Open Roads Await

About TOYO TIRE

Company outline (as of the end of 2021)

Company name: Toyo Tire Corporation
Headquarters: 2-2-13, Kitakuki, Itami City, Hyogo, 664-0847, Japan
Paid-in capital: 55,935 million yen
Number of employees*: 11,524
Number of employees by region:
- Japan: 5,076 (743)
- Americas: 2,036 (409)
- Europe: 281 (15)
- Asia/Oceania: 2,931 (33)
Paid-in capital*: 55,935 million yen

Business profile

Our primary business, which accounts for over 90% of net sales, is the production of automotive tires in Japan, the U.S., Malaysia, and China. In 2022 we began operation at a new plant in Serbia. We will seek to make the Serbian plant highly cost competitive while optimizing global manufacturing operations according to changes in supply and demand trends and building a supply base for the U.S. market.

We also 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 (2021)

- Tires: 298,352 million yen (99.1%)
- Other: 15,309 million yen (5.3%)

Net sales by region (2021)

- North America: 84,578 thousand tons (58.3%)
- Japan: 35,544 thousand tons (22.9%)
- Asia: 25,881 thousand tons (17.0%)
- Europe: 12,640 thousand tons (8.4%)
- Other: 1,467 thousand tons (1.0%)

Percentage of tire production volume (new rubber) by region (2021)

- North America: 26.4%
- Japan: 52.0%
- Asia: 18.7%
- Europe: 16.0%
- Other: 7.9%

Editorial policy

We have applied some of the GRI Standards (published in 2016 or 2018), established by the Global Reporting Initiative (GRI), as a reference to determine the content and quality of this report. We have also 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.

In particular, items that represent the Group’s significant impacts on the economy, environment and society, and that may have a substantial influence on stakeholders’ evaluations and decision-making, have been positioned as material issues in this report.

Remarkable initiatives from within the reporting period are featured as “TOPICS.”

- Target organization: Toyo Tire Corporation and group companies (consolidated subsidiaries)
- Organization names in this report: Toyo Tire Corporation itself is referred to as “Toyo Tire Corporation” or “we” and the entire Group is referred to as “Toyo Tire Group,” “the Group” or “we.” Individual companies in the Group are referred to by their company name
- Reporting period: January 2021 to December 2021
- More recent or past information is included in some parts of the report
- Reporting cycle: one year
- Report approval by governance body: approved by the Executive Committee in July 2022
- Contact for questions regarding this report: ESG Promotion Dept., Corporate Infrastructure Division, Toyo Tire Corporation
- Reporting through the Global Reporting Initiative (GRI) and its principles
- Some information in this report may differ from previously published information due to change in the scope of calculations.

Our information disclosure

This report (PDF version) is published in order to share with our value creation partners (customers, business partners and employees) our intended direction and recent major initiatives to achieve sustainability.

Further details on our activities are available in the online version. This serves as a repository of information on our activity results, and a place to share and update new information.

The online version of the ESG Data/Survey Index provides a complete collection of links to related information on the company website, including pages that are not a part of the sustainability section.

The online version provides further details on our activities, and can be used in conjunction with this PDF version.

Online version of the sustainability report

Action for Sustainability

Japanese website

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

Global website (English)

https://www.toyotires-global.com/csr/
Message from the President

Our fundamental values: "The TOYO TIRE"
- Fairness: Be fair and self-less in one’s actions to benefit society.
- Prides: 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 policy

In 2021, Toyo Tire Corporation announced its medium-term business plan, the Medium-Term’21 Plan, where we declared our intention to strengthen sustainability management — incorporating sustainability into management and aiming to create social value through our business.

To take determined action toward this goal, in April 2021 we established the Sustainability Committee under the Executive Committee, with myself as chairperson, to serve as the body that deliberates on company-wide strategies for sustainability.

We also developed a basic policy to use as a set of principles for discussing, thinking about and engaging in sustainability, to first confirm which perspectives we should always bear in mind.

Companies are now being asked what their motivations are in pursuing sustainability, and what kind of stance they are taking in order to ensure the sustainability of the society they are a part of.

For Toyo Tire Corporation, our Company Philosophy both signifies our purpose and can be seen as our motivation for sustainability. We believe that underpinning our sustainability initiatives with our philosophy is a way to pursue our corporate identity, and at the same time, means integrating sustainability into business management.

We see it essential to shift from short-term thinking to a medium- to long-term mindset, as well as to work together with others in the supply chain, ally with relevant organizations, respect internationally-recognized standards, and form wider partnerships through society as a whole in order to avoid becoming short-sighted.

Sustainability is about demonstrating our purpose within society. We have worked to address, from both risk and opportunity standpoints, the particularly important issues we can impact, and reflected them in our materiality.

We have identified seven material issues and classified them into three domains: the value we create in society through our business, the foundation necessary to create that value, and the overall foundation a company should have.

When envisioning a society of sustainable mobility five to ten years from now, we would like to see ourselves continuing to create value that brings joy through our unique products and services. It is no longer an exaggeration to say that electric vehicles (EV) are the key to sustainable mobility. And as the growth of the EV market picks up speed, it is anticipated that it will also diversify.

We will utilize our strengths in this growing and diversifying EV market, taking on the challenge of sustainability with our own unique strategy of providing "the enjoyment of driving" and anticipating user preferences to provide satisfaction.

Our commitments to human capital development and technological innovation indeed also form an invaluable and important foundation that supports value creation, and we will further work to strengthen both.

We will also improve our risk management in order to protect the foundation of our business and the unique value that we create in society.

Regarding the decarbonization of our corporate activities specifically, we have set a target to reduce emissions by 46% compared to 2019 levels by 2030, with the ultimate hope of going carbon neutral by 2050. We will also expand our use of renewable energy, save energy through equipment updates and new manufacturing systems development, and innovate on-site decarbonization through digital transformation.

Then there are the issues of resource recycling and human rights within the supply chain, the importance of which will only increase in the future. We are already addressing both of these matters through approaches such as research and developing sustainable materials, promoting retrofitting of truck and bus tires, partnering with primary natural rubber suppliers, and implementing objective risk assessment systems.

To ensure steady implementation, activity progress is compared against medium- and long-term targets and plans, changes are regularly shared with and evaluated by the Sustainability Committee, and then feedback is given to each business function. While progress was generally positive in the evaluation from fiscal 2021 to the present, we recognize the necessity of keeping close watch over the impact major global changes may have in the future.

Lastly

In 2019, we became a signatory to the United Nations Global Compact, declaring our support for its 10 principles in the four areas of human rights, labor, the environment and anti-corruption. We also announced our commitment to ensuring transparency and accountability to society, to strengthening those through stakeholder dialogue, and to working towards achieving the SDGs through our business activities.

By closely integrating initiatives based on our Sustainability Management Policy into corporate management centered around our medium-term business plan, we will fulfill our responsibility as a member of global society while improving our corporate value.

We would like to thank you for your kind, continued support of the Toyo Tire Group.
With ESG at the core of our corporate activity base, Toyo Tire strives to create not only economic value through our management and operations, but also social and environmental value that will improve our Group’s worth and help achieve sustainability.

**TOYO TIRE Group Sustainability Policy**

- **Identify based on our corporate philosophy**
  - View all sustainability themes in connection with our philosophy and act in line with our corporate identity

- **Medium-to-long-term view**
  - Identify the company’s opportunities and important risks as medium- to long-term material issues and address them

- **Stakeholder collaboration**
  - Collaborate with our supply chain, align with relevant organizations, and increase corporate value through dialogue

**Activities for sustainability**

1. Help create a society of sustainable mobility
2. Support the enjoyment of mobility for all
3. Support diverse talent with motivating challenges and job satisfaction
4. Continue innovating next-generation mobility technology
5. Pursue decarbonization in all corporate activities
6. Promote supply chain sustainability
7. Ensure the fundamentals of manufacturing: quality and safety
8. Uphold human rights throughout the value chain
9. Ensuring environmental compliance, quality and safety throughout the value chain
10. Upholding human rights throughout the supply chain

**New Medium-Term Business Plan (FY2021-FY2025)**

- **R&D**
  - Strengthen our proprietary technology by joining up the R&D of Japan, the U.S. and Europe to develop highly preferable and differentiated products that meet environmental and other next-generation mobility needs

- **Production**
  - Build a stable supply base for the North American market and make the Serbian plant highly cost competitive

- **Sales**
  - Strengthen offerings for strategic models by launching differentiated products for North America, Europe, Japan and Asia according to local market strategies, and creating linkages between tires and automotive parts

**Capex plan**

- 5-year total: 194.0 billion yen (maintenance/replacement of equipment + growth investment)

**Financial policy**

- Shareholder return: Maintaining dividend payout ratio of 30% or higher, subject to achieving the target ROE

**Financial indicators**

- Consolidated OP margin: 14% or over
- % of sales from priority products*: 55% or over
- Consolidated operating income: 60.0 billion yen
- ROE during Medium-Term 21 Plan: 12% or over

* Priority products categories: Toyo Tire’s “strengths”. E.g., new products, core products, and differentiated products. These are essential to achieving operating income (value and %) targets
TOYO TIRE Sustainability

TOYO TIRE Materiality

In promoting sustainability, we believe it important to identify issues that should be given priority when considering factors such as the relevant scope of our business domain and internal resource limitations. We have thus established our Group material issues, which were decided upon by the Sustainability Committee in June 2021 and then approved by the Executive Committee in July.

Along with strategically investing our internal resources into initiatives related to the material issues, we will also use this opportunity to foster a corporate culture where each employee addresses sustainability issues by connecting maturity to their own duties, as well as strengthen materiality-focused stakeholder engagement, such as public ESG dialogues.

1. Process of identifying material issues

After declaring our intention to build sustainability into corporate management in our Medium-term ‘21 Plan announced in February, we soon formed a steering committee for sustainability where the President and vice presidents of each headquarters began discussions on identifying material issues. This was transitioned into the Sustainability Committee in April, and the two committees collectively held discussions from February a total of four times over four months. In May, a total of 40 division general managers and other executives who are key in the promotion of sustainability met to discuss the same themes, and the outcome was taken into account in committee discussions.

2. Process of setting targets and KPIs

Based on our Sustainability Policy, we have set specific activity themes for each material issue and formulated medium- to long- term targets and goals for each theme, as well as processes and measures to achieve them.

To set targets and goals, we first considered the vision of what we would like the Group and society to achieve in the long-term (by 2030), and made these our “Vision Goals.” We then established “Vision KPIs” as benchmarks to confirm our progress on the way towards these goals.

For the medium (as of 2025) and short term, we worked backwards from 2030 to plan the intermediate processes and measures needed to achieve these goals, which will be built into annual policies and business plans, and progress managed.

3. Vision Goals/KPIs

- Value creation
- Foundation for value creation
- Risk management

4. Responsible Business practices and promote the means of public mobility

- Help create a society of sustainable mobility
- Support the enjoyment of mobility for all
- Support diverse talent with motivating challenges and job satisfaction
- Continue innovating next-generation mobility technology
- Pursue decarbonization in all corporate activities
- Promote supply chain sustainability
- Ensure the fundamentals of manufacturing: quality and safety

5. Material issues

1. Help create a society of sustainable mobility
   - We recognize that the sustainability of tire and auto parts manufacturers can only be ensured through a society of sustainable mobility. We will thus fulfill our duty in using our unique products and services to help establish a society of sustainable mobility that boasts net-zero environmental impact, zero accidents and safe transportation.

2. Support the enjoyment of mobility for all
   - We see it important to offer creative added value that supports the diversity of a society of sustainable mobility by fulfilling the essential conditions for sustainability (environmental compliance, safety) while also meeting the varied expectations people have for their own mobility through our unique products and services.

3. Support diverse talent with motivating challenges and job satisfaction
   - We seek individuals who can equip themselves with the medium- to long-term perspective of a tire and automotive parts manufacturer, think creatively and flexibly, and show initiative and ambition. We will secure a foundation for diverse talent who support our company’s business management and create high added value in these rapidly changing and uncertain economic and social times.

4. Continue innovating next-generation mobility technology
   - The value we provide through our products and services must support the evolution in mobility being demanded in this new era. To make this happen, we believe it is vital to engage in ongoing technological innovation and make continuous advancements that meet the demands of society.

5. Pursue decarbonization in all corporate activities
   - Our Group will adjust its course to match that of global society, including Japan, business communities and industries in sharing the same targets towards decarbonization, and work united as a company in tackling this key issue. We will not only aim to eliminate the environmental impact of mobility through our products and services, but also to decarbonize our entire manufacturing process and supply chain, and tie these measures to increased cost competitiveness.

6. Promote supply chain sustainability
   - We understand that our own sustainability cannot be ensured without the sustainability of our suppliers of natural rubber and other raw materials, and that the genuine enjoyment of mobility is created through a healthy supply chain. We thus view environmental and social issues in the supply chain as key challenges that we will prioritize in our efforts.

7. Ensure the fundamentals of manufacturing: quality and safety
   - No matter how much value a product or service may create, if it cannot maintain a strong core of quality and safety, it is no longer able to offer that significance or value to society. Quality and safety are therefore our top priority in all of our operations, building on lessons we have learned in the past.
TOYO TIRE Sustainability

TOYO TIRE Materiality

Medium- to long-term materiality initiatives

- Reducing the environmental impact of mobility
  - Enhance fuel efficiency with every new model
  - Reduce weight
  - Create more EV-compatible products

- Unique EV strategy
  - Develop technology for electronic SUVs and pick-up trucks
  - Develop differentiated products for SUVs and CUVs according to trends in the North American market

- Mobility for all
  - The enjoyment of driving
  - A society of sustainable mobility
    - Through the expanding and diversifying EV market

- Motivating challenges and job satisfaction for diverse talent
  - Workplaces where diverse talent works together naturally to grow and flourish
  - Talent development that maximizes individuality, character and capability

- Technological innovation for next-generation mobility
  - Technologies established specifically for the environment and EVs
  - Unitizing eco-conscious technologies with sophisticated features
  - New and sustainable materials

- Decarbonization
  - All functions within the company work together and with energy suppliers to promote decarbonization.

  **Medium- to long-term CO2 emissions reduction goals**
  - Reduce CO2 emissions by 46% (vs. FY2019) by 2030; Carbon neutrality by 2050.

  **DecoCO2 releasing and carbon neutral**
  - Energy saving
  - Update of mil. systems and equipment
  - Effective and efficient initiatives driven by data
  - Flexible energy procurement including renewable energy
  - Utilize international carbon pricing in environmental investment
  - Decision making

- Supply chain sustainability
  - Create robust supply chain that is resilient in the face of environmental and social risks in raw material procurement.

- Quality and safety
  - Enhance product quality and safety throughout the value chain.

- Sustainability promotion system and cycle

  In April 2021, we established the Sustainability Committee — chaired by the President — under the jurisdiction of the Executive Committee, with the goal of strengthening and promoting our sustainability management. This committee deliberates and decides upon matters related to Group sustainability strategy and, following internal regulations, presents them to the Executive Committee for report to the Board of Directors. These decisions are then executed through each function in cooperation with other special committees, and progress is managed regularly. We have also formed cross-organizational task forces to investigate and promote specific targets and activity plans related to sustainability initiatives.

  **Board of Directors**
  - Develop sustainability policies
  - Monitor the entire scope of sustainability

  **Executive Committee**
  - Sustainability Committee
    (Chair: President & CEO)
    - Formulate group sustainability strategy
    - Identify periodically review material issues
    - Set sustainability targets and KPIs
  - Sustainability task force
    (Decarbonization, supply chain, etc.)
    - Implement measures and policies according to plans
    - Incorporate each project’s targets and KPIs into annual policies and plans
  - Each function
    - Ascertain progress toward sustainability targets and KPIs
    - Incorporate each function's targets and KPIs into annual policies and plans

**Activity themes linked to material issues**

As our materiality is formed of the key priority issues of the Group, we have set up task forces as sub organizations within the Sustainability Committee, and are also using existing company-wide structures and meetings to set targets and KPIs for each theme, and plan processes and measures to achieve them. After approval of these by the Sustainability Committee and Executive Committee, each headquarters will incorporate them into their annual policies and business plans and carry them out.

**Activity themes outside the scope of material issues**

There are themes that, while not included in our materiality, are necessary to address in order to meet the demands and expectations of investors, customers and other stakeholders. We will also address these themes by building them into the annual policies and business plans of each relevant organization.

The Sustainability Committee will regularly manage the progress of initiatives for these themes, review them according to circumstances and set new targets to conform to the current business environment and management strategy. We have established a system to promote activities through use of the PDCA cycle.
Value creation

Help create a society of sustainable mobility

1

Support the enjoyment of mobility for all

2

Environmental contribution (CO₂ emissions reduction)
Reducing tire rolling resistance, improving EV compatibility, saving resources

Sustainability Report

Support the enjoyment of mobility for all

We know that the sustainable future for tire and automotive parts manufacturers will only be ensured once a society of sustainable mobility has been created. That’s why we are using our unique products and services to help establish a society of sustainable mobility that boasts net-zero environmental impact, zero accidents and efficient transportation.

In addition to providing the necessary elements for promoting sustainability, we believe that using our unique products and services to satisfy the various features that people expect from superior mobility life will create added value designed to support a diverse mobile society, so that is what we intend to do.

Activity promotion system (as of April 2022)

Spearheaded by our R&D Headquarters, we are coordinating R&D, product planning, sales planning and digital transformation (DX) functions and promoting sustainability-related activities based on various themes that correlate with the aims of our medium-term business plan.

The Technical Committee oversees the overall implementation of those activities and reports progress to the Sustainability Committee.

Executive Committee

Sustainability Committee

Technical Committee

R&D Headquarters

Business Headquarters


Product Planning Division

Sales Headquarters

Production Management Department

Product Planning Department

Digital Transformation Headquarters

For more information on our activities, please visit the address below.
https://www.toyotires-global.com/csr/

Environmental contribution

We place great importance on reducing rolling resistance, which is a direct factor in reducing CO₂ emissions, and we aim to improve grading when introducing product model changes.

Furthermore, we set targets when developing each individual product to help reduce CO₂ emissions per tire by 20% by 2030 compared to 2019 levels. While keeping this reduction in rolling resistance at the forefront of our minds, we are also working on reducing tire weight and developing the type of processes required to successfully achieve that.

Safety

Tire wear forecasting system to boost customer safety

The R&D Headquarters and Digital Transformation Headquarters work together on demonstration experiments with customers. We also developed an app that is now being tried by customers, with a view towards practical application.

Tire wear forecasting enables us to inform customers when it is appropriate to rotate their tires and to help extend the life of a tire and manage tire usage conditions so that we can tell customers whether a tire is suitable for retreading.⁴

We also offer added safety for customers by remotely monitoring the air pressure levels obtained from sensors placed inside the tires in real time via an app.

* A worn tire that is reused by replacing the rubber in the part of the tire that comes into contact with the road surface.

For more information on our activities, please visit the address below.
https://www.toyotires-global.com/csr/
Commercializing airless tires

Our “noair” airless tire concept is designed to facilitate maintenance-free, no-spare-pam tires that satisfy the needs of the next-generation mobility society in which people opt for self-service gas stations, home charging of electric vehicles (EVs) and more prevalent car sharing. In 2017, noair became the first tire in the industry to achieve a level of performance that enabled it to be driven on a light vehicle, achieving high durability and a level of maneuverability that is close to that of pneumatic tires.

There are currently no laws and regulations regarding airless tires, but we are installing them on golf carts and conducting test drive events as part of our efforts to facilitate their practical use. We will continue to promote airless tires with a view to installing them on futuristic mobility vehicles and potentially recycling them.

Ultimate enjoyment of driving and sophisticated features

We are working on technological development and product commercialization that pursue ultimate enjoyment of driving and sophisticated design while also satisfying the essential high-dimensional tire performance requirements for next-generation mobility, including environmental considerations (fuel efficiency). The spread of EVs is expected to both accelerate and further diversify as we move towards a society of sustainable mobility. In anticipation of this broader and more diverse EV market, we are leveraging our corporate strengths to enhance mobility. In anticipation of this broad and more diverse EV market, we are leveraging our corporate strengths to enhance mobility. In anticipation of this broad and more diverse EV market, we are leveraging our corporate strengths to enhance mobility.

The Proxes CL1 SUV tire uses our proprietary T-MODE tire design platform technology to support the level of comfort driving expected of an SUV, adopting a pattern design that segments functions by arranging grooves, sipes and blocks in the tread section in an asymmetrical pattern. The tire was evaluated for its sleek design, blending the stylish image of an SUV and its strong performance both in terms of low tire noise and wear resistance. We will continue to collect a wide range of market information and advance desired tire performance, while also striving to develop high-value-added products.

For more information on our activities, please visit the address below.
https://www.toyotires-global.com/csr/
Developing talent with technical expertise
With an eye toward a future predicted to have dramatically different market conditions through a mobility revolution, we are focusing on the development of professionals who can transform difficulties and crises into opportunities for sustainable growth. To develop the talent that supports our Group’s essential technological innovations, our education and training emphasizes basic knowledge, external company relations and the passing down of technology.

Employee opinion survey
To take a snapshot of our organizational culture, starting in 2021 we have begun running employee opinion surveys. The results are shared with employees, and used to identify challenges for which workplace action plans are established at each headquarters based on a company-wide improvement policy. We are tracking implementation and will continue to regularly apply the PDCA cycle in order to steadily strengthen our organizational culture.

Securing diverse human resources (promoting diversity)

Employment situation
The Toyo Tire Group is committed to ensuring fair employment practices and treatment of employees, and to creating workplaces where a diverse team members can flourish regardless of nationality, gender or other characteristics.

In our human resources recruitment, we strive to secure a diverse range of talent across the world, including by recruiting both new graduates and mid-career candidates, rehiring retirees, and employing people with disabilities. Since 2018, TOYO TIRE no longer sets recruitment targets for women and non-Japanese candidates when hiring new graduates, and switched to a policy of fair, unbiased evaluation and recruitment for all talent.

Diversity and equal opportunities
To promote the empowerment of all employees, we have established different types of personnel systems and a talent development plan, and offer career counseling for each employee. We also offer training to improve awareness on a variety of topics, such as e-learning on diversity and inclusion. One notable project promoting diversity is the human resources empowerment committee run by Toyo Tire Japan Co., Ltd. since 2016. Established to promote the career advancement and empowerment of female employees in particular, it has since been organized as an initiative for all employees in the company.

Creating healthy working environments (reforming working styles)

Promoting work-life balance
To create environments where diverse talent can flourish, we are making changes to working styles that improve work-life balance. For example, in efforts to support employees with family responsibilities, we offer a system of leave of up to one year for employees with immediate or second-degree family members requiring care, and employees with children under the age of two, allowing them to concentrate on their responsibilities at home. We have also introduced a system where annual paid leave that has expired after two years can be reinstated and used for reasons such as injury or illness, childcare or nursing care, volunteering, or hospital visits or hospitalization for pregnancy or infertility treatments.

Increasing usage of recycled and naturally-derived raw materials
As part of our social responsibility as a global manufacturer, we see it as our duty to contribute to the transition from a linear to circular economy. The Toyo Tire Group are therefore working to increase the use of sustainable materials (defined as recycled and naturally-derived raw materials). As an example, by 2025 we plan to sequentially introduce into the market materials that have high reusability, and recycled raw materials such as recycled rubber from used tires or recycled carbon black. We are also using open innovation to actively promote technological development that minimizes use of petroleum-derived raw materials, which have a major impact on climate change, and increases use of low-impact biopolymers and other naturally-derived raw materials.

Supporting safe driving (improving safety awareness through data)
In the development of wear prediction technology for trucks and buses, we have continued from last year in conducting and collecting data from demonstration tests, and are working to improve the accuracy of our AI models at predicting tire lifespan. We have also made a remote tire management app available to customers, and are now considering its practical application.

In the development of tire sensing, we have obtained measurements from model vehicles on a test course and public roads, and constructed a model to estimate “tire force” under actual driving conditions. With a view towards eventual implementation, we have developed an app that can visualize real-time tire force and display it to the driver.

Enforcing intellectual property strategy
We are continuously developing technological innovations and products that help work towards a society that is environmentally sustainable and supports safe driving. It is only when these new technologies and products are delivered to our customers and are finally used that they first transform into social value. So that customers can use our technologies and products with peace of mind, they must be securely protected through intellectual property rights, and we systematically apply for and manage such rights for our sustainability-related intellectual property. We also believe that these continual efforts will help us secure a presence in a society of next-generation mobility.

Creating recycling technologies for products and raw materials
We established the Decarbonization Task Force under the jurisdiction of the Sustainability Committee to formulate activity themes, targets, KPIs and implementation plans.

We will work to continue to develop new products that reduce CO2 emissions and improve the energy efficiency of facilities.

As the impact of climate change intensifies, increasing social demands are being made towards mobility. We see the mobility business as the heart of our Group, and recognize that responding to climate change is the most key issue decisive to our growth. Our responsibility to both current and future generations is to reduce our greenhouse gas (GHG) emissions to help achieve the long-term targets set by the Paris Agreement, as well as expand our use of clean energy, and we are aiming to be carbon neutral by 2050.

Activity promotion system (as of April 2022)

Pursue decarbonization in all corporate activities

Our policy

Responding to climate change

Reducing greenhouse gas emissions

Increasing use of clean energy

We established the Decarbonization Task Force under the Sustainability Committee in July 2021 to discuss goals and targets, action plans, KPIs and other issues. Referring to the CDP*1 climate change questionnaire and Task Force on Climate-related Financial Disclosures (TCFD)*2, the task force is currently investigating essential measures for the Group to take against climate change. Based on the predicted impact of climate change published by the United Nations Intergovernmental Panel on Climate Change (IPCC) and other research institutes, we are also in the process of determining long-term climate-related opportunities, physical and transition risks, and financial impacts that may occur over the course of continuing Group operations.

Meanwhile, the Group does see the impact of climate change as an opportunity, and receives profits from the development and sales of fuel-efficient products. To address the risks presented by stronger environmental regulations in each country, we are also taking steps such as changing fuel sources and improving the energy efficiency of facilities.

Moving forward, we will rank the opportunities and risks we have identified, evaluate their business impact using science-based scenarios, and set long-term targets.

*1 An international NGO focusing on climate change and other environmental fields that uses questionnaires to collect, evaluate and disclose information on company CO2 emissions and climate change initiatives.

*2 Established by the Financial Stability Board (FSB) in 2015 to deliberate on the financial industry’s response to climate change issues.

Reducing GHG emissions

■ Reducing energy consumption

To help mitigate climate change, the Toyo Tire Group is striving to reduce energy consumption through effective usage of the energy required for corporate activities both in and outside the organization. We are also developing new products and technologies that contribute to climate change mitigation and adaptation.

Energy consumption

<table>
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<th>Year</th>
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<th>US</th>
<th>Asia (excluding Japan)</th>
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<td>91.2</td>
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<td>5,289.0</td>
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</tbody>
</table>

■ Reducing greenhouse gas emissions

GHG emissions are the main cause of climate change. The Toyo Tire Group is working to reduce emissions by using energy effectively throughout business activities both in and outside of the organization, and in our products.

While increasing production volume does increase energy consumption, we are promoting fuel conversion and equipment renewals at manufacturing bases to address scopes 1 and 2.

For scope 3 emissions, our R&D team is working to develop fuel-efficient tires and other technologies to help reduce the CO2 emitted by vehicles.

Increasing use of clean energy

From 2022, the Toyo Tire Group is successively converting our Japanese plants to renewable energy sources.

Moving forward, we will expand our use of clean energy at our plants and business sites both in Japan and abroad in pursuit of decarbonization in all of our corporate activities.
Promote supply chain sustainability

Our policy

The Toyo Tire Group has established a legally and regulatory compliant Toyo Tire Group Basic Purchasing Policy concerning free competition and fair trade in individual markets, and seeks to secure appropriate product quality and price through fair transactions.

We also formulated the Toyo Tire Group CSR Procurement Guidelines and the Sustainable Natural Rubber Procurement Policy. We work with our suppliers to promote sustainable procurement that aims to mitigate, prevent, and minimize any actual or potential negative impact on the environment and society, to improve corporate value and competitiveness, and to secure a stable supply of materials.

We also help support sustainable logistics by improving the productivity and efficiency of truck transportation and ensuring safe cargo handling operations.

Activity promotion system (as of April 2022)

Executive Committee

Sustainability Committee

Sustainable Supply Chain Task Force

Leader

Corporate Officer and Vice President of Business Headquarters

Members

Procurement Division, Environment & Safety Division, Quality Assurance Division, SCM Division

Support

ESG Promotion Department, Legal Department

Procuring sustainable natural rubber

It is essential to build a supply chain that supports sustainable procurement in order to maintain a secure and stable supply of raw materials. The securing of a stable natural rubber supply into the future is an important management issue for a business group like ours that uses natural rubber as the main raw material. The natural rubber industry is facing issues relating to deforestation at production sites and infringement of local residents’ rights. We recognize the importance of striving to solve these problems across the entire supply chain from production through consumption.

Toyo Tire Corporation is a member of the Global Platform for Sustainable Natural Rubber (GPSNR)1 launched in 2018 under the leadership of the Tire Industry Project (TIP), which is part of the World Business Council for Sustainable Development (WBCSD). As a member, we participate in discussions designed to solve relevant issues. Our aim going forward is to continue to cooperate with international initiatives and stakeholders and to build a sustainable natural rubber supply chain across our whole value chain.

Implementing supplier management

Engaging suppliers through guidelines

We have formulated the Toyo Tire Group CSR Procurement Guidelines and request suppliers to pursue activities in accordance with these guidelines to help address environmental and social issues across our entire supply chain from production through consumption. We are also appealing to our suppliers to help convey the purpose and nature of these guidelines further up the supply chain.

The guidelines are reviewed whenever there is change in social demands or the business environment. We have published the guidelines in Japanese, English, and Chinese as we expand our global procurement.

When we announced our goal in 2021 to become carbon neutral by 2050, we conducted a questionnaire of approximately 350 existing suppliers worldwide to promote decarbonization activities across our entire supply chain. We plan to further engage with suppliers going forward based on the results of the questionnaire.

To strengthen our efforts to address environmental and social risks in the supply chain, we have also decided to add third-party assessments by specialist institutions to the evaluations of suppliers that we previously conducted independently. We will also look to utilize the evaluation results to enhance our due diligence process.

Fair and transparent transactions

We declared our commitment to free competition and fair trading in each market in the Toyo Tire Group Code of Conduct. We conduct our activities in compliance with antimonopoly and subcontracting law, pursue fair procurement activities, comply with import and export-related laws and regulations, and ensure appropriate labeling and product explanations.

For instance, at Toyo Tire Corporation, we seek to ensure business activities are based on fair and free competition by establishing purchasing rules that stipulate the thorough implementation of fair and non-discriminatory business dealings and prohibit the development of personal interests with suppliers. We have also established anti-cartel regulations to prevent cartels and bid-rigging activities that are prohibited under antimonopoly law or any action that could be construed in such a way.

Responding to conflict minerals risks

Conflict minerals response

In Europe and the US, manufacturers are legally obliged to conduct due diligence when purchasing tin, tantalum, tungsten and gold mined in conflict areas (conflict minerals) in light of the fact that the money from such purchases may be used to fund local armed groups and promote corrupt practices, such as human rights infringements, bribery, and money laundering. The Toyo Tire Group enlists the cooperation of suppliers to enable us to investigate back through to the smelters and conduct surveys to confirm that the raw materials purchased by the Group are not linked to any such inhumane acts.

Promoting efficient logistics

As the shortage of truck drivers grows ever more serious in Japan, the Ministry of Land, Infrastructure, Transport and Tourism is developing initiatives to improve the productivity and efficiency of truck transportation and create better working conditions for all workers.

To improve the productivity and efficiency of truck transportation, Toyo Tire Corporation is instigating a modal shift to ships, national railways and large trailers for the long-distance transportation of goods in Japan dispatched from our factories. In addition, ensuring even safer cargo handling operations will not only reduce the burden on drivers, but will also fuel further economic growth and help create higher levels of job satisfaction.

We intend to continue to help create a sustainable society by pursuing sustainable logistics initiatives.

Specific initiatives

We have set a goal of reducing the percentage of long-distance transportation by truck in Japan from factories and ports to our regional warehouses and customers’ warehouses by 80% by 2025 (compared to 2020). We are also conducting risk assessments at all logistics bases in Japan with the aim of halving the number of accidents or certain near-miss incidents relating to cargo handling. We hold regular meetings to introduce modal shift examples at each site as well as accidents and certain near-miss incidents and encourage people to share their opinions to help promote progress and achieve our targets.

1 Introduced and expanded large container transportation by national rail from Sendai

2 Introduced a large trailer transportation method that reduces the burden on the driver by changing drivers at transit points

3 Installed safety fences in our Sendai Logistics Center warehouse following a risk assessment (to prevent tire racks from toppling or items falling in the event of an earthquake)

4 Installed traffic mirrors at our Kansai Distribution Center
Ensure the fundamentals of manufacturing: quality and safety

Our policy

Our principle for manufacturing is to provide high-quality and safe products and services that are useful to society, and we state our basic policy for product quality and code of conduct in the Toyo Tire Group Global Product Safety Policy.

We operate a product quality management system based on IATF 16949 (or ISO 9001 at some production bases) to take measures against risk. We also run activities to promote tire safety awareness to help create a society without accidents.

Quality Assurance, Environment & Safety Headquarters is responsible for promoting initiatives in this area, and reports progress to the Sustainability Committee.

Activity promotion system (as of April 2022)

Executive Committee

Sustainability Committee

Quality Assurance Committee

Quality Assurance, Environment & Safety Headquarters

• Technology Development Division
• Sales Headquarters
• Original Equipment Sales Division
• Europe, Asia & Middle East Sales Division
• Asia & Oceania Sales Division
• Group sales companies

Improving product quality

Meeting the development & production process

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

For our Group’s newly developed products, the Quality Assurance Division checks the design reviews that are performed at each step, from product planning to the production preparation stage, to ensure that reliable quality is designed in from the start.

At our Tire Technical Center, we are verifying and working towards full-scale implementation of robotic process automation (RPA) software that automatically processes routine tasks. Through this, we aim to see how it improves operational efficiency by preventing potential risks in the course of business, such as human errors and fraud.

Meeting the quality standards of each country

In the face of factors such as greater climate change risks and increased demand for mobility in emerging countries due to population and economic growth, many localities are rapidly introducing new laws and systems addressing the performance and environmental quality of vehicles to improve their fuel efficiency and reduce their CO2 emissions. We are working to strengthen our response to quality standards throughout the Group by meeting the growingly complex quality-related regulations in each country. At the four tire testing and evaluation sites in Japan, we test our tires in compliance with ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories) since our initial certification in 2013, and have been working to improve test accuracy and reliability to continue conducting tests in accordance with standard requirements.

In addition, our tire and automotive parts businesses each hold annual Global Quality Management Committee (Global QMC) meetings, bringing together quality assurance managers and relevant representatives from manufacturing bases worldwide to share and discuss each site’s initiatives related to product quality, improvement of quality systems for production, and supplier quality.

Increasing customer satisfaction

Maintaining and improving quality and satisfaction

As a manufacturer, we understand that our products and services link us to both customers and society, and devote ourselves each day to maintaining and improving product quality at our production sites. We are also conscious of improving the “quality of organizational citizenship behaviors” at all workplaces, and strive to provide products and services designed with a customer-centric approach.

We also conduct ongoing product satisfaction surveys in markets where each product is available, and relay customer requests as feedback to design and production sites.

Responding to feedback from consumers

Every piece of feedback that we receive from our customers is valuable and provides us with opportunities to understand their expectations for the Group and improve our products and services. In 2021, our Customer Relations Department received a total of 2,164 inquiries in Japan. We respond to phone and online contact from customers both accurately and simply.

Visualizing manufacturing quality using manufacturing execution systems (MES)

Visualizing manufacturing process quality data to improve processes

To provide product quality that satisfies customers, we at the Toyo Tire Group aim to build a quality assurance system that can predict and prevent issues from occurring in the manufacturing process.

To do so, we have introduced automatic measuring instruments into the tire manufacturing process, and are developing a system that digitally collects and visualizes quality- and production-related information from production equipment. This will ensure quality in each manufacturing process, and make it possible to analyze and monitor collected data to detect changes in process trends.

Creating an RFID system to ensure traceability

In May 2022, the Global Data Service Organization for Tires and Automotive Components (GDSO) was established as an international non-profit organization working to standardize and share tire data in the industry. We are creating technology to equip tires with radio frequency identifier (RFID) tags, and investigating how to utilize the acquired data.

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Promoting improved awareness of tire safety

As a tire manufacturing and sales company that supports a society of safe mobility, we believe that one of our most important duties is to help drivers learn how to use tires appropriately. Since the emergence of COVID-19, demand for cars as a mode of transportation has increased, and with it the need to further improve awareness of safety precautions, such as regularly checking tire pressure and driving carefully in adverse weather.

Toyo Tire Corporation and sales subsidiary Toyo Tire Japan Co., Ltd. thus run tire safety awareness activities to help meet this need.

In 2021, nearly 700 drivers participated at six locations around Japan, with suitable precautions taken against the spread of COVID-19.

Using our proprietary driving simulator, participants experienced the difference between worn and new tires when breaking on wet roads or getting a puncture, maneuverability under different tire pressures, and hydroplaning. The activity was successful in improving awareness of tire safety, with participants reflecting that, “I’ll be more careful driving on rainy days,” and, “I realized I need to think more about my car’s tires.”

We will continue using our driving simulator to further boost interest in tires and help make drivers aware of how to use them properly.
Environmental measures
Our policy
In 2021, we formulated our Global Environmental Policy. We support international standards and adopt a precautionary approach in our efforts to help solve global climate change and other environmental challenges across the value chain. We take early action to address environmental issues through this precautionary approach such as risk assessments to support international norms, including the United Nations (UN) Rio Declaration on Environment and Development and Agenda 21 and 10 principles of the UN Global Compact, and fulfill our responsibilities.

Activity promotion system
The Environment Subcommittee within the Company-wide Safety and Health Committee determines annual policies, targets and plans, evaluates progress towards plans, and implements improvements. The results are reported to the Sustainability Committee.

Executive Committee
Quality Assurance, Environment & Safety Head-quarter.
- Environment & Safety Committee
- Environment Subcommittee

Sustainability Committee
Company-wide Safety and Health Committee

Initiative
Conserving water environments
Reducing water risk
The use of water is both indispensable for human life and welfare and a human right recognized by the UN. For that reason, the Toyo Tire Group considers water risks in corporate activities to be a key management issue.

Reducing volume of water withdrawal and discharge
Goal
Aim to reduce the impact of our business activities in water-stressed areas to zero by 2050.
Plan to reduce water withdrawal at our Japanese manufacturing bases by 10% compared to 2018 levels over the five-year period (2019-2023), and conduct detailed assessments of water risks at our manufacturing bases outside Japan to set targets.

Water withdrawals
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Source</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundwater</td>
<td>2,726.6</td>
<td>2,611.4</td>
<td>2,518.8</td>
</tr>
<tr>
<td>Third-party water</td>
<td>1,010.5</td>
<td>869.7</td>
<td>826.8</td>
</tr>
<tr>
<td>Total</td>
<td>3,737.1</td>
<td>3,491.1</td>
<td>3,345.6</td>
</tr>
</tbody>
</table>

Water discharges
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Source</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundwater</td>
<td>87.2</td>
<td>77.2</td>
<td>87.2</td>
</tr>
<tr>
<td>Total</td>
<td>96.1</td>
<td>86.1</td>
<td>96.1</td>
</tr>
</tbody>
</table>

Water withdrawals across all regions
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3,737.1</td>
<td>3,491.1</td>
<td>3,345.6</td>
</tr>
</tbody>
</table>

Third-party water
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,010.5</td>
<td>869.7</td>
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Groundwater
(Thousands of cubic meters)

<table>
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<tr>
<th>Year</th>
<th>2019</th>
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<td>2,726.6</td>
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</table>

Water discharges across all regions
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,194.8</td>
<td>2,032.2</td>
<td>2,014.9</td>
</tr>
</tbody>
</table>

Surface water
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Source</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water (mountain water)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Total water discharges (water-stressed areas third-party water)
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>88.9</td>
<td>77.8</td>
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Water discharges
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Source</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water (public water)</td>
<td>1,525.0</td>
<td>1,473.2</td>
<td>1,487.4</td>
</tr>
<tr>
<td>Third-party water (municipal or other public) and private water supply facilities</td>
<td>869.7</td>
<td>549.9</td>
<td>527.5</td>
</tr>
<tr>
<td>Total</td>
<td>2,394.8</td>
<td>2,023.1</td>
<td>2,015.9</td>
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</table>

Reducing toxic chemical discharge
Goal
Aim to reduce the impact of our business activities in toxic chemical pollution-risk areas to zero by 2030.

Toxics
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Source</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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</thead>
<tbody>
<tr>
<td>Groundwater</td>
<td>24.2</td>
<td>17.0</td>
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Total toxics across all regions
(Thousands of cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
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<tbody>
<tr>
<td>Total</td>
<td>24.2</td>
<td>17.0</td>
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Resource recycling
Resource recycling initiatives
We believe it is the social responsibility of global manufacturers to make it their mission to help transition our society from one that consumes resources to one that recycles resources. The Toyo Tire Group is using an increasing amount of raw materials as the scale of our production expands. We strive to secure a stable and sustainable supply of natural rubber, our prime raw material, and other materials at the procurement stage. At the same time, we are also working hard to promote research and development of new materials and improve product design and production processes to ensure more efficient material use.

Toxics
(Thousands of cubic meters)

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Upholding human rights

Our policy

In the Toyo Tire Group, the majority of employees work outside of Japan, and more than half of our consolidated net sales are generated overseas. Our business is expanding globally, and we have growing opportunities to communicate with diverse stakeholders both in and outside of the company, making it even more important to act in a way that respects the human rights of everyone involved in our corporate activities.

In January 2019, we enacted the Global Human Rights & Labor Policy, which supervises the Universal Declaration of Human Rights, ILO Declaration and 10 principles of the United Nations Global Compact.

As our business globalizes and our stakeholders diversify, we strive to carry out our business in a way that respects the human rights of everyone involved in our corporate activities, including those in our workplaces, at our suppliers, and within the communities where we operate. This will help us contribute to creating an inclusive society that supports everyone, including socially vulnerable people, by protecting them from exclusion, conflict, loneliness and isolation. Group employees also recognize that they may potentially cause, contribute to, or be implicated in adverse impacts on human rights through their own activities, and work to prevent this.

Activity promotion system

Corporate Headquarters leads promotion of activities and reports progress to the Sustainability Committee.

Our policy

Under the direction of senior executives, we promote Group-wide health and safety management focused on implementing necessary measures based on risk assessments, with labor and management working together to operate a system based on Guidelines on Occupational Safety and Health Management System (OSHMS Guidelines) developed by Japan’s Ministry of Health, Labour and Welfare.

Managing occupational health and safety to global standards (Mentally and physically safe and healthy working environments for all stakeholders)

Our policy

We work continuously to raise awareness of the company’s responsibility to respect human rights by providing all Group employees e-learning sessions on our Corporate Code of Conduct, and level-specific and other training organized by the HR department that focuses on human rights issues within business. On Human Rights Day each December 10, the President of Toyo Tire Corporation sends a message on human rights to all employees of the Group. The message for 2021 stressed the importance of having a foundation of deeply diverse talent to generate value through our business, and of demonstrating sincerity with all stakeholders, as declared in our philosophy.

The Toyo Tire Group will remain committed to improving awareness of human rights and preventing adverse impacts on them within our corporate activities and workplaces.

Internal reporting system

Since 2006, the Group has operated an internal reporting system for all compliance issues, including human rights. We investigate all reports received and take remedial measures to address each problem. We also continuously conduct training based on specific cases in order to detect potential issues at an early stage and prevent occurrence.

In 2021, there were again reports of concerns about harassment, which were handled appropriately.

Promoting health management

The Toyo Tire Group views the management of employee health from a business perspective and supports the idea of strategic health management. We have been focusing on greater prevention of mental health issues, which are the main cause of long-term absences.

For example, as part of work engagement efforts and building the basic foundation for health management, in Japan we provide mental health care seminars for all employees, from managers and supervisors to general staff, as well as e-learning for mental health. To better understand employee health issues and investigate necessary measures, we have also been conducting stress checks at all business sites in Japan even before it became required by Japan’s Industrial Safety and Health Act. Over 90% of employees undergo a check each year, and we are analyzing the collective results to help improve working environments.

Creating disaster-resistant workplaces

We have improved our Group fire prevention management, and used the experiences gained through the 2011 earthquake and tsunami and other major disasters to strengthen our initiatives for disaster preparedness and mitigation.

Each base engages in activities such as practical firefighting training and no-scenario earthquake drills, which are being held repeatedly to improve their effectiveness and increase participation. Firefighting training is conducted for hazardous materials in compliance with the National Fire Protection Association’s NFPA 600 standard. In Japan we have held fire prevention inspector training since 2018, and 324 employees have participated as of 2021. Thanks to these continued efforts, there were zero major fires reported in 2021, and 25% fewer minor fires compared to 2020. In regions outside of Japan, we are also engaging in measures and disaster preparedness drills aimed at the disaster risks of each area.

Crisis management (responding resiliently to natural disasters, infections and other crises)

Our policy

To strengthen the Group’s ability to respond to crises, we will continuously improve our efforts to reduce our risks and, in the event of an emergency, minimize damage and loss and restore operations promptly.

Activity promotion system

The Crisis Management Committee has been specially established under the Executive Committee. In accordance with crisis management regulations, we have formed a crisis management system supervised by the head of crisis management (the Vice President of Corporate Headquarters). For
Initiative

Environmental conservation

We realize that Group corporate activities have the largest direct environmental impact in the areas around our manufacturing bases. We therefore work to build understanding of and trust in these activities through dialogue and information sharing with stakeholders in the surrounding areas, and engage in environmental conservation. We also promote biodiversity conservation in recognition that biodiversity both generates direct benefits for local life and leads to sustainable growth.

At the Kuwana Plant, we work in partnership with Mie Prefecture, the local town of Toin and the NPO Mori-no Kaze on the “Toyo Tires Midori no Tsunagari Mie” initiative, which promotes environmental conservation and coexistence with local communities. The project marked its 8th year in 2021, and a total of seven events were held from April onward under sufficient infection prevention measures, with 197 employees working on the “Green Trail” and “Green Plaza” facilities. We are continuing conservation and preparation so that local residents can safely use the Green Trail, and the adjacent local elementary school may use the Green Plaza as an outdoor classroom.

Sound governance

Our policy

The Toyo Tire Group practices the principles of Japan’s Corporate Governance Code in an appropriate fashion to ensure effective corporate governance. We established the Toyo Tire Group Charter of Corporate Behavior as a set of common principles for all Group companies to ensure we always prioritize the desire to be useful to society through proper working practices as the basis for our decision-making and pursue integrity in corporate activities to help realize a sustainable society. We also formulated the Toyo Tire Group Code of Conduct to assist all executives and employees in implementing the Charter of Corporate Behavior, and seek to instill that Code across the whole Group.

Activity promotion system

Our corporate governance system consists of the Board of Directors, which is responsible for decision-making and supervisory functions, and, under that, the Nomination & Compensation Committee, which acts as an advisory body to the Board of Directors on matters relating to personnel affairs, compensation and other matters pertaining to directors. We also have an Executive Committee that makes decisions on business execution, various special committees that deliberate and consult on individual fields, and an Audit & Supervisory Board, a body that audits the Board of Directors and the execution of directors’ duties. This system enables all these functions to be fully exercised.

Internal control system

We determine our basic policy for building of internal control systems at Board of the Directors meetings and then put appropriate systems in place. We review the basic policy each year to reflect changes in our business environment and other factors. The Board of Directors resolves any reviewed items as appropriate working practices as the basis for our decision-making and pursue integrity in corporate activities to help realize a sustainable society. We also formulated the Toyo Tire Group Code of Conduct to assist all executives and employees in implementing the Charter of Corporate Behavior, and seek to instill that Code across the whole Group.

Sound governance

Our policy

The Toyo Tire Group practices the principles of Japan’s Corporate Governance Code in an appropriate fashion to ensure effective corporate governance. We established the Toyo Tire Group Charter of Corporate Behavior as a set of common principles for all Group companies to ensure we always prioritize the desire to be useful to society through proper working practices as the basis for our decision-making and pursue integrity in corporate activities to help realize a sustainable society. We also formulated the Toyo Tire Group Code of Conduct to assist all executives and employees in implementing the Charter of Corporate Behavior, and seek to instill that Code across the whole Group.

Activity promotion system

Our corporate governance system consists of the Board of Directors, which is responsible for decision-making and supervisory functions, and, under that, the Nomination & Compensation Committee, which acts as an advisory body to the Board of Directors on matters relating to personnel affairs, compensation and other matters pertaining to directors. We also have an Executive Committee that makes decisions on business execution, various special committees that deliberate and consult on individual fields, and an Audit & Supervisory Board, a body that audits the Board of Directors and the execution of directors’ duties. This system enables all these functions to be fully exercised.

Internal control system

We determine our basic policy for building of internal control systems at Board of the Directors meetings and then put appropriate systems in place. We review the basic policy each year to reflect changes in our business environment and other factors. The Board of Directors resolves any reviewed items as appropriate working practices as the basis for our decision-making and pursue integrity in corporate activities to help realize a sustainable society. We also formulated the Toyo Tire Group Code of Conduct to assist all executives and employees in implementing the Charter of Corporate Behavior, and seek to instill that Code across the whole Group.

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Corporate governance

Initiative

Instilling our philosophy
All executives and employees across the Toyo Tire Group conduct their work based on our corporate philosophy, and we have been instilling that philosophy into all employees since it was first determined in 2017. Our philosophy is a written expression of the thoughts and ideas that the Group most values. We have positioned our company philosophy as a pinnacle concept that embodies the precious founding spirit we pass on to future generations. We have defined our corporate purpose in our mission and clearly stated in our company vision the type of company we need to become to fulfill that mission. We have also determined our fundamental values, as a basis for the thoughts and ideas that all executives and employees should wish to cherish going forward.

In the new business plan, Medium-term 21 Plan, announced in February 2021, we reiterated that our core purpose was to realize our philosophy, and that our business plan was designed to realize that philosophy. We have added an introductory lecture on our company philosophy at the start of in-house training programs. Training for general managers includes case work to help participants understand the importance of instilling visions and strategies derived from our philosophy in the workplace as well as group work to convey how this philosophy pervades each workplace. The training has helped raise awareness of the need to instill our company philosophy by sharing issues and workplace. The training has helped raise awareness of the need to instill our company philosophy by sharing issues and ideas that all executives and employees should wish to cherish going forward.

Board of Directors’ initiatives

The Toyo Tire Board of Directors meets once a month in principle to decide on important matters and supervise the execution of business by directors. The Board met 17 times in 2021, including some extraordinary meetings. Outside directors attend Board of Directors meetings and other important meetings to encourage an active discussion and monitor and supervise company management.

Since 2017, we have conducted an annual registered questionnaire of all directors and Audit & Supervisory Board members regarding the operation, composition, activities and other features of the Board of Directors to help us analyze and evaluate its effectiveness. To ensure a fair result, the aggregation, analysis and evaluation of the responses are outsourced to an independent body, and we use the result to improve the functions of the Board of Directors.

Engaging in dialogue with shareholders and investors

Toyo Tire Corporation holds an annual General Meeting of Shareholders, and quarterly financial results briefings. Top management conveys its opinions on performance trends, business environments and future outlook for the Group to institutional investors and securities analysts when we announce interim and full-year business results. In addition to these activities, we also seek to promote understanding of Group strategy by creating multiple opportunities for the company president and other senior executives to engage in a dialogue on the issues that interest institutional investors and securities analysts, and providing quarterly opportunities (individual interviews) for investors to communicate and ask questions of IR staff. We also respond proactively to dialogue requests from institutional investors around the world either in the form of individual interviews or conferences.

Compliance

Our policy

We ensure that all executives and employees within the Group prioritize compliance in their day-to-day operations.

Activity promotion system

The Compliance Officer and the Compliance Committee lead initiatives in this area and report results to the Sustainability Committee.

Executive Committee

Sustainability Committee

Compliance Committee

Corporate Headquarters
○ Compliance & Legal Division
- Human resources and general affairs department of each site or Group company

The managers of general affairs at each Group company promote activities in accordance with local laws and regulations and the Group’s core policies.

Initiative

Instilling the Group Charter of Corporate Behavior and Code of Conduct

We have established the Toyo Tire Group Charter of Corporate Behavior as a set of common principles for all Group companies that ensure our business activities are conducted in good faith, and the Toyo Tire Group Code of Conduct to help each executive and employee implement the Charter. The Charter and the Code are reviewed when appropriate and any necessary revisions are resolved by the Board of Directors. Group companies located outside Japan use the Code of Conduct as a basis for formulating their own behavioral guidelines that reflect differences in local laws, regulations and customs.

We instill awareness of the Code and further enhance compliance across the Group by creating and distributing a common edition of the Global Code of Conduct Handbook that stipulates the underlying way in which each Group executive and employee should act (available in nine languages: Japanese, English, Russian, German, Italian, Chinese, Thai, Malay and Portuguese).

Conducting compliance awareness surveys

We conduct annual compliance awareness surveys to ascertain the degree of compliance-related awareness among employees and aid our future endeavors.

2021 compliance awareness survey result

<table>
<thead>
<tr>
<th>response rate</th>
<th>Degree of compliance awareness and understanding</th>
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<tbody>
<tr>
<td>92.5% (at 2020)</td>
<td>89% (85% in 2020)</td>
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Implementing activities to promote compliance

Made one or more attempts to raise compliance awareness over the past year

Degree of compliance awareness and understanding

Understand what compliance means

94% (95% in 2020)

Whistle-blowing system

The Group has been operating a whistle-blowing system since 2006. In Japan, we respond to anonymous reports from both inside and outside the company, and have established contact points that can be used by executives, employees and suppliers.

We are establishing similar systems at bases outside Japan and striving to ensure fairness and transparency as the foundation of healthy business activities.

Information security

Our policy

The evolution of IT poses multiple threats to system security, so we have to recognize that it could risk influencing our business management and take appropriate and timely measures. To earn the trust of our customers and society at large, we are developing information security across the Group that will protect our information assets from the threat of accidents, disasters and crime.

Initiative

We hold practice drills for employees on targeted email attacks and conduct regular security checks.

Promoting DX (Achieving borderless and centralized management through ERP reform)

Our policy

It is becoming increasingly important to utilize business data as the globalization of business progresses. We will promote the even deeper use of data to help the entire Group make appropriate management decisions by developing a management platform that facilitates the rapid collection and centralized management of accounting, sales and other digital data.

Initiative

We have started introducing a core system that aligns with international standards from 2022, starting with our new plant in international standards from 2022, starting with our new plant in Serbia and gradually moving onto our headquarters, distribution companies and other manufacturing plants.