

TOYO TIRES

Sustainability Report 2021

TOYO TIRES



Toyo Tire Corporation

ESG Promotion Dept., Corporate Infrastructure Division

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

Tel: +81-72-789-9126 Fax: +81-72-773-3270

<https://www.toyotires-global.com/csr/>

The names of products, services and other items in this brochure are trademarks or Japanese registered trademarks of Toyo Tire Corporation

Publishing date: February 2022*

*It is English version published.

Japanese version was published in September 2021.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

CONTENTS

- 01 Editorial Policy
- 02 About TOYO TIRE
- 03 Message from the President
- 05 Sustainability Management
 - Activity Report
- 11 Contribution to society through products and services
- 14 Activity Report
 - Contribution to the Global Environment
- 17 Activity Report
 - Respect for Human Rights and Diversity
- 19 Activity Report
 - Sustainable Supply Chain
- 21 Activity Report
 - Harmony with Local Communities
- 23 Activity Report
 - Creating Safe and Healthy Workplaces
- 25 Activity Report
 - Reinforcement of Corporate Governance and Compliance

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 determined the report content and topic boundaries by considering such factors as the organization's activities and their impact, as well as substantive expectations and interests of stakeholders.

- Topic Boundaries: 39 Group Companies* (as of the end of June 2021)
*Toyo Tire Corporation and the group companies (consolidated subsidiaries)
- 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
- Reporting Period: From January 2020 to December 2020
*More recent information is included in some parts of the report.
- Reporting Cycle: Once a year (Previous Publish: June 2020)
- Approve the Report by the governance body: Executive Committee approved the report in August 2021
- Contact Point for Questions Regarding the Report: Toyo Tire Corporation ESC Promotion Dept., Corporate Infrastructure Division

Disclosure Policy

The purpose of this report (in PDF format) is to share recognition of the direction Toyo Tire is heading to realize sustainability and our recent initiatives in this regard with value creation partners, namely, customers, business partners, and employees.

The web version of this report describes our activities in greater detail. It is a place where we store data on our achievements and an avenue through which we communicate the latest information. It is constantly kept up to date.

The ESG Index on the web version serves as a collection of links to all relevant information that is not found on the Sustainability pages of our corporate website.

○ WEBSITE
<https://www.toyotires-global.com/csr>

About TOYO TIRE

Company Outline (As of the end of 2020)

Company Name	Toyo Tire Corporation
Headquarters	2-2-13, Fujinoki, Itami City, Hyogo, 664-0847, Japan
Paid-in capital	55,935 million yen
Number of Employees*	12,426
Number of Employees by Geographic Segment	Japan 5,180(791); Americas 2,152(369); Asia/Oceania 3,764(1); Europe 162(7)

* Number of people in parentheses is Temporary Employees
**Consolidated Subsidiaries: Toyo Tire Corp., 37 subsidiaries, 4 affiliated companies, and 1 other aff-iliated company

<Significant changes to the organization and its supply chain>

The air suspension business for truck and bus tires was separated from Toyo Tire Corporation and Toyo Chemical Industrial Products Co., Ltd. at the end of June 2020. Also, our company's consolidated Malaysian subsidiary, Silverstone Berhad terminated production of tires in June 2021 and will dissolve after necessary procedures have been taken (outside the reporting period covered by this report). As a result, structures of relevant organizations and their supply chains, as well as terms of contracts with business partners, will be different in 2021 and beyond.

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. A new plant is scheduled to start operation in Serbia in 2022. In order to optimize operations in the production system in accordance with changes in supply and demand trends, we are enhancing production facilities in the United States, consolidating plants in Malaysia, and shifting to high-value-added product production in Japan.

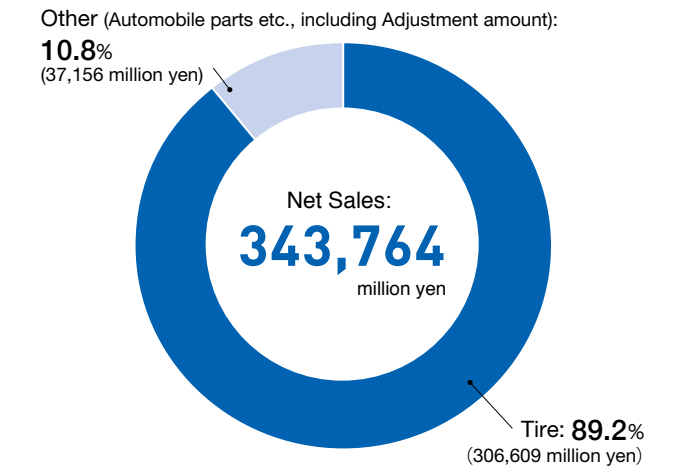
<Business Strategic Brands>

TOYO TIRE, NITTO

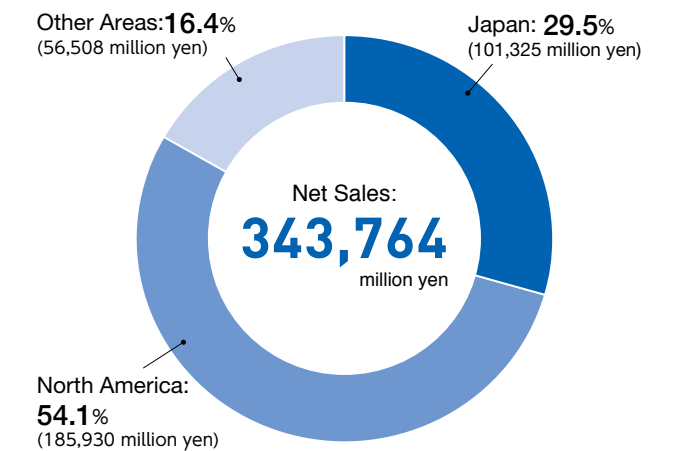
In addition, we manufacture automotive parts that make use of our proprietary vibration control technology, such as automobile anti-vibration rubber, in Japan, the U.S., China, and Thailand.



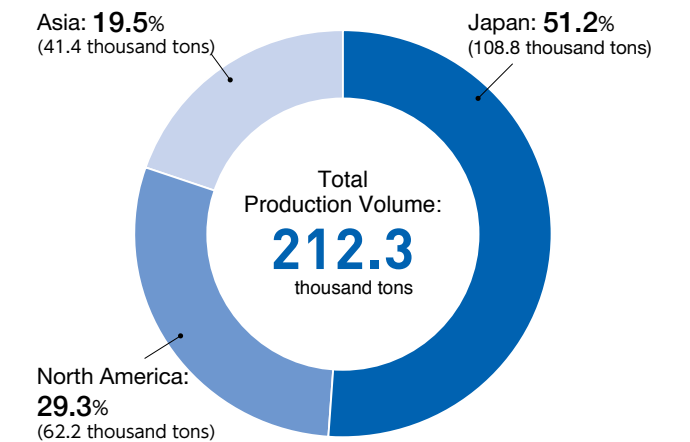
Net Sales by Business Segment (2020)



Net Sales by Geographic Segment (2020)



Percent of Tire Production Volume (New Rubber) by Geographic Segment (2020)



Message from the President



The New Medium-Term Business Plan in the Context of our Corporate Philosophy

In February 2021, TOYO TIRE announced the Mid-Term '21 Plan to indicate the direction we will be heading. As we shaped this new medium-term business plan, we reaffirmed the ideal status and strengths of the company, took a hard look at our possible changes and challenges, and asked ourselves how we should transform to shift to a higher corporate stage. The Mid-Term '21 Plan is the result of this meticulous process.

By the "ideal status," we mean the state in which we have attained our corporate philosophy. To do so is TOYO TIRE's raison d'être, and the whole point of formulating a management plan is to realize our corporate philosophy.

Rather than aimlessly seeking to make things bigger and all anew, we will make full use of what we have to develop our unique strengths, as we assimilate changes, restructure what needs to be restructured through a scrap-and-build approach, and raise the standards of corporate infrastructure, so that we can make TOYO TIRE a company that is resilient and flexible in the face of external changes.

Advancing Sustainability-Oriented Management

In 2019, TOYO TIRE became a signatory to the United Nations Global Compact (UNGC). With this, we reaffirmed our support of the UNGC's Ten Principles in the four areas of Human

Rights, Labour, Environment, and Anti-Corruption, as well as accountability to society and enhancement of transparency, and our commitment to promoting sustainability through dialogue and cooperation with stakeholders. We also drew up TOYO TIRE's SDGs (Sustainable Development Goals), which include 14 goals designed to resolve environmental and societal issues on a global scale to contribute to the achievement of the United Nations SDGs through business activities.

In 2020, we focused on the establishment of corporate governance by verifying whether each of our action principles/guidelines for business serves the promotion of the SDGs, reviewing them, and making official decisions on their revisions as necessary. At the same time, we took every opportunity available to help management and each organization and Group company to deepen their understanding of the significance of our addressing the SDGs.

Then in 2021, we declared the enhancement of sustainability-oriented management in the Mid-Term '21 Plan and, in April, established the Sustainability Committee, a new special committee under the Executive Committee, and I assumed the Sustainability Committee Chairman.

We began by identifying and determining materiality (material issues) that the Toyo Tire Group should prioritize. We had a series of discussions about how we can combine materiality with our corporate philosophy and take ownership of this initiative to truly integrate sustainability into business without letting sustainability be reduced to a mere formality. We took both defensive and offensive approaches, namely, managing risks by developing corporate infrastructure that we need to

realize sustainability-oriented management and capitalizing on opportunities by creating social value through business, until we agreed upon seven priority themes.

Going forward, we will proceed with the formulation and announcement of policies and mid-/long-term goals/plans concerning activities for each material issue, with the Sustainability Committee orchestrating their implementation by each functional organization and monitoring their progress.

TOYO TIRE Group's Materiality

Domain 1 Creation of values

Sustainable mobility society

1. Contribute to the realization of a sustainable mobility society

Rich, mobile life

2. Support and create a rich, mobile life

Domain 2 Infrastructure to support value creation

Human resources

3. Create challenges and job satisfaction for various human resources

Technology

4. Continue to promote the next-generation mobile technology innovation

Domain 3 Risk management

Climate change

5. Pursue decarbonization in all corporate activities

Supply chain

6. Promote supply chain sustainability

Quality and safety

7. Protect the fundamentals of manufacturing (quality and safety)

Decarbonization in the Mobility Industry

CO₂ emissions in the transportation sector, which we are involved in, are estimated to account for around 20% of the total world emissions, and the drive to decarbonize the entire supply chain is accelerating among auto manufacturers and others. As one auto manufacturer after another announces their plan to end the sale of new cars with internal-combustion engines and governments around the world declare their policies to shift to electric vehicles (EVs) and hybrid cars, change is gathering pace across the globe. Accordingly, we will determine the impact that decarbonization and other relevant policies might have on our business in each country/region and allocate our resources appropriately to take whatever action we deem necessary.

We have already swung into full gear in this regard by assembling the decarbonization task force. We will make continued efforts to increase the staying power that we need to realize sustainability by not only promoting decarbonization but also reconfiguring the supply chain foundations, reinforcing the global framework for collaborative and complementary work, and establishing new work styles. The Toyo Tire Group will do its best to meet your expectations. Your kind support in this regard will be most appreciated.

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 TIRE"

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.

Sustainability Management

Our Approach to Sustainability

The Toyo Tire Group believes that applying our solutions and resources to resolving global environmental and societal issues will help us to mitigate business risks and expand business opportunities into the future. We cannot achieve sustainability without tapping into the characteristics of our business and service territories to continue creating value for our customers and society through our products and services. By reinvesting the profits thus generated into

sources for creating further value, we can establish a cycle of creating high added value. We also believe that it is imperative to work with stakeholders in the supply chain and relevant international organizations as appropriate.

TOYO TIRE's SDGs

We involved the entire organization in a series of discussions on how we can contribute to the attainment of the United Nations'




















SDGs. As a result, we came up with the TOYO TIRE's SDGs in 2019, which include 14 goals that shape our Ideal Status in 2030. We believe that these activities embody “Our Vision” established in our corporate philosophy, and that they will lead to the achievement of “Our Mission.”

Stakeholder Engagement

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. We also check in light of our corporate philosophy if we are providing business partners and customers with the excitement that exceeds their expectations through our products, services and every other work.

Value Chain & SDGs

Value Chain	Opportunities and risks to assume	TOYO TIRE's SDGs (Ideal Status in 2030)		Related UN SDGs	Key Stakeholders	
RAW MATERIALS/ PURCHASING	<ul style="list-style-type: none">• Risk of resource depletion due to climate change and increased demand• Stable procurement and quality through 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.		Suppliers Local Communities	
R&D	<ul style="list-style-type: none">• Social participation of diverse people (social inclusion)• Diversification and sophistication of user needs (Pursuit of added value)• Climate change physical and transition risks• Risk of resource depletion due to climate change and increased demand	We will contribute to widespread of mobilities that will be enable social	participation by using higher functionality technologies.	     	Customers/Consumers Local Communities Co-R&D Environment	
		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.			
MANUFACTURING	<ul style="list-style-type: none">• Maintaining the workforce and improving productivity by utilizing diverse human resources and technology• Climate change transition risk (emission regulation, etc.)• Risk of resource depletion due to climate change and increased demand	We will contribute to improve resource usage efficiency including water	and energy through promoting to upgrade of equipment and operation on manufacturing sites.	     	Environment Suppliers Customers Employees Local Communities	
		We will contribute to promote the use of renewable energy in the	region to increase renewable energy share of energy used at manufacturing sites.			
		We will contribute to create a society where everyone is able to work reduce the human load, e.g. AI and IoT.	safety and healthy though "smartness" -development and introduction of technologies that			
SALE & USE	<ul style="list-style-type: none">• Prevention of increased accidents due to increased traffic demand	We will contribute to realize the safe and secure mobility society	through implementing safety awareness and supporting for improving maintenance skills.		Customers/Consumers Local Communities	
CORPORATE	<ul style="list-style-type: none">• Market stabilization and sustainable growth by promoting the mainstreaming of SDGs• Enhance the Climate Change Governance System• Stable securing of human resources by creating a rewarding environment	We will contribute to minimize social impact of extreme weather	phenomena derived from climate change by building a robust value chain.	 	Suppliers Employees Local Communities	
		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 employees can continue to challenge with peace of mind.	able to get equal opportunities and play an active role by providing work environment that	  		
		We will contribute to create a society where SDGs become mainstream	through developing human resources to support sustainable development of the world.			
		We will contribute to develop the whole world economy steadily by	improving regional education and culture level through deployment of our resources.			

Sustainability Promotion System

In April 2021, we established the Sustainability Committee under the Executive Committee in order to strengthen and promote sustainability management.

The Sustainability Committee deliberates and makes decisions on matters concerning the Group's sustainability strategies, submits them to the Executive Committee as per in-house rules, and reports them to the Board of Directors. And the Sustainability Committee directs the implementation of decisions through each functional organization and periodically monitors progress. For material issues, a cross-sectional task force will be established to discuss and promote specific goals and action plans.

Board of Directors

Executive Committee

Sustainability Committee

(In principle, once a quarter)

Chairman: Representative Director, President&CEO
Members: 7Members(Vice Presidents of related headquarters)
Secretariat: ESG Promotion Dept., Corporate Infrastructure Div.

Draw up overall sustainability strategy, Identification of materiality, Optimization of function sharing, Monitor progress in key KPIs

Sustainability Task Force

Discuss and promote each priority theme for sustainability (decarbonization, etc.)

Identifying our Materiality

In the Mid-Term '21 Plan, we expressed our intention to incorporate sustainability initiatives in business management. We then lost no time setting up a steering committee on sustainability to start discussions among the President and Vice Presidents to identify materiality.

With the Sustainability Committee taking over the discussions in April 2021. Meanwhile, a total of 40 division general managers and other executive officers, who hold the key to sustainability promotion, met to discuss the same topic in May, the outcome of which was used as input to the Sustainability Committee.

TOYO TIRE Group's Materiality

TOYO TIRE decided the materiality, the issues be prioritized and focused, at the Sustainability Committee in June 2021 and approved it at the executive committee in July of the same year. Identifying the materiality will clarify the orientation for effectively deploying internal resources and the issues that must be tackled by each employee, which will heighten work motivation and promote unity of awareness. This is also important in increasing stakeholder engagement by publicly disclosing which social issues and demands TOYO TIRE group intends to respond to and the corporate values it intends to improve.

Materiality identification process

We identified materiality using the following process.



TOYO TIRE Group's Materiality

Domain 1

Creation of values

Sustainable mobility society

1. Contribute to the realization of a sustainable mobility society

Rich, mobile life

2. Support and create a rich, mobile life

Domain 2

Infrastructure to support value creation

Human resources

3. Create challenges and job satisfaction for various human resources

Technology

4. Continue to promote the next-generation mobile technology innovation

Domain 3

Risk management

Climate change

5. Pursue decarbonization in all corporate activities

Supply chain

6. Promote supply chain sustainability

Quality and safety

7. Protect the fundamentals of manufacturing (quality and safety)

Intent of each item of materiality

- This is a high priority issue because sustainability for tire and auto parts manufacturers can only be ensured through the sustainability of the mobility society. One of our company's key challenges is to contribute through our unique products and services to ensure a sustainable mobility society characterized by zero environmental load, accidents, and inefficient transportation.
- Responding to people's various expectations for their mobile lives through our unique products and services while satisfying the sustainability requirements (environment and safety) of a mobility society creates added value that supports diversity of a mobility society and is one of the key challenges of our company.
- Our company is looking for human resources with mid-to long-term perspectives, original and flexible thinking, independence, and spirit of challenge. Our company must

- strengthen the diverse pool of human resources who can support our company's business management and create even greater values in an uncertain society that are changing drastically.
- The values that are provided through our products and services must support the evolution of mobility that is being demanded in this new era. Our company must continue to take on technological innovation to materialize the aforementioned values and the continuous promotion of technological evolution that addresses the social demands.
 - TOYO TIRE group will address this key issue by adjusting our vector to the global trend in which all sectors of the world are beginning to incorporate the same decarbonization targets and initiatives. We will not only strive to create an environmentally-friendly mobility society through our products and services, but also decarbonize the entire manufacturing process and supply chains and conduct various initiatives to improve cost competitiveness.
 - We position and prioritize the environmental and social issues of the supply chain as key issues based on our understanding that sustainability in our company cannot be ensured without the sustainability of suppliers including that of natural rubber and that truly abundant mobility life can only happen through healthy supply chains.
 - No matter how valuable a product or service may be, if its core values including quality and safety are compromised, then it will no longer be valuable or significant within a society. One of the key tasks tackled by our company is to ensure quality and safety as our top priority in all business aspects.

Initiatives for Materiality (Future Course of Action)

We will determine specific projects linked to materiality and set up a special task force to draw up and implement relevant policies, targets, and action plans (measures). The Sustainability Committee periodically verifies and deliberates on their contents and progress and, based on its findings, provides instructions and guidance to optimize the activities.

New Medium-Term Business Plan, “Mid-Term ’21 Plan” and Sustainability

Goals under Mid-Term ’21 Plan

Our company launched a 5-year medium-term business plan starting in 2021.

During the period up to 2025, we will steadily advance our business plan by strengthening our ability to respond quickly and flexibly to changes in the external environment, which is becoming increasingly uncertain, through collaboration among our global organization.

Our primary markets

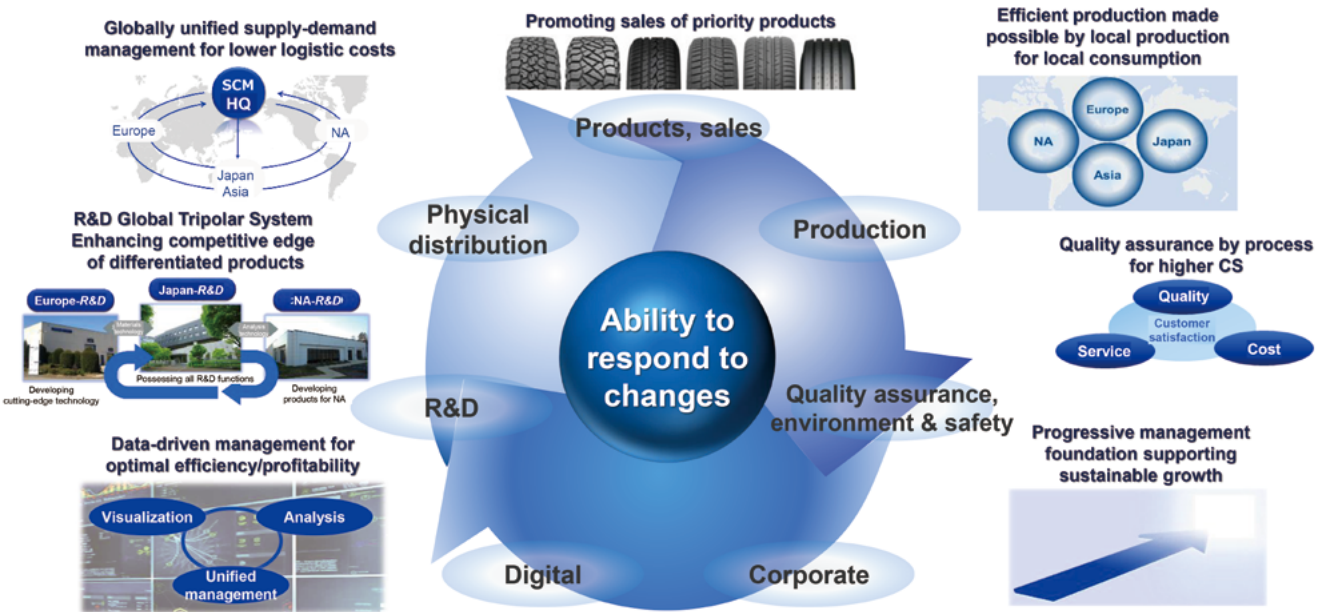
The United States: We expect that registered vehicles, new

vehicle production, and the share of registered electric and plug-in hybrid electric vehicles to grow as they capture a larger share of new vehicle sales. We also expect SUV and light truck share of the market to continue to increase. Therefore, we believe that this tire segment, accounting for 60% of our current sales mix, has the potential to grow, and electrification is an urgent issue.

Japan: We predict a slow post-COVID 19 recovery for the economy. registered vehicles, new vehicle production, and tire demand will all decline slightly, but market share of popular SUVs and EVs can expect to increase.

Europe: The trend is like to Japan, except that total registered vehicles will start to decline after 2025 as a result of tighter environmental regulations.

Bolstering Ability To Promptly And Flexibly Respond Through Global Collaboration



Growth strategy

(R&D)

- Advanced design: We will enhance technology that simultaneously achieves multiple performance requirements at a high level.
- Customer-oriented product development: We will realize unique products by first exploring consumer expectations to accurately stay a step ahead of the marketplace.
- Next-generation Technology: We will realize unique products that combine not only environmental considerations that meet the characteristics of electric vehicles, such as enhanced low rolling resistance, improved treadwear and noise abatement, but also spirited performance and novel design characteristics.

(Regions)

- In North America, we will maximize our enterprise value through marketing activities with a thorough focus on the users, unique product planning, one leg of the global tripolar R&D system among Japan, the U. S. and Europe, producing quality tires using a unique manufacturing system, and a fine-tuned sales operation.
- In Europe, the start of our Serbia plant will give us a highly competitive supply source, and the R&D center that take advantage of the technological base of raw materials will develop distinctive products emphasizing performance. In Japan, we plan to launch high-performance products with an eye for growth categories such as for SUVs, and others that combine a quiet ride, long tread life and unique design.

(Production and Supply)

- The Serbian Plant, which will become operational in 2022, will supply high-performance products using cutting-edge materials and state-of-the-art equipment to the United States and Europe by utilizing geographically-advantageous logistics network.
- The Sendai plant in Japan will shift towards producing high-value-added tires for the local and North American markets.
- We will persist in our efforts to improve productivity by visualizing the manufacturing processes and quality control data.

Key performance indicators

We established financial indicators emphasizing efficiency adopted financial policy balancing growth and return.

Financial Indicators

- Consolidated operating margin: 14% or over
- Ratio of sales from priority products*: 55% or over
- Consolidated operating income: 60 billion yen
- ROE: 12% or over during Mid-Term ’21 Plan

* Tire product categories that embody Toyo Tire’s “strengths”. E.g., new products, core products, and differentiated products. These are essential to achieving operating income (value and %) targets.

Financial Policy

- Capex plan: 5-year total: 194.0 billion yen (maintenance/ replacement of equipment + growth investment)
- Shareholder return: Maintaining dividend payout ratio of 30%+; subject to achieving the target ROE

Kicking Off the Mid-Term ’21 Plan

Sales

With clearly differentiated and attractive priority products as a core, our sales team is expected to increase Toyo Tire’s presence in each market by collaborating with various functions, including marketing, technology development, product planning, and pricing to offer added value that only we can provide.

R&D

R&D centers in Japan, the U.S., and Europe each tap into their unique functions to the fullest and, through mutual cooperation, enhance basic performance and customer-oriented product development capabilities and accelerate product development. In anticipation of the advent of a carbon-neutral society and the spread of electric vehicles (EVs), our R&D team will strive to evolve and advance propriety technologies so that we can reliably respond to future needs.

Production

Based on general rules and principles and the shop-floor-first principle, our production team will make constant efforts to reduce costs and, while diligently striving to assure quality and safety, meet customer demand by building a system that allows them to supply priority products to priority markets flexibly. They are also expected to enhance environmental responsiveness to contribute to the realization of a carbon-neutral society.

Business / Corporate / Quality Assurance, Environment & Safety

These organizations join hands in increasing Toyo Tire’s competitive edge across the entire business process, from upstream to downstream, by promoting globally optimal procurement, as well as strategic product planning and logistics. While seeking to enhance expertise in each corporate functional platform and the human resource foundation and training scheme, they are expected to fulfill our corporate responsibility to underpin the sustainable development of our society.

Digital Innovation

The digital innovation team is expected to build an operation model to increase operational efficiency and productivity on a global scale, while engaging in activities geared to achieve management indicators and strategies by utilizing the data accumulated thus far.

The business environment



Significant changes in consumer behavior in the post-COVID-19 era

- Mindset** Home bound, budget-minded, avoiding person-to-person contact
- Behavior** EC/cashless purchases, changes in requested services



Aligning of social & environmental interests with economic interests accelerated

- Prioritization of employee/customer satisfaction increased
- Accelerated trend to align public interest with economic interests through customer-producer collaboration



Increase in geopolitical risks

- Decoupling trend continued, including competition for leadership between U.S. and China
- Economic disparities widening due to COVID-19 also aggravate populism



Evolution and accelerated introduction of laborsaving technology

- Digital investment accelerated to make up for slow growth in worker headcount
- Advanced roles for humans as quality/quantity of data increased

Contribution to society through products and services

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.

Issues to be addressed

*Materiality

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

TOYO TIRE foresees the following; further diversification of consumers, increased demand or tightening of regulations for products and services that concern climate change and globalization of the areas to which the Group's products and services are distributed in the future, 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.

Guiding Policies

"Striving for the highest level of quality, safety, and societal benefits in our products and services"—True to this guiding principle as a manufacturer, we clearly state our fundamental philosophy and action guidelines regarding product safety in the "Toyo Tire Group Global Product Safety Policy." On the R&D front, we are developing products and services that have minimal impact on the environment. To assure product quality and safety, we operate a quality management system based on ISO 9001 and IATF 16949 (formerly ISO/TS 16949) to manage risks.

Quality Assurance Efforts

Improving the Quality of the Development & Productive 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 and productive 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.

We are verifying Robotic Process Automation (RPA), a software technology that automatically processes routine tasks, to see how much it improves our operational efficiency by preventing risks that might manifest themselves in the course of business, such as human errors and fraud. Preparations are well underway for its full-scale introduction. In fiscal 2020, RPA was introduced to four routine tasks, successfully slashing the time taken to do the tasks by 929 human-hours, marking a total reduction of 1,194.5 human-hours since its inception.

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. At the four tire experiment/evaluation bases in Japan, we test our tires in compliance with ISO/IEC17025 (general requirements for the competence of testing and calibration laboratories). Since the initial accreditation in 2013, we have been making constant efforts to improve the accuracy and reliability of our testing.

Every year, our Tire Business and Automotive Parts Business each hold a Global Quality Management Committee (QMC) meeting, where quality assurance managers and others concerned come together from manufacturing bases from around the world. 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).

Resolving Global Issues by Our Products

Supporting the Participation of Diverse Individuals in Society

In developed countries, 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. Our tires enjoy a high degree of popularity among our customers and users for their superb durability and fuel efficiency, guaranteeing safe and comfortable transportation for ever-diversifying drivers and passengers alike.

Accommodating Increasingly Sophisticated Customer Needs

Along with changes in the social environment, the values of people involved in mobility and customer needs for the Toyo Tire Group are becoming increasingly sophisticated. We not only address issues that our stakeholders expect us to resolve but also create a framework for maintenance work and solutions that only tire manufacturers can.

We have developed a model that automatically collects and stores data to monitor changes in the state of tires depending on the driving conditions of individual vehicles while also sensing road conditions, thus estimating the state of use (wear) of tires and other transport vehicles. We are working to develop this model into a full-fledged business for transport service providers.

Beyond solutions to challenges, we are also developing products that bring to market something new and delightful. A prime example here is the neo-futuristic airless concept tire, noair, a maintenance-free tire that offers a "spare-less solution," in response to emerging trends in the mobility society. In 2017, noair became the first non-pneumatic tire in the industry that can be mounted on passenger cars and driven at high speeds. Because vehicles with airless tires are not allowed to drive on public roads due to a lack of applicable laws at this moment, we are working on their application to "ultracompact cars."



Responding to Climate Change Risks

In the mobility industry, 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. In our company, we are also engaged in the development of processing technologies that control energy loss, fuel-efficient tires, and automotive parts for next-generation mobility. And by deploying these products in markets throughout the world, we are contributing to the mobility industry's response to climate change risks.

Responding to Resource Depletion

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 each production process from the design stage, through research on next-generation material such as new functional rubber and sustainable raw material, and development of material and products with a high-level of wear resistance.

For example, we have established a new development process that significantly reduces fuel consumption while maintaining a high level of wear resistance by using our proprietary technology, Nano Balance Technology, to optimize resource characteristics. We started supplying products using this technology in the spring of 2019, thus contributing to resource-saving by extending product service life.

Training Human Resources with Technical Expertise

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

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. In 2020, we included an SDGs course in the training curriculum for engineers. Through group work, trainees are expected to recognize technological development's role in resolving various social issues relevant to our business.

TOPICS

Announcing Tire Sensing
Technology Concept Using AI
and Digital Technologies



As the mobility society is undergoing once-in-a-century changes, we believe that automotive tires must provide the information needed to manage vehicle operations and support maintenance. It is thus only natural that we came up with the idea of using tires as a device for gathering information, so that we can create new added value. One of the outcomes of such efforts is tire sensing technology, which visualizes tire performance while driving. Sensors attached to tires detect the road surface conditions and tire wear to estimate actual tire performance, based on which the current grip of tires is assessed and displayed in real-time. With this, drivers can see the tire performance required for the road surface conditions they are driving on and if their tires are exerting their tire force*1. Currently, we are gathering tire force data in real-time using sensors mounted onto vehicles while driving on our Miyazaki Tire Proving Ground and public roads.

We will seek co-creation with external partners to further evolve mobility with tire sensing technology.

*1 Actual tire performance estimated based on a variety of data input from tires, including air pressure, temperature, road surface detection, load, frictional wear, and irregularity



CG simulation of visualized tire force

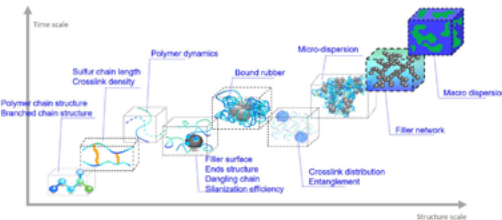
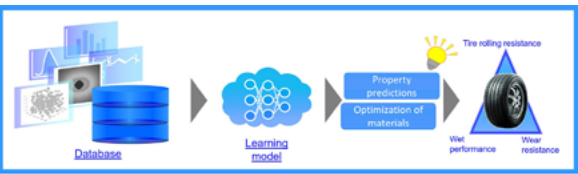
Evolution of the Rubber Material
Fundamental Technologies



Artificial intelligence (AI) technology and machine learning are making sweeping changes everywhere, and material development is no exception. As part of our continued efforts to advance Nano Balance Technology, our proprietary fundamental technology for developing rubber materials, we have developed novel technologies for predicting properties of rubber materials and supporting rubber compounding design that use materials informatics (MI)*2.

In 2018, we began verifying technologies for rubber compounding and property prediction using MI technology. Going forward, we will be seeking to develop high-performance products and reduce development lead-time and costs by creating an environment where our data is fully utilized and development moves forward using pioneering analytical approaches and prediction data.

*2 AI-enabled technology that searches for new and alternative materials with greater efficiency than conventional techniques



FY2020 Tire Safety Awareness
Campaign



As a manufacturer/distributor of tires, on which the safety of the mobility society hinges, the Toyo Tire Group considers it a mission of great importance to educate drivers about the proper use of tires.

As more people choose to drive during the pandemic, it is nothing short of necessary to draw drivers' attention to safety by reminding them of the importance of periodic checks of tire pressure and precautions to observe when driving on a rainy day. Therefore, TOYO TIRE and its sales subsidiary in Japan, Toyo Tire Japan Co., Ltd., joined hands together like last year to engage in a tire safety awareness campaign.

In fiscal 2020, the campaign took place at four large shopping malls across the country with thorough measures in place to prevent infection with COVID-19. Using a driving simulator featuring our original software, we provided a total of nearly 500 drivers with a realistic experience of a variety of situations: driving on tires with different tread depths or levels of air pressure to compare breaking distance in rainy weather and handling stability, respectively, and driving a car that is hydroplaning. In a questionnaire survey after the experience, as many as 96% of the respondents said that they are now more conscious of the safety of tires.

We will continue organizing these educational campaigns in the hopes that drivers will take a greater interest in tires and start using them properly.



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.

Issues to be addressed

*Materiality

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

With the impact of climate change becoming more severe, societal demands on mobility are also increasing. With its mobility business at the core of its management, TOYO TIRE recognizes action on climate change as one of the top priorities that will determine our future growth. We have a responsibility to the people living in current and future generations for reducing water-related

risks, realizing resource recycling, and reducing greenhouse gas emissions. As such, we prioritize these tasks to ensure the sustainability of the Group.

Guiding Policies

As one of the guidelines to achieve TOYO TIRE's SDGs, we have established the Global Environment Policy. We will support international norms and, through precautionary approaches, involve all players in our value chain in contributing to mitigating other environmental issues that the world faces.

Response to Climate Change

■ Opportunities and Risks posed
by Climate Change

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

As for our response to climate change, we have established "Decarbonization Task Force" under the Sustainability Committee in July 2021, and discuss action plans, which include orientation, goals, targets, Activity plan and KPI. The Task Force is considering countermeasures against climate change that companies should engage in while referring to the contents of the CDP* Climate Change Questionnaire and Final Report (Recommendations) of Task Force on Climate-related Financial Disclosures (TCFD)**. Based on the predicted impact of climate change published by the Intergovernmental Panel on Climate Change (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. In addition, 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 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.

* An international NGO working in environmental fields (climate change, water security and forest).
** Established by the Financial Stability Board (FSB) in 2015 for the purpose of discussing the financial industry's response to climate change issues.

Executive Committee

Sustainability Committee

approval ↓ proposal/report ↑

Decarbonization Task Force

Role	Setting policies and targets for climate change response. Specific examination and promotion regarding implementation
Leader	Corporate Officer & Vice President of Quality Assurance, Environment & Safety Headquarters
Member	Selected from related departments
Support	ESG Promotion Dept. Corporate Administration Dept. Corporate Strategy Division DX Promotion Division

■ Reduction of Energy Consumption

We are moving forward with efforts to reduce energy consumption through the effective use of energy required for business activities both in and outside the organization in order to contribute to the alleviation of climate change.

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

At TOYO TIRE ZHANGJIAGANG CO., LTD. (China), they are renovating their vulcanization process facilities to reduce power consumption. This subsidiary was able to slash 8% of its power consumption throughout the vulcanization process by converting its hydraulic equipment to inverters in 2020.

Energy Consumption within the Organization (1000GJ)				
	2018	2019	2020	
Total consumption	7,473.0	7,346.1	6,777.4	
By Region				
Japan	4,213.8	3,991.7	3,594.3	
US	1,725.0	1,810.0	1,704.2	
Asia (Excluding Japan)	1,534.2	1,544.4	1,478.9	
Type of Source				
Non-Renewable Sources	4,927.8	5,065.8	4,662.4	
Renewable Sources	138.3	2.91	0.44	
Purchased electricity	2,082.9	1,963.3	1,818.8	
(Reference) Percentage of renewable energy* in purchased electricity	-	15.6%	15.7%	
Purchased Steam	324.1	314.2	295.8	

* Renewable energy sources can include geothermal, wind, solar, hydro, and biomass.

Reductions in Energy Requirements of Products (Fuel Efficient Tires)				
	2018	2019	2020	
Amount of reductions in energy consumption (GJ/km) Estimated values	186.7	169.2	253.7	
*Reference: Production ratio of Fuel Efficient Tires				
Tires for Passenger Vehicles (PCR)	28.6	20.7	19.5	
Tires for Trucks and Buses (TBR)	25.3	21.0	22.4	

Energy intensity in house				
	2018	2019	2020	
Energy consumption /Sales (GJ/million yen)	19.0	19.5	19.7	

Reduction of Greenhouse Gas (GHG) Emissions

We are working to reduce Greenhouse gas (GHG), which emissions are said to be the main cause of climate change.

We are promoting fuel conversion and equipment renewal at manufacturing bases as a countermeasure to scope 1 and 2. TOYO TIRE (ZHUCHENG) CO., LTD. successfully reduced their CO₂ emissions by approximately 655 tons in 2020 by changing their cooling water circulator's temperature settings and recycling exhaust steam for heating.

To prepare for Scope 3 emissions, our R&D team is working to reduce CO₂ emissions from automobiles by developing fuel-efficient tires, among others.

GHG emissions (1000t-CO ₂ e)				
	2018	2019	2020	
Scope 1 emissions	313.3	296.3	263.8	
By Region				
Japan	226.1	204.7	180.7	
US	53.6	57.8	51.8	
Asia (Excluding Japan)	33.7	33.8	31.3	

	2018	2019	2020	
Energy indirect (Scope 2) GHG emissions	313.0	294.6	271.6	
By Region				
Japan	99.2	70.4	57.1	
US	86.7	91.2	86.8	
Asia (Excluding Japan)	127.2	133.0	127.7	

*Third-party verified data

GHG emissions intensity				
	2018	2019	2020	
Scope 1+2 /Sales (t-CO ₂ /million yen)	1.59	1.57	1.56	

Efforts to Reduce Water Risk

We recognize that access to fresh water is an essential human right guaranteed by the United Nations (UN). So, we are aware that water risks in business activities are one of the business issues

We refer to the CDP Water Security Questionnaire to determine what we should do to ensure water security. We also use the Aqueduct Water Risk Atlas developed by the World Resources Institute (WRI) to identify water-related impacts on our business activities around our production bases/sites and engage in efforts to reduce water withdrawal and wastewater through effective use of water commensurate with the potential impact. In the latest evaluation, it was confirmed that, at this point, none of our bases/sites operates in areas where there is a high risk of: water supply fluctuating from season to season, water running short due to drought, groundwater running out, or limited access to drinking water in the vicinity.

Additionally, it was confirmed* that none of the Group's bases/sites withdraws water from water areas which experts deem to be vulnerable, nationally or internationally designated conservation areas or other sources that are of high value in terms of biodiversity, or sources that are deemed to be valuable or important for local communities and indigenous people. We are also not discharging wastewater to such water areas and sources, either.

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

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 June 2021.

Evaluation target area: 15 regions where the Group has manufacturing bases

Result: Around Zhucheng (China) has been evaluated the water-related impact as Extremely high because in this area, there is a large demand for water, the yearly fluctuations in the water supply are significant, and the development status of wastewater treatment infrastructure. Around Chon Buri (Thailand) has been evaluated the water-related impact as high because of almost the same reason. In addition, 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. In this forecast, the demand will be 1.4 times in Zhucheng (China) and Grad Beograd (Serbia), 1.7 times for the area around Perak (Malaysia).

Reducing Water Withdrawal and Water Discharges

Primarily at its production facilities, our Group mainly withdraw water from municipal water supplies or other public or private water utilities and ground water for our business activities. 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.

Water withdrawal (1000kL)				
	2018	2019	2020	
Total water withdrawal from all areas	3,808.3	3,737.3	3,399.9	
By Source				
Surface water	0.00	0.00	19.5	
Groundwater	2,823.5	2,726.8	2,511.6	
Third-party water	984.4	1,010.5	868.7	

Total water withdrawal from Areas with water stress	—	87.2	77.2
By Source			
Surface water	—	0.00	0.00
Groundwater	—	86.1	76.1
Third-party water	—	1.10	1.11

*Third-party verified data

Water discharge				
	2018	2019	2020	
Total water discharge to all areas	2,373.6	2,194.8	2,022.2	
By destination				
Surface water	1,631.4	1,525.0	1,475.3	
Third-party water	742.1	669.7	546.9	
Total water discharge to areas with water stress	—	86.9	77.0	

*Third-party verified data At present, all water intake is from fresh water (water for which the total dissolved solids are 1,000 mg/L or less)

Assurance:

To ensure the veracity and reliability of data that it discloses, the Toyo Tire Group obtained the independent practitioner's assurance of the 2020 environmental data. (As per the procedures of the independent practitioner)

- Scope: The scope of verification is Scope 1 and 2 emissions, energy consumption, water intake and drainage.
- Boundary: 22 sites * Excluding off-site mobile units

*TOYO TIRE Corp. (Headquarters, Sendai Plant, Kuwana Plant (tire/ Automotive Parts), Hyogo Manufacturing Complex, Tire Technical Center, Automotive Parts Technical Center, Corporate Technology Center, Tire Proving Ground), Fukushima Rubber Co., Ltd., Toyo Soflan Co., Ltd., Ayabe Toyo Rubber Co., Ltd., Orient Machinery Co., Ltd. (Headquarters, Sendai branch), TOYO AUTOMOTIVE PARTS (USA), INC., TOYO TIRE NORTH AMERICA MANUFACTURING INC., TOYO AUTOMOTIVE PARTS (GUANGZHOU) CO., LTD., TOYO TIRE ZHANGJIAGANG CO., LTD., TOYO TIRE (ZHUCHENG) CO., LTD., SILVERSTONE BERHAD, TOYO TYRE MALAYSIA SDN BHD, TOYO RUBBER CHEMICAL PRODUCTS (THAILAND) LIMITED

- Period Subject to Report: from 1 January 2020 to 31 December 2020.
- Criteria of Verification: ISO14064-3: 2006 and the SGS verification protocol.
- Verification Organization (a third-party): SGS Japan Inc.

Resource Recycling Efforts

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, such as natural rubber, indispensable for business growth 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. The Toyo Tire Group is making constant efforts to increase material usage efficiency and reduce the amount of final disposal.

For example, Toyo Soflan Co., Ltd., for example, reuses 100% of defective units and discards (cut pieces from the molding process) from its resin product manufacturing process by feeding them back to the process.

*Excluding products using special materials

* 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.

Issues to be addressed

*Materiality

- **Creating an environment that enhances the motivation of diverse human resource (*)**
- **Fulfilling responsibility to respect human rights**

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. 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.

Guiding Policies

We respect international norms concerning human rights and labor practices, such as the Universal Declaration of Human Rights, the ILO Declaration, and the Ten Principles of the United Nations Global Compact (UNGC). In our Charter of Corporate Behavior, we set forth the principles for faithfully conducting business activities, including the responsibility for respecting human rights and realizing a satisfactory workplace environment. In the Global Human Rights & Labor Policy, we also made clear our commitment to respecting human rights to the extent that they impact the Group's business activities. Likewise, our commitment to addressing human rights issues in the supply chain in collaboration with business partners is clearly stated in the Toyo Tire Group CSR Procurement Guidelines and the Sustainable Natural Rubber Procurement Policy. These policies and guidelines also mandate respect for the rights of local residents and the cultures and customs of their communities.

plan. We also organize a variety of awareness-raising training sessions, including e-learning on topics such as diversity & inclusion. We now involves all employees in the activities. Thanks partly to their efforts to review job descriptions, job responsibilities, and authorities of female employees to assist their career advancement, more women are holding managerial positions within the Group.

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. 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. To encourage our employees to work toward their future goals, our Company defined our career development policy.

New employee hires (Toyo Tire Corp.)

*Full-time employee including mid-career hiring

Total	131
Age groups	Under 30 years old; 87.0% 30-50 years old; 12.2% Over 50 years old: 0.8%
Gender*	Male 91.6% Female 8.4%

Diversity of employees (Toyo Tire Corp.)

*Full-time employee

Total	3,725 (+3.6% from the previous year)
Age groups	Under 30 years old; 21.3% 30-50 years old; 60.5% Over 50 years old: 18.2%
Gender	Male 93.3% (-0.1 pt from the previous year) Female 6.7% (+0.1 pt from the previous year)
People with disabilities	34
Foreigner**	21
Total number of managers	835
Male-female ratio of managers	Male 95.0% (-0.2 pt from the previous year) Female 5.0% (+0.2 pt from the previous year)
Percentage of Foreign** managers	0.7% (+0.1pt from the previous year)

* Gender-specific data: Refers to data for each biological sex. We do not have quantitative data specific to individual social sexes due to the difficulty in determining them. Our goal is to provide a workplace environment where all the employees are given equal opportunities.

** Data on foreign nationals: Refers to data on foreign nationals as defined in the Nationality Act of Japan

Fulfilling the Responsibility to Respect Human Rights

The Toyo Tire Group has established itself in the global area, so that the majority of its employees are working outside of Japan. As we have more opportunities than before to communicate with diverse stakeholders internally and externally, it will be increasingly important for us to show respect for the human rights of all persons involved in our business in accordance with the Global Human Rights & Labor Policy.

In response to the globalization of human rights-related risks, we are providing all employees of the Group with e-learning sessions on the code of business conduct as part of the training program on businesses' responsibility to respect human rights.

In 2020, a report was received by the grievance control system run by the Toyo Tire Group about a human rights concern (harassment). We make it a rule to get to the bottom of such cases to take corrective measures if it is an active problem and preventive measures if it is a latent problem. When a harassment case is reported, we organize a training session at the base/site in question and, if deemed necessary,

other relevant bases/sites to prevent a recurrence.

The Toyo Tire Group will remain committed to preventing and mitigating negative impacts on human rights with regard to business activities or workplaces.

Diversity of Human Resources

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.

To ensure diversity and equal opportunities at workplaces, we are developing various personnel systems to empower employees while also conducting career interviews with every employee and drawing up a human resources development

TOPICS

Our Special Subsidiary Participates at the Hyogo Disabled Persons Employment Forum 2020

Showa Estate Co., Ltd., our special subsidiary, is fulfilling the Toyo Tire Group's mission of promoting the employment of persons with disabilities. They are making every effort to create a safe and comfortable workplace environment and expand the range of work, in order to ensure that diverse human resources can keep challenging themselves as they tap into their abilities.

The Hyogo Disabled Persons Employment Forum 2020 is a job fair designed to stimulate the employment of persons with disabilities.

On the day of the event, for job-seeking students with disabilities and companies planning to hire persons with disabilities through their business, they introduced their business and other initiatives to help them to improve their employability. By including diverse persons in society through the employment

of persons with disabilities, they aim to be a company that is indispensable to local communities.



Sustainable supply chain

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.

Issues to be addressed

*Materiality

● Supply chain management (Society and Environment) (*)

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.

Guiding 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.

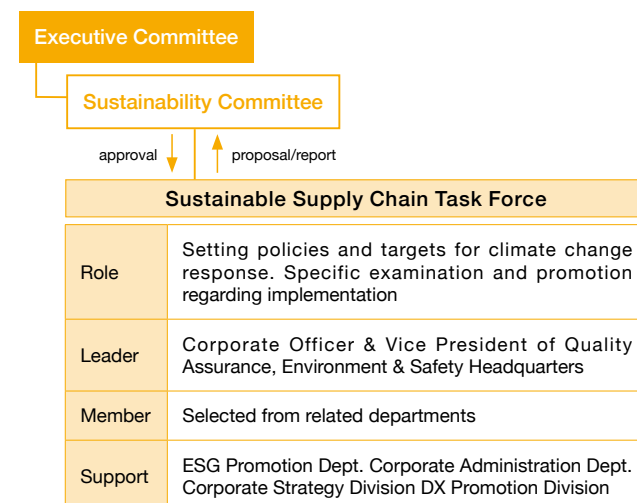
"TOYO TIRE Group CSR Procurement Guidelines" and "Sustainable Natural Rubber Procurement Policy" were also established. We will promote sustainable purchasing in collaboration with business partners, the goal of which is to reduce, prevent, and minimize the negative impact that business activities have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

Partnership with Business Partners

■ Promotion of 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 Task force under the Sustainability Committee and discuss action plans, which include orientation, goals, and targets.



■ CSR Procurement Guidelines

In line with the TOYO TIRE Group CSR Procurement Guidelines, we are working to resolve social issues throughout the entire supply chain from production to consumption, requesting our business partners to not only follow the Guidelines but also ask their own upstream suppliers to follow suit.

As we expand the scope of global procurement, we have published the Guidelines in Japanese, English, and Chinese. For a new initiative in this regard, in 2020, we distributed the CSR Self Checklist (questionnaire survey) to about 350 suppliers both in Japan and abroad so that they can report on the status of their activities. Based on the survey findings, we will conduct due diligence, that is, analyze the risks in the supply chain and feed the analysis findings back to suppliers to address both actual and potential negative impacts.

We also set up a whistleblowing desk to which suppliers can report any concerns about CSR procurement and make it known to relevant parties at briefings on the revised CSR Procurement Guidelines and other occasions.

In 2020, there were no reports from business partners to the reporting hotline.

■ 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)" proposed by the International Rubber Study Group (IRSG), and we have promoted CSR procurement while gaining the understanding of our business partners.

In addition, a new framework "Sustainable Nature" was launched in 2018 under the initiative of the Tire Industry Project (TIP) under the umbrella of the World Business Council for Sustainable Development (WBCSD). We are also participating in the Global Platform for Rubber (GPSNR) * 2 and are holding discussions to resolve issues. In 2020, the GPSNR decided on the elements for policies that its participants need to develop to incorporate the GPSNR Sustainable Natural Rubber Principles into business activities. Accordingly, we made a full revision of our natural rubber procurement policy, which had been added to the CSR Procurement Guidelines in 2019, to draw up and announce the Sustainable Natural Rubber Procurement Policy. This brand new policy is aimed at increasing the effectiveness of our initiatives concerning ecological ecosystems, human rights, and communities.

We aim to build a sustainable natural rubber supply chain through our value chain in collaboration with international initiatives and stakeholders

* 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.



Comment by Stefano Savi, Director, GPSNR

I am delighted to know that TOYO TIRE has announced its support for the GPSNR policy framework and institutionalized its commitment to a fair, equitable, and sustainable natural rubber value chain. With half of the stakeholders of natural rubber having a GPSNR membership, it is undoubtedly a positive step for the entire industry if TOYO TIRE and other member companies adopt the policy framework. I look forward to seeing how TOYO TIRE's initiatives in this regard will inspire other companies to support our policy framework.



■ Response to the Conflict Minerals Issues

Conflict minerals refer to tin, tantalum, tungsten, and gold mined in conflict areas. Due diligence of the supply chain is required by law in Europe and the United States, as purchasing conflict minerals becomes a source of funds for local armed groups and promotes corruption such as human rights violations, bribery, and money laundering. We conduct thorough investigations by tracing all the way back along the supply chain to smelter to determine whether the materials or products supplied to us contain conflict minerals from the relevant countries, in cooperation with our customers and suppliers.

Fair and transparent transactions

TOYO TIRE includes free competition and fair transactions in the Toyo Tire Group Code of Conduct, and it adheres to antimonopoly laws and the Subcontract Act, undertaking fair purchasing activities, compliance with import and export related laws and regulations, and provides appropriate labels and explanations. For example, at Toyo Tire Corporation, we ensure our business activities are based on fair and free competition by formulating not only purchasing transaction rules that stipulate various matters such as fair, non-discriminatory transactions and a prohibition on personal interest in business partners, but also cartel prevention rules, which prevent cartels, collusion, and acts that could invite these, which are prohibited under antimonopoly laws.

TOPICS

Inviting WWF to Conduct a Workshop on "Sustainable Natural Rubber"



Toyo Tire Corporation believes it important to understand what is happening in natural rubber producing areas as we set about creating a sustainable natural rubber supply chain. Accordingly, in April 2021, we invited WWF Japan to give an online workshop on forest preservation and sustainable natural rubber.

The workshop included technical lectures on biodiversity, protection of endangered wildlife, land development/use, and other topics, as well as forest preservation in areas where natural rubber is produced. The attendees not only deepened their understanding of these topics but also took this opportunity to see how the Sustainable Natural Rubber Procurement Policy relates to their operations and ponder the challenges that they may encounter when drawing up action plans.

Going forward, through communication and collaboration with such professional organizations/groups and stakeholders, we will forge ahead with initiatives for sustainable procurement.

Harmony with Local Communities

TOYO TIRE's SDGs (Ideal Status in 2030)

We will contribute;

- to promoting local employment and developing and stabilizing the local economy by strengthening the global network.
- to develop the whole world economy steadily by improving regional education and culture level through deployment of our resources.

Issues to be addressed

- Engagement with Local Communities
- Preserving Biodiversity
- Support for Educating and Developing the Next-Generation Children

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.

Guiding Policies

We will create common values with local communities by contributing to environmental protection to the extent that our business activities impact the environment, supporting education and development the 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, we will make use of a precautionary approach to respond to the risk that our impact on biodiversity in surrounding areas will increase.

Engagement with Local Communities

We understand that our business activities have a direct impact on local economies, environments, and societies. And we emphasize communication with local communities at all our business sites, which includes various activities, such as actively providing information and creating opportunities for dialogue. We also strive to properly understand the needs of stakeholders obtained through communication with them and reflect that in our business.

Environmental Protection Efforts

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

For example, the Kuwana Plant works with the NPO Mori-

no Kaze to undertake "TOYO TIRES Midori-no Tsunagari Mie" activities, through which we are transforming a local abandoned thicket into a healthy forest. In 2020, the 7th year of the project, we focused on the conservation of the "Green Trail" which was completed in 2019, and we worked to develop the "Green Square." 18 employee volunteers were joined by administrative officials and members of the local community in planting trees and installing log chairs. Coming up, we will speak with educational institutions to discuss how we can make it easy for students of elementary schools nearby to use the new local infrastructure.

Through such continued commitment, they are hoping that their plant will be seen as an integral part of the host community as it contributes to the further development of the community.



Forest conservation activities (Kuwana plant)

Support for Educating and Developing the Next-Generation Children

■ Raising the Bar of Career Training

We believe that the development of human resources who will underpin the sustainable prosperity of the auto industry is crucial to ensure business continuity and societal enrichment through mobility. It is out of this belief that we began supporting "Jonetsu Kyoshitsu (Class of Passion)," which is sponsored by the Kansai Career Education Support Council*, in 2013, by using the Toyo Tire Group's resources to organize career talks to enhance students' interest in manufacturing and help them to develop a career view from a young age.

In fiscal 2020, we connected our office and schools for the first time to hold online classes. Students were given quizzes and group work assignments using cut samples of tires, while lecturers stressed the importance of being passionate about their work and setting targets in this regard as they talked about their jobs. The students picked up the samples to work on the quizzes and asked lots of questions.



Students taking class remotely

We will remain committed to the training of children of the next generation and the sustainable development of the auto industry through communication that incites interest in automobiles and tires as we tap into our resources to take changing social situations in stride.

* An industry-labor organization in Kansai that supports career education at elementary, junior high, and high schools

■ Towards the development of the local community

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 education and development of the next-generation children. Since 2013, TOYO TYRE MALAYSIA SND BHD has sponsored a scholarship program for schoolchildren and students who are highly motivated academically but may not have access to a satisfactory learning environment due to economic reasons. Since the beginning of the program, they offered a scholarship to 30 undergraduate students at local universities (19 of them earned a bachelor's degree) and financial assistance to 249 school students in the form of the Undergraduate Scholarship Program and the Student Education Assistance Program, respectively. The total donation amounted to approximately US \$ 289,000.

Through the donations to support human resources development, TOYO TIRE will continue to help raise the living standards in the entire community and aid the development of the community as a whole.

TOPICS

Celebrating the Groundbreaking Ceremony for the First Tire Plant in Europe



On December 15, 2020, we observed a groundbreaking ceremony at a new tire plant site in Indjija, the Republic of Serbia. Equipped with a state-of-the-art production system, this plant will play a critical role in our global supply chain, producing quality and cost-competitive tires designed and developed at our R&D center in Germany and supplying them to markets in Europe, the Middle East, Africa, and North America. After going into operation in April 2022, the plant will reach its capacity of five million tires per year (based on tires for passenger vehicles) by the summer of 2023. Expectations for the plant are already high among those on site, with many anticipating the positive impact that the technological prowess, strict conformance with rules, attention to detail, and other attributes of Japanese companies should have on the Serbian culture through business activities and undertakings, not to mention the creation of job opportunities for the local community.

TOYO TIRE will operate the plant in a way that imparts a

sense of joy and pride to the host country of Serbia and the plant operators and looks forward to building a strong relationship of trust by achieving mutual understanding with the members of the local community through communication programs and otherwise.



Speech by President of the Republic of Serbia



Breaking the ground

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.

Issues to be addressed

- Global-level worker safety and health management

TOYO TIRE believes that it is the responsibility of all stakeholders to prioritize safety in all of their corporate activities. In addition, promoting the health of employees leads to improved productivity and improved corporate value, and we recognize this to be an important business issue for the future business growth. 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.

Guiding 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, Labor 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.

Creating Safe Workplaces

We are working to create safe workplaces from the three perspectives of "equipment," "personnel," and "management system development" at all business sites. 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 the aspect of "personnel," we strive to visualize the "residual risks" that remain after an action has been taken for equipment. In more concrete terms, we thoroughly manage such risks by pinpointing high residual risks, establishing work standards, taking "stop, call, and wait" approaches, and promoting "point and call" and hazard prediction (KY in Japanese) activities. Furthermore, each business site provides a training program in accordance with the stratified safety training scheme, with an emphasis on "KY" training and experiential safety training. To provide employees with such experiences, we set up Safety KY Training Halls. Here, we use special machines to give a realistic sense of equipment hazards and draw attention to the importance of working by the rules. By the end of 2020, we established training halls at seven locations. At production facilities where employees with diverse backgrounds work, we make announcements in multiple languages and use illustrations and color-coded warnings signs.

As for the creation of a management system, we are expanding industrial health and safety management systems, including OSHMS, GSC, and OHSAS 18001. We have compiled

the Industrial Accident Response Manual with the aim of protecting employees' safety and the company's credibility by taking prompt and adequate responses when labor-related accidents occur to prevent damage from spreading, thus keeping personal and physical losses to a minimum. Stipulated clearly in this manual are concrete steps to follow when an industrial accident occurs, a necessary risk management system against industrial accidents, procedures in ordinary times, the code of conduct for employees, and procedures in the times of emergency.

In Japan, persons in charge of safety and disaster management and the Environment & Health Department at all sites meet monthly (currently online). By using these opportunities to provide information on what they do to prevent and mitigate disasters, they share best practices across all sites to prevent similar disasters from occurring at other sites.

As a result of these efforts, in fiscal 2020, our total incidence rate of occupational accidents in Japan decreased by 28% from the previous year.

FY2020 Safety Performance

The lost-time accident rate (Manufacturing base)

*Number of lost-time accidents per million hours worked in total

In Japan: 0.14 (0.00 in FY2019)

Outside Japan: 1.69 (1.82 in FY2019)

Creating Disaster Resistant Workplaces

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

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

So far, a total of 239 employees have taken a fire safety inspector training course, which began in FY2018, in Japan. As one outcome of such an effort, no fires were reported in FY2020, and the number of small fires was reduced by more than 33% from the previous fiscal year.

Outside of Japan, too, we are taking actions and conducting disaster management drills in accordance with the level of such risks in each country.

FY2020 Disaster prevention drill implementation record

Japan: 22 sites (Total number 4,196 participants)

US: 1sites (Total number 366 participants)

Oceania/Asia (Excluding Japan): 5 sites (Total number 2,395 participants)

TOPICS

Commended as an Excellent Hazardous Materials Facility by the Kawanishi City Fire Prevention and Safety Association

One of our R&D centers, the Corporate Technology Center is engaged in the maintenance and improvement of the entire premises to prevent accidents when handling hazardous materials. Using the chemical substance management system, they monitor the inventory volume of such materials as well as where they are in real-time to maintain an appropriate management system while encouraging all employees handling hazardous materials to obtain relevant qualifications. In recognition of these initiatives, which are continuously taken throughout the site, in 2020, they were given a commendation by the Kawanishi City Fire Prevention and Safety Association as an excellent hazardous materials facility. We will remain committed to creating accident-free workplace environments through continued efforts.



Stepping Up Anti-Heatstroke Measures

In recent years, heatstroke while on duty has become an additional risk. To combat this new challenge to industrial health, TOYO TIRE controls heat and ventilates air at workplaces, and ensures that its employees hydrate periodically.

Our special subsidiary are seeking to prevent the spread of infections and mitigate heat at the same time by, for example, introducing new uniforms to reduce the burden of outdoor cleanup tasks, a job that is vulnerable to extreme temperatures. Drying quickly and giving a cooling sensation, this brand new uniform increases comfort for workers while on duty.

We are planning to distribute the uniform to other sites in a bid to create an environment that assures the safety of employees.



Outdoor work in the new uniform

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.

Issues to be addressed

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

We are living in a time when the future outlook is increasingly uncertain, what with climate change, the changing demographic structure, and infectious diseases that spread globally. In order to sustain international business growth as we strive to survive the “once-in-a-century” change in the auto industry, we at TOYO TIRE believe it essential to ensure management transparency and pursue fairness within the organization. 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.

Guiding Policies

We properly implement the principles of the corporate governance code in order to implement effective corporate governance.

For us to faithfully conduct business activities to realize a sustainable society, “constantly benefiting society by being fair in what we do” is the primary criteria for action in our corporate philosophy, and we have revised the Toyo Tire Group Charter of Corporate Behavior, the corporate action principles applied uniformly across the Group, to reflect this. We have also established the Toyo Tire Group Code of Conduct for each and every director and employee to put the Charter into practice, and made efforts to spread the Code across the Group.

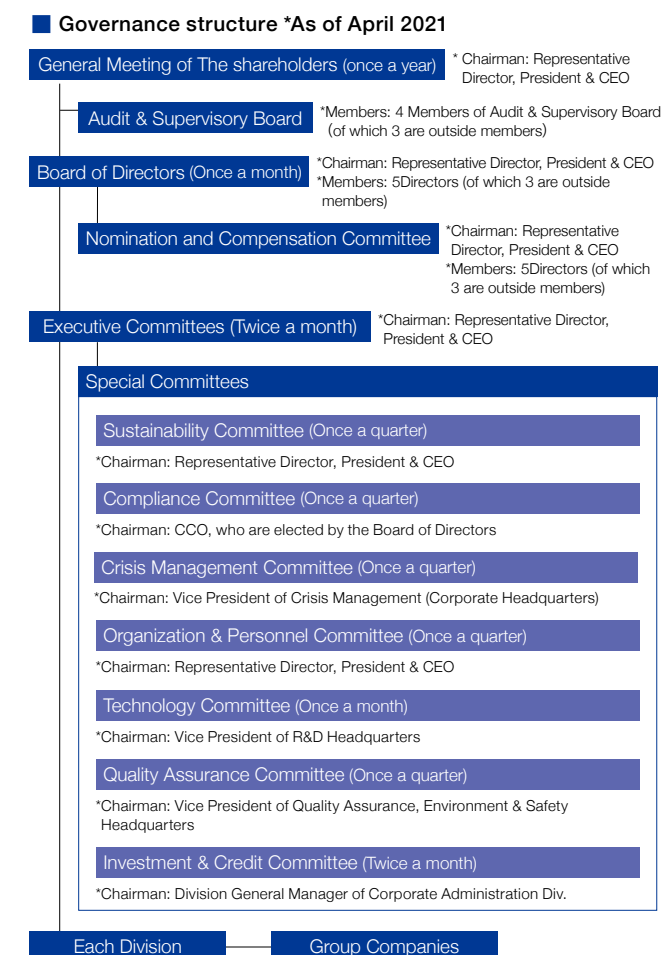
Corporate Governance

Corporate Governance System

Our corporate governance system comprises the Board of Directors, which is responsible for decision-making and supervision, under which the Nomination & Compensation Committee is placed as an independent advisory organ to the Board of Directors on personnel affairs, compensation, and other matters concerning directors. Also comprising the system are 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 each of its members. Our corporate governance structure allows these organs to fulfill their respective functions and responsibilities effectively. In April 2021, to enhance and promote our sustainability management, we established a new special committee, the Sustainability Committee, which the Safety & Environment Committee was merged into.

Spreading the Philosophy

At the Toyo Tire Group, all corporate officers and employees refer to our corporate philosophy as the basis for their work. Since its establishment in 2017, we have taken a variety of



measures to help all employees deepen their understanding of the philosophy.

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 lay down “Our Fundamental Values” as a foundation for ideas that all corporate officers and employees should value equally.

In the new medium-term business plan, the Mid-Term '21 Plan, which we announced in February 2021, we made it clear that the realization of our corporate philosophy is our raison d'être and that business plans are in place to realize the corporate philosophy.

In order for everyone in the Toyo Tire Group to understand our philosophy well, we have set up a corporate philosophy lecture as one of the in-house training programs. In fiscal 2020, department heads were given case studies to understand the importance of spreading visions and strategies linked to corporate philosophy at workplaces, as well as group work where they shared the current status of its promulgation at their workplaces. The session proved to be a valuable opportunity for them to enhance their awareness of the need to spread our corporate philosophy by sharing the challenges and efforts in doing so with their peers from other departments.

Work of the Board of Directors

TOYO TIRE holds a regular board of directors meeting once every month to make decisions on important matters and supervise the status of business execution by Directors. In FY2020, a total of 17 meetings, including extraordinary ones, were held. Outside Directors attend the board of directors meetings and other important meetings to offer their opinions on deliberations to fulfill their responsibility to monitor and supervise management.

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. Based on the results of third party evaluations, we will further improve the functions of the Board of Directors.

Promoting Compliance

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

TOYO TIRE 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. We are working to spread the code of conduct throughout the Group and reinforce compliance.

Internal Reporting System

The Toyo Tire Group has maintained an internal reporting system since 2006. In Japan, we have established internal and external hotlines employees and business partners can use. Reports can also be made anonymously. Overseas, we are establishing such hotlines at each site to ensure fairness and transparency, which are essential for sound business activities.

Anti-Corruption

The Toyo Tire Group strives to ensure fairness and transparency in all its business activities. Having established the Global Anti-Corruption and Anti-Bribery Policy and Anti-Bribery Rules, we are making constant efforts to ensure that these policies and rules are applied appropriately to our business. In fiscal 2020, we organized e-learning sessions on the prevention of bribery for employees from the corporate and R&D divisions and back-office operations at production sites.

With the recognition that, if acts of corruption and/or bribery are discovered, there is a risk of not only a large financial penalty and detention of the perpetrators concerned, but also a risk of serious damage being done to our corporate value by business suspension and social punishment, we will work to prevent such misconduct as part of our corporate social responsibilities.

Grievance Mechanism

- Reporting Hotline (Creating an Internal Control System)
*Targets: Employees, Business Partners
- Customer Relations Department * Targets: Customers, Local Communities
- Inquiry Form (on the Website) * Targets: Customers, Shareholders and Investors, NGOs
- Labor-Management Council Meetings * Targets: Employees
- Consultation Desk for Compliance with the Antimonopoly Act
*Targets: Employees
- IR meetings *Targets: Shareholder, Investor