assistance Program (EAP) companies.

We plan to review our return-to-work support measures so that we can provide appropriate support for each employee according to their physical and mental condition.

We do not currently operate in countries and regions with particularly high risks of infectious diseases*1, 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*2 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.

*1 Evaluated by "OVERSEAS SAFETY HP" (As of March 2019, Ministry of Foreign Affairs of Japan)

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

TOPICS

TOYO TYRE MALAYSIA SDN BHD: A running event to promote the health of employees and local residents

TOYO TYRE MALAYSIA SDN BHD hosts the "Toyo Tyre Charity Run", which aims to promote healthy lifestyles for employees and local residents. The event is held each year at a nearby park (Lake Garden Taiping). In FY 2018, about 850 people participated. Using the race entry fees and donations from

participants, we also support orphanages and schools in the local community.

In the future, TOYO TIRE will continue to contribute to creating a society with health and vitality, together with the local community.



Toyo Tyre Charity Run (TOYO TYRE MALAYSIA SDN BHD)

*The detail of each data (boundary, period, assumptions underlying of data) are available at our website.

Reinforcement of Corporate Governance and Compliance

TOYO TIRE's SDGs (Ideal Status in 2030)

We will contribute to minimize social impact of extreme weather phenomena derived from climate change by building a robust value chain.

the UNSDGs relating to our challenge



Priorities

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

Reasons for being Priority Issues (Opportunity & Risk)

TOYO TIRE believes it is important to ensure transparency in management and pursue fairness within the organization aim to have overcome the major, once-in-a-century turning point within the automotive industry, and to grow the business globally. To this end, we recognize that we have a responsibility to various stakeholders, and it is necessary to maintain an appropriate management system and increase awareness that compliance is the most important issue, and we have positioned these as issues that should be addressed with priority.

Activities in 2018

- Strengthening the corporate governance to promote sustainability
- Strengthening the crisis management system
- Strengthening the employees' awareness of the "compliance first"

Management Approach

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, we compiled not only the "Toyo Tire Group Charter of Corporate Behavior" as corporate action principles applied uniformly across the Group in order faithfully conduct business activities but also the "Toyo Tire Group Code of Conduct" for each director and employee to put the charter into practice. We strive to spread these throughout the Group. We have established the "Global Anti-Corruption and Anti-Bribery Policy" that supports the Ten Principles of the "United Nations Global Compact (UNGC)". We are striving to ensure free and fair competition.

*More information about the new policy is available at https://www.toyotires-global.com/csr/pdf/anti-bribery_en.pdf

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 (July 2019)

Corporate Officer of Corporate Headquarters

Corporate Governance System

Corporate governance system of the Toyo Tire Corporation consists of the Board of Directors, which is responsible 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. Our corporate governance structure allows these organs to effectively fulfill their respective functions and responsibilities.

We have not established an independent advisory committee, regarding important matters such as appointment and dismissal or compensation for management and Directors. But the situation is explained in advance to independent outside directors and as the Board of Directors makes a decision after obtaining appropriate participation and advice. So, we believe that independence and objectivity are maintained. In addition,

we appropriately manage conflicts of interest. We have determined that the outside directors appointed by the Company carry no risk of conflicts of interest with general shareholders and reported them as independent directors. Regular independent evaluations of the Board of Directors ensure the functionality and effectiveness of the Board of Directors and various 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.

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.

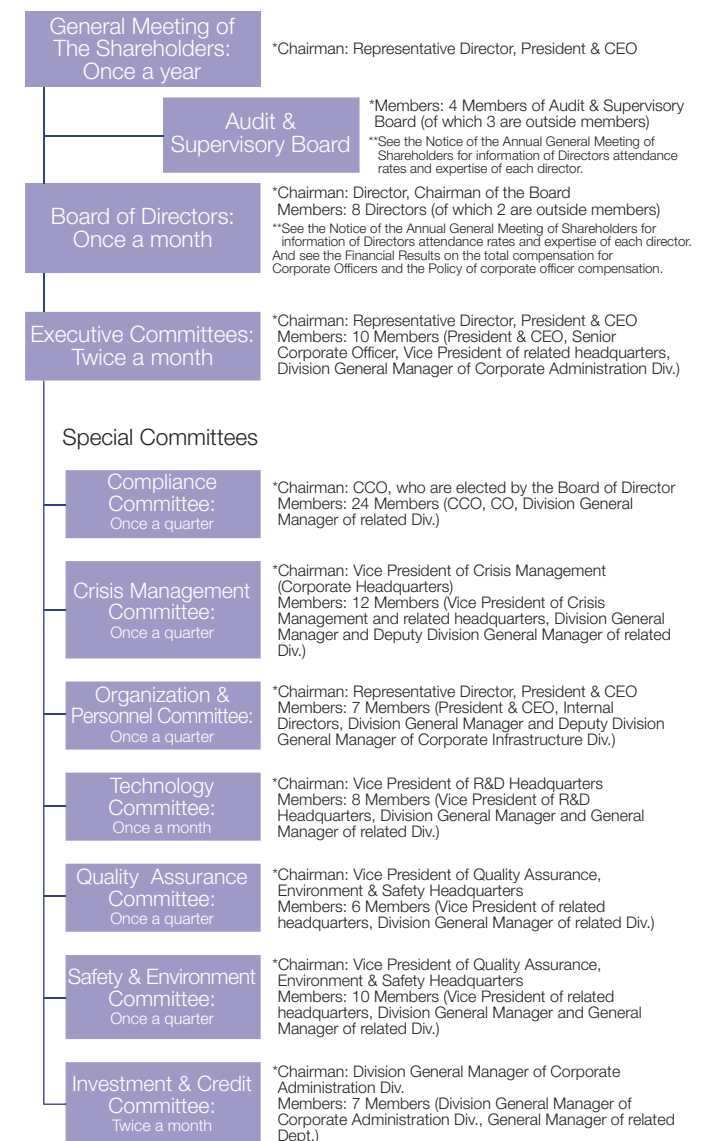
In the group-wide working groups (WG) established upon approval by the Executive Committee, we identify the sustainable development goals (SDGs), the impacts, risks, and opportunities in various priority themes, and plan for actions. And the corporate officer in charge of the Corporate Headquarters compiles the information and reports it to the Executive Committee. 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.

We disclose the information about the action of each priority theme an once year as "CSR Report." Before disclosing, the report is reviewed by the corporate officers in charge of the various control departments and finally approved by Corporate Officer & Vice President of Corporate Headquarters.

The staff in charge of related the theme promotes engagement with stakeholders about each priority theme. And Corporate Officer & Vice President of Corporate Headquarters aggregates the results of engagement and shares them to the Group as necessary at any time.

Governance Structure (July 2019)



Compliance Promotion System

Within our Group, compliance is deemed a matter of the highest priority in management, and the president 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).

We have a structure in place that enables prompt investigation when a compliance issue (or a suspicion of one) is reported to the CO. Efforts related to the investigation and measures implemented to prevent recurrence are announced within the company. We make use of this information as the investigation whether does not have any similar cases (horizontal deployment), reconfirmation of laws and internal rules. And when a similar case occurs, we use it as a reference for solving the issues and for measures to prevent recurrence.

Corporate Governance

Spreading the Philosophy

As of January 1, 2017, TOYO TIRE 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.

We have positioned the “Corporate Creed,” the important founding spirit that we will maintain into the future, as the overarching concept; put into words our significance in society in the form of “Our Mission”; and clearly specified the vision for the company that we should strive for in that mission as “Our Vision.” We also established “Our Fundamental Values” as a foundation for ideas that all corporate officers and employees should value equally.

In order to spread the philosophy, following on from FY 2017, we introduced lectures on the philosophy as the first program for various internal training and conducted training for division managers and other managers as they will be key in spreading the philosophy throughout the company. After this training, we held subcommittee meetings at each division and discussed what each person in the work site should start doing to achieve their ideals and to be conscious of the philosophy. And ultimately, this is being promoted as an action plan to spread the corporate philosophy throughout each organization.

Work of the Board of Directors

In fiscal 2018, the Board of Directors met at least once a month for a total of 20 times, with the directors and Audit and Supervisory Board members participating.

Since FY 2017, the Company has been conducting an analysis and evaluation of the effectiveness of the Board of Directors as a whole by conducting a signed survey of directors and Audit and Supervisory Board members regarding the operation, composition, activities, etc. of the Board of Directors. The compilation, analysis, and evaluation of the surveys are

entrusted to a third party in order to ensure impartiality. The summary of the results of the survey conducted in FY 2018 along with how we will respond going refer to website. Based on this content, we will continue to further improve the functionality of the Board of Directors.

Dialogue with Shareholders and Investors

The Company holds a general meeting of shareholders once a year and a quarterly financial result 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 increasing requests by the investors outside Japan, which includes enhanced responding to individual inquiries except during the quiet period and conducting overseas roadshows.

During fiscal 2018, the IR staff held dialogues with over 340 shareholders and investors from 270 companies. The opinions and requests of shareholders and investors are regularly used as feedback for management and in-house related departments.

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.

*Risks covered by the Risk Management Committee: disasters/accidents, quality, purchasing, legal violations, information management, labor, and issues of rubber bearings

BCP Development and BCM Training

TOYO TIRE is also systematically promoting work to develop business continuity plans (BCP) and conduct business continuity management (BCM).

In FY 2018, BCP training was conducted at 15 facilities. Most of the training dealt with the initial actions to take after an earthquake. For the future, the Safety & Environment Committee of Executive Committees has started to consider training to set up priority work 2-3 days after the occurrence of an event. In addition, we are also considering conducting BCP training in preparation for natural disasters, due to concerns that the probability natural disasters occurring and the extent of damage may be increased by the climate change.

Compliance

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

We compiled not only the “Toyo Tire Group Charter of Corporate Behavior” as corporate action principles applied uniformly across the Group in order faithfully conduct business activities but also the “Toyo Tire Group Code of Conduct” for each director and employee to put the charter into practice. Taking into the consideration differences in laws, regulations, and customs between countries and regions, the various Group companies outside Japan have created independent codes of conduct using the code of conduct as action guidelines.

We have newly created and distributed the “Code of Conduct Handbook: Global Version.” This handbook translated into 9 languages: Japanese, English, Russian, German, Italian, Chinese, Thai, Malaysian, and Portuguese, and defines the basic actions that every Director and employee of the Group should take.

Internal Reporting System

We have been operating an internal reporting system since fiscal 2006. “Reporting Hotlines” have been established in Toyo Tire Corporation 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.

There is greater awareness of the “Reporting Hotlines” in Japan as a result of a call to promote usage by distributing cards, displaying posters, and issuing internal monthly compliance communiques.

TOPICS

Results of the FY2018 Compliance Survey

*Response rate 92.3% [93.0% for 2017]

① Conducting compliance promotion activities

Conducted at least one activity to raise compliance awareness within the last year **96%**
(97% in FY 2017)

② Awareness and understanding of compliance

Know the meaning of compliance **87%**
*TOYO TIRE’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. (85% in FY 2017)

③ Making compliance part of the corporate character

Conscious of compliance when conducting your work **94%**
(94% in FY 2017)

Comment

Various ongoing initiatives have been established and about 40% of workplaces have conducted 5 or more promotion activities. I feel that we manage basic communication and have the nice workplace environment by the incorporation of discussion-style training and small-group compliance meetings. Our employees have improved compliance awareness and they are taking each training with a most enthusiastically.

In the future, by specializing training for each job type and enhancing the educational activities such as through reviewing more specific and practical content, our goal is to increase and firmly root a strong compliance awareness among all employees.

Susumu Nishimori,
Compliance Dept.,
Compliance & Legal Division,
Toyo Tire Corp.



TOPICS

Holding tours of the Sendai Plant for analysts and institutional investors

We invited 13 securities analysts and 12 institutional investors who are our stockholders, to tour the Sendai Plant of Toyo Tire Corporation, where renovations to expand the supply of high-value-added products had been completed and the latest technological equipment had been introduced. We gave an overview of the plant and explained the company’s product supply strategy and technical strategy for production, and provided a

tour on three production methods, the conventional method, TOYO TIRE’s proprietary A.T.O.M. method, and the hybrid method that combines the advantages of both the conventional and the A.T.O.M. methods. After the tour, four analysts issued reports and our innovative production technology was highly praised as a driver of growth that will lead to an increase in corporate value in the future.



The meeting in the Plant Tours

*The detail of the basic policy of TOYO TIRE’s Corporate Governance are available at website (<https://www.toyotires.co.jp/ir/library/governance/>), Japanese only.

Fiscal 2018 CSR Activities Summary

The Orienting of the Sustainability promotion

FY2018 was a year of preparation, through the activities of the company-wide working group (WG) that aims for TOYO TIRE's sustainability, to determine the direction of sustainability for the Group in the future. In 2019, under the targets and policies that were developed, we will begin activities to work toward the achievement of each objective.

Activities of Sustainability Promotion WG (2018)

WG	Member (In Japan*)	Purposes	Achievement (FY 2018)	Plan (FY 2019)
SDGs WG	Organizations closely tied to each goal participate as members.	Setting and achievement of TOYO TIRE's SDGs	Having discussed the TOYO TIRE's SDGs (set in March 2019)	Development the targets and action plans for achieving TOYO TIRE's SDGs, internal dissemination of them
Environment WG	Quality Assurance, Environment & Safety Headquarters: ●Environment & Safety Div. R&D Headquarters: ●Central Research Center ●R&D Div. No.1 Production Headquarters: ●Domestic Production Div. ●Production Engineering Div.	Responding to climate change	Developing a climate change strategy (risk assessment, scenario analysis), having enhanced the disclosure of information (answering CDP Questionnaire)	Analysis of the evaluation results about CDP survey, further enhancement the disclosure of information, developing a climate change strategy
Human Rights & Labor WG	Corporate Headquarters: ●Corporate Infrastructure Div. ●Compliance & Legal Div. Quality Assurance, Environment & Safety Headquarters: ●Environment & Safety Div.	Responding to human rights and anti-corruption	Having examined the global Policy of Human Rights & Labor and Anti-Corruption (established in January 2019)	Internal dissemination of the new global policies, preparation for due diligence*2 *2 An ongoing risk management process, in order to identify, prevent, mitigate and account for how [a company] addresses its adverse human rights impacts.
Supply Chain WG	Business Headquarters: ●Procurement Div. R&D Headquarters: ●R&D Div. No.1	Responding to the responsibility for sustainable procurement	Having Revised its CSR Procurement Guidelines by adding a new "Sustainable Natural Rubber Procurement Policy" (released in January 2019)	Internal dissemination of the CSR Procurement Guidelines (new policy), activities of GPSNR

*1 Responsible parties at related companies outside Japan also participate in all WGs.

Comment from External Expert

Comment from External Expert

In January 2018, you identified the four priority issues required for sustainability, "responding to climate change," "responding to human rights, labor, and anti-corruption," "responsibility for sustainable procurement," and "Setting and achievement of SDGs (Ideal Status in 2030)," and a cross-functional working group was established for each issue.

As part of these efforts, we revised the CSR Procurement Guidelines in January 2019, and developed a policy for the procurement of sustainable natural rubber. In March, you organized the relationship between 7 priority themes and the 14 goals of SDGs, and set "TOYO TIRE's SDGs." Also in the same month, you signed the United Nations Global Compact (UNGC), which are universal principles. This shows that the process is functioning in responding to ESG issues, that you are already able to capture the issues based on global principles and guidelines, identify priority issues, establish and execute policy, and discloses these efforts, and I can appreciate.

In the future, the following correspondence is required in your sustainability; setting KPIs for each theme, and evaluating and disclosing the level of achievement; for the "Responding to climate change," assuming several scenarios according to TCFD guidelines and creating action plans along those scenarios; for the "setting and achievement of SDGs," in addition to setting goals for SDGs by theme, it will be necessary to show how each will link to improvement of our company's corporate value over the medium and long-term.

You have positioned 2019 as the start of sustainability-oriented management and this report describes "Ideal Status in 2030". We expect to implement this steadily through engagement with various stakeholders.



Etsuya Hirose
Senior Executive Officer
ESG Research Center
QUICK Corporation

Receiving Comments from an External Expert

Following on from last year, we extend our gratitude to Mr. Hirose for his valuable opinion and advice regarding our "CSR Report 2019." Going forward, we will work steadily on the Group's seven priority themes with a sense of speed.

In FY 2018, we established several company-wide working groups to promote sustainability, including the development of SDGs, our General Affairs Department in the Corporate Infrastructure Division has built a system to support the activities of the entire Group, and we are working in earnest on each theme. In addition, we also participated in the GPSNR (global platform aiming at the sustainable supply, sales, and use of natural rubber) that was set up in the same year. While keeping pace not only with tire manufacturers but also the various and many stakeholders of the rubber industry, such as consumers, automobile manufacturers, and producers of natural rubber, we have started working toward resolving global social issues.

However, the Group's activities for sustainability have only just begun. As Mr. Hirose pointed out, we will continue to enrich our activities to add more substance to the Group's efforts, such as setting KPIs for activities, creating an action plan, goal setting, and associating the efforts with our company's corporate value over the medium and long-term. In addition, this will unite all employees of the Group, and we will enhance our in-house communication by providing more information and education internally so that we can achieve SDGs and be conscious of reaching sustainability goals in the future.



Takehiko Sasamori
Director Corporate Officer &
Vice President of Corporate
Headquarters
Toyo Tire Corporation

Editor's Note

Thank you for reading the "CSR Report 2019" all the way to the end. In this issue, in addition to explaining in detail the Group's SDGs that aim to contribute to the mobility society on a global level, we introduced the activities of each organization for sustainability, such as technological innovation to create opportunities, development of global policies to avoid risk, etc. From the next issue onward, we will report on the progress of activities that each organization is engaged in with the goal of achieving SDGs. We hope that you will read this report, which is intended to help our stakeholders understand TOYO TIRE's corporate activities.