



**Domain I Value creation**

# Material issues relating to value creation

These material issues illustrate the unique value that the Toyo Tire Group offers in its dedicated mission to society and the value that links directly to the Group's purpose. We believe that the value we create and deliver through our business activities must contribute to the building of a society of sustainable mobility.

Material issue  
**01**

## Help create a society of sustainable mobility [WEB](#)



Material issue  
**02**

## Support the enjoyment of mobility for all [WEB](#)



- Environmental contribution (CO<sub>2</sub> emissions reduction): Reducing tire rolling resistance, improving EV compatibility, saving resources
- Safety: Maintenance-free products, diagnosis of tire wear
- Ultimate enjoyment of driving and sophisticated features

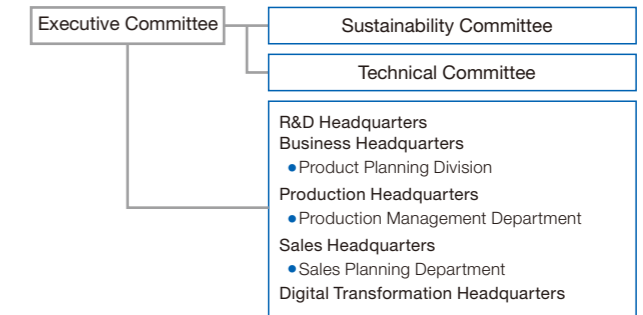
### Our policy

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 working to help establish a society of sustainable mobility that boasts less environmental impact, fewer traffic 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.

### Organizational responsibilities (April 2024)

Spearheaded by our R&D Headquarters, we are working together with product planning, production management, 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.



### Story 1: Reducing the environmental impact of mobility

Reducing vehicles' CO<sub>2</sub> emissions is a challenging issue that needs to be addressed throughout the supply chain in order to achieve carbon neutrality by 2050. Although the global shift to EVs is slowing, EVs will remain an effective means of transportation to reduce emissions in the medium- to long-term, and the shift is expected to continue. Despite the backlash, we believe it is important to systematically and effectively pursue initiatives to reduce CO<sub>2</sub> emissions from vehicles.

At Toyo Tire Corporation, our goal is to help reduce CO<sub>2</sub> emissions per tire by 20% by 2030 compared to 2019 levels and our functional organizations collaborate to develop products.

Our R&D function strives to consistently update basic technology over a medium- to long-term span in anticipation of automotive industry trends and the level of performance and functionality required of tires. While engaging in activities to improve the precision of material compounding and tire design, we have established an R&D system that can respond at a high level to the fuel efficiency performance and EV requirements of next-generation vehicles (reduced rolling resistance, larger diameter tires, quietness, etc.). Material development is one of the

approaches we use to reduce rolling resistance. We use Nano Balance Technology, our proprietary platform technology for rubber materials, to facilitate more accurate predictions regarding specific material properties and optimize material structure, and we are promoting its use in practical development. Our engineering and production functions are collaborating to support product development by, for example, improving processing methods.

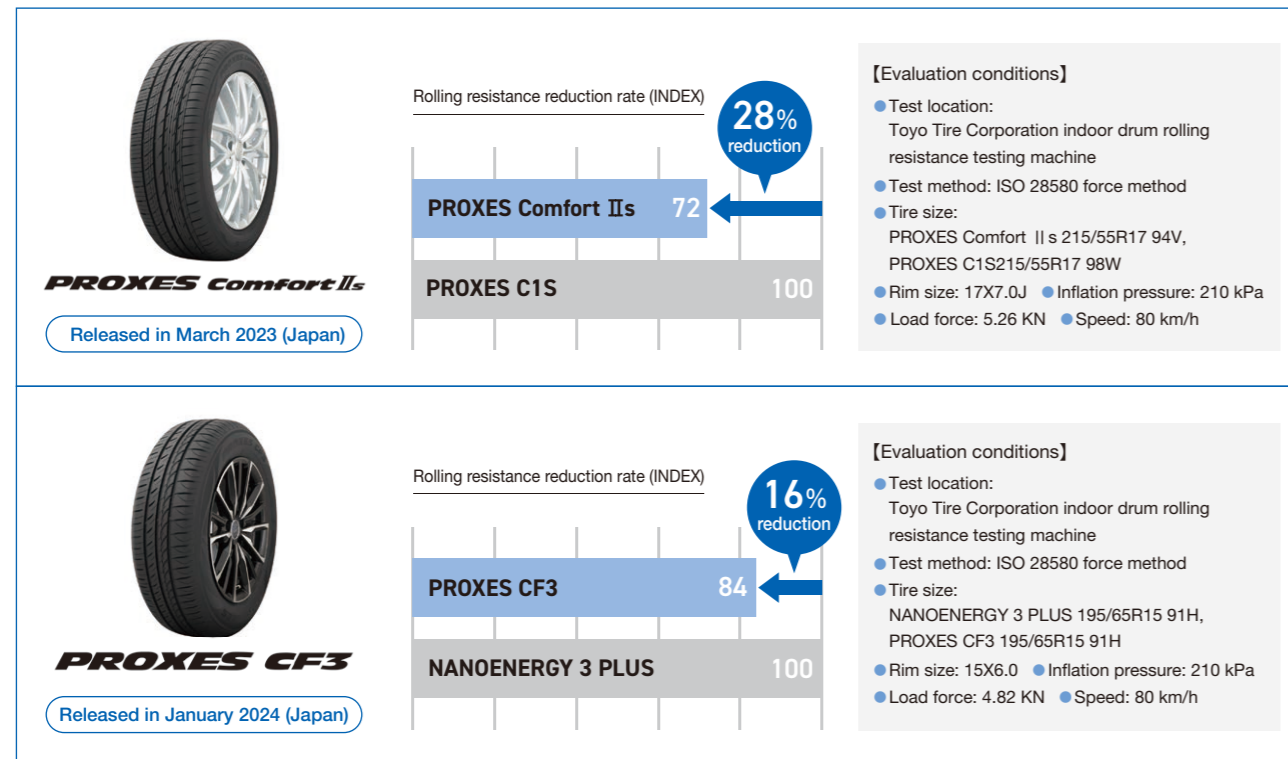
Our product planning function plans model changes (rolling) in cooperation with our R&D and sales functions, based on our medium-term product plan. While keeping a close eye on market trends, we are incorporating upgraded functions and performance, including fuel-efficiency, that are compatible with EVs into the development requirements for our priority (core) products. At the same time, we plan to launch differentiated products for EVs.

Through these activities, we will contribute to the creation of environmental value by implementing business strategies that appropriately respond to the shift to EVs while continuing to improve the fuel-efficiency of our products.

Domain I Value creation

Specific examples of improvements in fuel efficiency with each new model release

Developed a fuel-efficient compound using **Nano Balance Technology**. A new silica dispersing agent was used to reduce rolling resistance and improve wet performance and wear resistance. These features were optimized in high dimensions by distributing the silica more evenly. Furthermore, part of the silica dispersing agent was made using environmentally friendly and naturally derived sustainable materials.



Development of EV tires for pickup trucks & SUVs

In our Sustainability Management Policy, published in 2022, we set out our unique EV strategy as scenarios for achieving medium- to long-term value creation.

EV Strategy

- Develop technology for electric SUVs and pickups trucks
- Develop differentiated products for SUVs and CUVs according to trends in the North American market

Based on these scenarios and our medium-term product plan, we developed the OPEN COUNTRY A/T III EV tire for pickup trucks and SUVs, which we launched in the North American market in February 2024.

Taking advantage of the features of the OPEN COUNTRY A/T III, which has been well received in Japan and the North America, the EV tires offer both a powerful off-road driving experience and on-road maneuverability and comfort, as well as an improved cruising range thanks to their reduced rolling

resistance. Wear resistance and durability to handle the instant torque, rapid acceleration, and additional weight, characteristics of EVs, are also maintained. The tires also meet the requirements for the snowflake mark\*1, which is proof of their suitability for use year-round on a wide range of EVs.

\*1 Tires that meet the severe snow-grip requirements stipulated by the United Nations Economic Commission for Europe (UNECE)



OPEN COUNTRY A/T III EV

Unique aerodynamic simulation technology

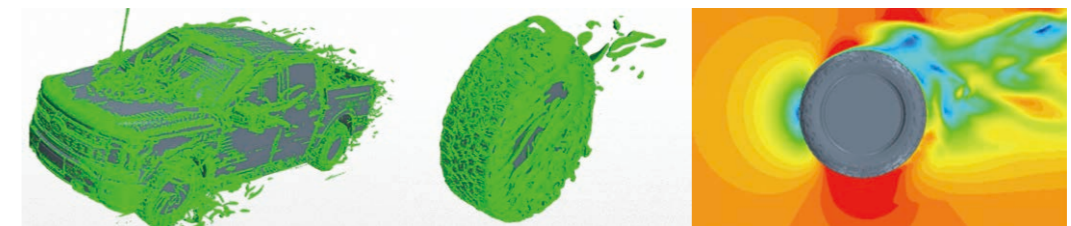
The OPEN COUNTRY A/T III EV was designed using Mobility Aerodynamics (aerodynamic simulation), our proprietary technology. The tires feature "AEROWING™" sidewall lug design to reduce wind drag generated while rotating.

Aerodynamic refers to wind drag generated when driving. Reducing wind drag contributes to improving fuel efficiency and, in the case of EVs, increases the cruising range per charge.

Analyzing the airflow around the tires while driving and optimizing the tire profile helps reduce the impact\*2 on a vehicle's

aerodynamic characteristics. Our Mobility Aerodynamics technology enables us to predict the aerodynamics of an entire vehicle, taking into account the ground contact, deformation and rotation of the tires when driven. We use T-MODE (design support technology) to design tires that can improve the aerodynamics of each vehicle model.

\*2 Tires are said to account for approximately 15% of the total aerodynamic drag of an entire vehicle.



Visualization of air flows around vehicles and tires

Story 2: Ultimate driving enjoyment and a diverse range of mobility-related lifestyles

Toyo Tire Corporation's unique strategy applies the Company's core strengths to developing technologies and commercializing products that offer exquisite design features and the ultimate enjoyment of driving, while demonstrating high commitment to environmental and safety considerations.

We have established a strong business model in North America in particular by communicating minute detail to local dealers in order to engage more deeply with discerning customers seeking the ultimate driving enjoyment, and by creating a consistent operation that covers all stages from market research through production and sales to facilitate speedy product supply. Our North America sales department leverages the brand recognition and dealer relationships, which are assets that have been cultivated in this way, to gain a quick and firm grasp of the needs and wants of local customers and the problems they may be experiencing for internal feedback. The sales department sometimes cooperates with the technical department and goes out into the field to gather insights on customer preferences so that we can develop differentiated products and fuel a virtuous product-development cycle. The strongest part of this process lies in the effective communication

between the head office in Japan and the overseas sales companies that transcends the physical distance between them. Information on local customer feedback and trends is exchanged constantly through formal settings and on other various occasions, and reflected in product planning. The whole process is underpinned by our fundamental shared values and commitment to supporting a bountiful range of mobility-related lifestyles through our products while also maintaining basic tire performance.

Toyo Tire Corporation also participates in what are considered some of the world's toughest international off-road races, such as the Dakar Rally and BAJA 1000, and we channel the knowledge gained through these experiences into product development in order to sharpen our technology and enhance product performance. We glean particularly useful information from the Dakar Rally's challenging desert and rocky terrain which we use to improve durability, a factor leading to product reliability.

Thanks to these continued efforts, our Open Country tire brand has been able to establish a firm position in North America's SUV and pickup truck markets.



OPEN COUNTRY A/T III OPEN COUNTRY M/T



Domain I Value creation

**Open Country for diverse driving experiences and lifestyles**

Toyo Tire Corporation is pursuing its own marketing activities centered around the Open Country brand and building new fanbases in other markets outside of North America as well.

As part of our strategy, we focused on the possibility that excellently designed tires can transcend the narrowest concepts of mobility and earn a place in people's daily lives as a lifestyle facilitator that can foster a particular worldview and culture. In some part of Asia, our sales department works together with local distributors on promotions that effectively employ social media to highlight the design features of our tires to car users who like to camp outdoors.

In Japan, we advertise through means other than automobile magazines, such as outdoor, fishing and fashion related media, to

reach car owners who are not particularly interested in tires and encourage them to choose their tires to suit their individual lifestyles. Our unique approach to the pursuit of ultimate driving enjoyment is to foster a set of values that inspires customers to change their tires not because they are worn out as consumables but because they want to replace their current tires for a more appealing luxury product. These marketing activities have helped fuel a growing awareness of the Open Country brand in Japan, especially among users who seek highly customized products. Going forward, we intend to use test-drive meets for tire users to promote awareness of the Open Country brand and its essential pursuit of "functional beauty" that embodies reliable performance.

**TOPIC / Open Country R/T receives Minkara PARTS OF THE YEAR 2023 Hall of Fame Award (SUV/4X4 tire category)**

Operated by LY Corporation, *Minkara* (short for "Everyone's Car Life" in Japanese) is one of Japan's largest specialist automobile social media platforms where car lovers post and discuss various car-related topics.

*Minkara* aggregates the number of parts user reviews and the scores, and ranks parts with the highest support in its PARTS OF THE YEAR survey announced twice a year in the middle and the end of the year. The Open Country R/T tire received the PARTS OF THE YEAR 2023 Hall of Fame Award\* (SUV/4X4 tire category) for the second consecutive year. Users particularly appreciated the tire's high performance and unique design made for comfortable driving not only on ordinary roads but also off-road on dirt tracks. Our Open Country A/T EX tire won third place in the same category.

We never forget that we are a brand that is nurtured by its users and developed together with users, and we remain committed to further increasing the quality of our brand going forward.

\*This award is presented for parts that have garnered unwavering support in PARTS OF THE YEAR rankings over the past several years.



**OPEN COUNTRY R/T**



**Story 3: Providing safety for evolving mobility in a changing society**

As society changes and mobility technology advances with a wider use of IT and data and development of autonomous vehicles, we are beginning to see how the mobility landscape is reshaping. We are committed to developing technologies, products and services to provide safety that meets the needs of the evolving mobility environment.

**Supporting safe driving (providing data to ensure driver safety)**

Tires are the only components of a vehicle that actually come into contact with the road surface, and we are developing sensing technology that can collect various types of information from tires. The concept we are working to take forward is to create new added value by turning tires into data acquisition devices. Using this technology, we developed a software application that processes data inputs from sensors attached to tires to derive the limits of the required tire performance, uses them to determine whether the tire force\*<sup>3</sup> of the running tires is within the performance range required for the road conditions, and provides real-time display. We are currently working to improve sensing accuracy by taking measurements of road surfaces under a range of conditions and proving the concept by testing the application on driving tracks. We will continue developing these technologies to serve as a part of safety systems required for autonomous driving.

\*<sup>3</sup>Tire force is a term we use to describe the real-life tire performance, as estimated from data inputs from the tire such as air pressure, temperature, identified road surface condition, load, wear, and any anomalies detected.



Taking road surface measurements using mounted sensors

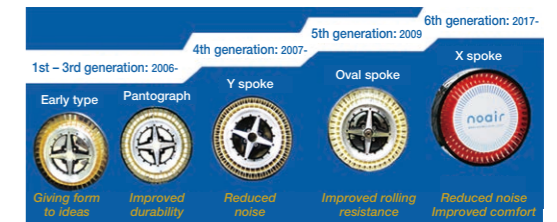


Application displaying visualization of tire force in a run

**Maintenance-free airless tires**

A likely effect of changes such as self-service gas stations, home charging of EVs and wider adoption of car sharing is that there will be fewer opportunities for drivers to get tires serviced by experts. Also, cars need to be lighter in order to save energy and resources, and tire manufacturers face the challenge of providing safety in the next generation of mobility without the need to carry a spare tire. We are tackling this challenge by developing airless tires designed to provide maintenance-free, spare-free solutions.

Our "noair" airless concept tire achieves the level of durability and maneuverability close to that of pneumatic tires and can be fitted on passenger vehicles for driving. As part of the path to commercialization, we are currently trialing the *noair* tires on last-mile delivery vehicles. We are paying close attention to the legislative and regulatory direction regarding the use of airless tires on public roads while continuing our development work, taking into consideration potential use cases such as tires for future mobility vehicles and as a recycling solution.



Airless tire development over the years



Golf cart using "noair" tires



Domain II Foundation for value creation

# Material issues that underpin value creation

These material issues are recognized as an important foundation that supports the creation of unique value. Our focus is to continue to create value that delights our customers and society at large through the offering of unique products and services. To do that, we need to constantly strengthen the foundation for propelling and promoting the value creation and achieving sustainable development for the Toyo Tire Group.

Material issue

03

## Support diverse talent with motivating challenges and job satisfaction WEB



- Demonstrating ability and fostering motivation (developing talent)
- Securing diverse human resources (promoting diversity)
- Creating healthy working environments (reforming working styles)

Material issue

04

## Continue innovating next-generation mobility technology WEB



- Enhancing the development of materials and platform technologies for our products for a society of next-generation mobility
- Creating recycling technologies for products and raw materials
- Innovating low-impact alternatives to substances of concern

## Human resource base WEB

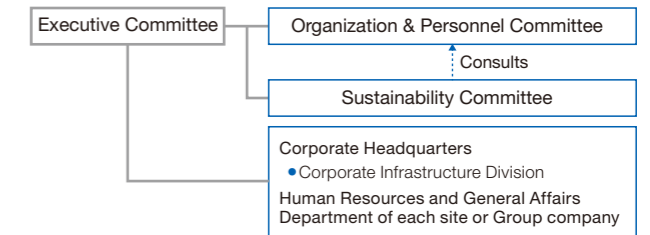
### Our policy

As part of our efforts to build a management foundation to support sustainable growth, we stipulated the development of a framework in the Medium-Term '21 Plan that would enable diverse human resources to work together organically and play an active role based on enthusiastic job satisfaction, as well as a training system that upholds individuality, quality and ability.

We conduct flat evaluations based on ability, aptitude and performance, and develop human resource base designed to ensure the best mix of human resources to enable diverse talent, regardless of their nationality, gender, age, background or other factors, to grow and flourish, and to get the right people into the right jobs. In terms of human capital investment, we inject resources into various initiatives with a view to developing talent, promoting diversity and creating healthy working environments. We aim to help create value through our business by, for example, investing in systems that promote the planned development of business managers and professional talent in each organizational function, investing in the building of office environments and human resource systems that make diverse employees feel comfortable, and creating working arrangements and tools that help improve employee performance and communication.

### Organizational responsibilities (April 2024)

The Organization & Personnel Committee, which is under the jurisdiction of Executive Committee, discusses and determines policies and important measures for strengthening the Group's human resource base, and the Corporate Headquarters is directly responsible for supervising the measure execution of these policies. The areas of activity relating to human resources that are entrusted to the Sustainability Committee are also based on these policies, and the committee will consult with the Organization & Personnel Committee when necessary.



### Demonstrating ability and fostering motivation (developing talent)

In 2021, we launched a new human resource evaluation system to define a clearer picture of the type of talent required to support sustainable growth for the Toyo Tire Group, to clarify company expectations for individual roles at different levels, and to better motivate talent to achieve results and pursue personal growth. We are building an integrated system by promoting well-balanced evaluations with an emphasis on dialogue, raising remuneration levels, and introducing training programs that help improve individual capabilities. In April 2023, we clarified our expectations regarding the ideal human resources profile and expected roles at our production sites. By conducting employee evaluations and adjusting their treatment based on such expectations, we aim to motivate employees to perform at a higher level and achieve better results. We also conduct career-building interviews with each employee and formulate human resource development plans to promote the active participation of all employees.

Having positioned talent development as the cornerstone of this new system, we have been focusing on training and development since 2022. We have added new mandatory training programs on conceptual points designed to help employees fulfill their expected roles and correctly follow company philosophy at each level, or to help our employees acquire vital basic knowledge on digital transformation (DX), ESG, or other subjects. We have also updated our training for divisional general managers and general managers to help them acquire the necessary qualities and skills for developing effective management perspectives, managing their own personal transformations, and displaying leadership on medium- to long-term issues. Furthermore, as part of our drive to train more management candidates, we are also promoting cross-border training at partner universities and other planned personnel transfers including

overseas transfer, to help build a firm pool of human resources. Periodic employee surveys have confirmed that these new personnel evaluation systems and other relevant measures have indeed helped motivate employees in the way we expected.

### Training held in FY2023 (Toyo Tire Corporation)

#### By level

| Name   | Eligibility  | Hours to complete | No. of participants |
|--|--|-------------------|---------------------|
| New recruit training   | New recruits with university degree or higher                | 93                | 27                  |
| Follow-up training   | Second-year employees with university degree or higher       | 8                 | 27                  |
| Instructor training  | Instructors  | 7.5               | 24                  |
| Training for senior-level administrative staff                     | Newly appointed senior-level administrative staff            | 11                | 29                  |
| New assistant manager training                                     | New assistant managers                                       | 16                | 43                  |
| New manager training   | New managers   | 16                | 36                  |
| New general manager training                                       | New general managers   | 17.5              | 6                   |
| New section leader/assistant supervisor/assistant manager training | New section leaders/assistant supervisors/assistant managers | 14                | 34                  |
| Evaluator training   | Primary evaluators and above                                 | 4.5               | 59                  |

#### Selective training

| Name                                   | Eligibility                       | Hours to complete | No. of participants |
|--|-----------------------------------|-------------------|---------------------|
| Selective training I                   | Selected employees                | 40                | 5                   |
| Selective training II                  | Selected employees                | 48                | 5                   |
| Pre-assignment training (Face to face) | Employees being assigned overseas | 3.5               | 5                   |
| Pre-assignment training (e-learning)   | Employees being assigned overseas | 6                 | 3                   |
| Language training                      | Employees being assigned overseas | 48.6              | 9                   |

Domain II Foundation for value creation

**Securing diverse human resources (promoting diversity)**

Fostering a culture of mutual respect among diverse human resources and establishing a culture of cooperation and collaboration are both important for creating unique Toyo Tire value.

We work together with universities when recruiting new graduates to ensure we secure diverse human resources, opening our doors to foreign students studying at Japanese universities and Japanese students studying at overseas universities, and actively approaching doctoral degree holders. At the same time, we are actively employing mid-career talent with experience at other companies, who can play an important role in supporting the company's growth stage. Meanwhile, we are rehiring human resources who have turned 60 and are creating mechanisms to facilitate the active participation of people with disabilities. We have also built a job evaluation structure that can respond flexibly to diverse employees' job and career preferences in both specified and general employment. In spring 2024, we introduced evaluation standards that would enable us to treat both human resources with outstanding management skills or the power to drive management strategy and personnel with specialist technological expertise or specific skills who have reached retirement age in the same way as we treat our current managers and employees under the age of 60. This move was designed to improve motivation among elder employees and encourage the nurturing of future successors. We expect these new structures and standards to have a positive internal impact and help invigorate our organization.

In the five years leading up to 2020, we doubled the

**Employee diversity (Toyo Tire Corporation, full-time employees)**

|  |  |                      |
|--|--|----------------------|
| <b>Total</b>   | 3,672 (-0.5% y/y)                          |                      |
| <b>By age</b>  | Under 30                                   | 18.0%                |
|  | 30-50                                      | 60.7%                |
|  | Over 50                                    | 21.3%                |
| <b>By gender*1</b>   | Male                                       | 92.8% (-0.3 pts y/y) |
|  | Female                                     | 7.2% (+0.3 pts y/y)  |
| <b>People with disabilities</b>                                  | 64 / 2.51% (As of the end of January 2024) |                      |
| <b>Employees from countries other than Japan*2</b>               | 14   |                      |
| <b>Total management personnel*3</b>                              | 867  |                      |
| <b>Management by gender*1</b>                                    | Male                                       | 93.8% (-0.5 pts y/y) |
|  | Female                                     | 6.2% (+0.5 pts y/y)  |
| <b>Employees from countries other than Japan*2 in management</b> | 0.6% (-0.1 pt y/y)                         |                      |

\*1 Data by gender: Refers to data based on the sex assigned at birth. We do not have quantitative data on gender identity because it is difficult to obtain, but we aim to create workplaces where all employees can take an equal active part.

\*2 Data on employees from countries other than Japan: Refers to data on foreign nationals as defined in the Nationality Act of Japan.

\*3 Including assistant managers

**Creating healthy working environments (reforming working styles)**

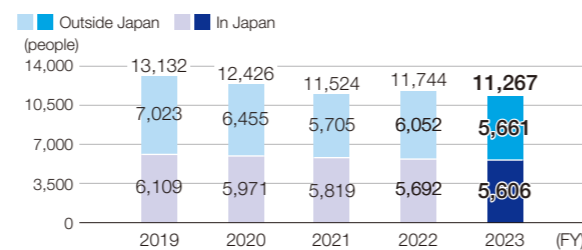
We believe that our unique work styles and working environments maximize the capabilities and vitality of diverse human resources and organizations. Following the transition to class V for the novel coronavirus in 2023, we decided to use internal transformation to

percentage of women at the assistant manager level from 2.03% to 4.65%. Now, we have set a new goal of raising the ratio of female assistant managers promoted to manager level or higher compared to the similar ratio for men to between 80% and 120% in the five years from 2021 to 2025. (End 2020: 70%, three-year average for 2021 to 2023: 75%).

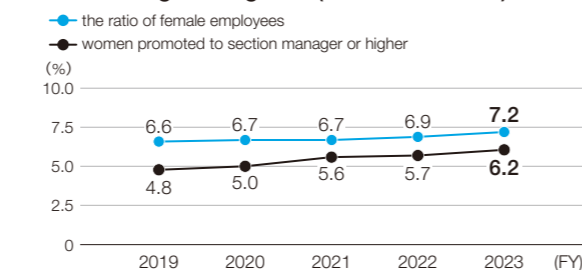
As part of our quest to empower women, we hosted an event in March 2023 for general managers and above and female employees which featured lectures by external experts and a panel discussion. Female employees exchanged opinions in workshops on any issues they have regarding the Company's current policies and work styles, and the Human Resources Department used that feedback to help compile more effective future measures. In November 2023, as part of our aim to nurture a corporate culture that embraces diversity more earnestly and fosters innovation, we conducted training sessions on unconscious bias for executives, where they deepen their understanding through case studies. We are also seeking to expand our repertoire of e-learning resources and theme-based training sessions on D&I issues such as LGBT, empowering women and harassment.

While the Group has a uniform compensation system for men and women with the same job qualifications and the same level of responsibility, our analysis shows that the differing ratios of men and women in management positions affect wage performance. We will actively promote the development and promotion of female employees to enable us to ultimately eliminate wage disparities.

**Number of employees (Nonconsolidated)**



**the ratio of female employees / women promoted to section manager or higher\*3 (Nonconsolidated)**



autonomously and independently. We introduced various work styles with remote work options and renovated our head office work spaces to satisfy various needs for cooperative, harmonious or concentrated working environments. Over 90% of employees who responded to our survey said they were satisfied with the expansion of work style options and the ability to work freely and autonomously.

Regarding the need to help employees achieve a good work-life balance, we seek to improve our understanding of any changes in our employees' lives caused by different life events and to provide ways to help them achieve a healthy work-life balance. We have set up various systems that allow employees to fulfill their childcare and nursing care responsibilities, such as mechanisms for taking leave that enable employees to concentrate on raising children up to two years of age and care for family members (for families requiring nursing care within the second degree of kinship, up to one year). We have also worked hard to establish systems and nurture a workplace environment that are more conducive to men taking childcare leave. In addition, we have established a system that allows employees to reinstate and use annual paid leave that expired from two years ago in the event of an injury or illness, childcare or nursing care,

volunteer activities, hospital visits, hospitalization, pregnancy, infertility treatment, or other reasons. Meanwhile, following labor-management consultations, our administrative and technical bases have designated several promotional days a year for encouraging employees to take their annual leave and achieve a better work-life balance. At the same time, we encourage employees at production sites to systematically take annual paid leave in line with the annual production plan. In fiscal 2023, the annual leave utilization rate stood at 64.8%, an increase of seven points over the past three years.

We achieved the targets set out in the action plan formulated based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children, and received *Kurumin* certification from the Minister of Health, Labour and Welfare in 2020. That action plan was subsequently updated in 2024 to help expand our childcare support systems and improve working environments. The revision is designed to boost childcare leave utilization rates to 100% for both men and women by, for instance, offering paid parental leave to care for a sick child and possibly expanding the number of eligible paid childcare leave days.

**Childcare leave utilization update**

|   | FY2020           |                     | FY2021           |                     | FY2022           |                     | FY2023           |                     |
|---|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
|   | Utilization rate | Number of employees | Utilization rate | Number of employees | Utilization rate | Number of employees | Utilization rate | Number of employees |
| Male employees                                  | 7.9%             | 10                  | 16.9%            | 22                  | 35.4%            | 34                  | 50.5%            | 51                  |
| (No. of employees taking over one week's leave) |                  | (6)                 |                  | (7)                 |                  | (12)                |                  | (38)                |
| Female employees                                | 100%             | 10                  | 100%             | 3                   | 100%             | 7                   | 100%             | 12                  |

**Employee opinion survey**

It is important that our employees should feel proud of what they do and are motivated to create value. We have been conducting a bi-annual employee awareness survey since 2021 to capture a snapshot of our organizational culture. The survey results and detailed analysis are shared with the Executive Committee and feedback is provided to each department. Our efforts to create and implement improvement action plans based on deep reflection are starting to bear fruit as the cycle takes hold. Each department is encouraged to implement autonomous and proactive initiatives based on their individual strengths and

weaknesses. The Human Resources Department regularly monitors the progress of each department, and incorporates common issues into the development of company-wide policies and system reviews. The 2023 survey pinpointed issues relating to shift workload in the production department so we set up a project to promote improvements together with labor and management. Linking our philosophy, systems, events, and communication will enable us to form a unique culture and increase employee job satisfaction.

**Joint human resource development program with Doshisha University**

In March 2024, we signed a five-year comprehensive partnership agreement with Doshisha University. The partnership seeks to promote the use of mutual high value-added resources to foster human resources who can contribute to society and realize beneficial technologies.

We will promote multi-layered collaboration on multiple different research themes, develop future technical leaders and accelerate the implementation of innovative technologies that are

useful to society. We intend to make the most of the learning opportunities and venues for recurrent employee education that the university offers to nurture corporate engineers through industry-academia collaboration. At the same time, we will work together with the university career center to offer business-focused career advice to students and help them learn how to choose their future independently and develop their work attitudes.

Domain II Foundation for value creation

Platform technologies 

Our policy

The Toyo Tire Group believes that the value we provide through our products and services must support the evolution of mobility required for a new age. We will continue to challenge technological innovation to help build a society that exists in harmony with the environment and supports safe driving.

Organizational responsibilities (April 2024)

R&D Headquarters is responsible for promoting initiatives in this area. The Technical Committee oversees all initiatives and reports progress to the Sustainability Committee.

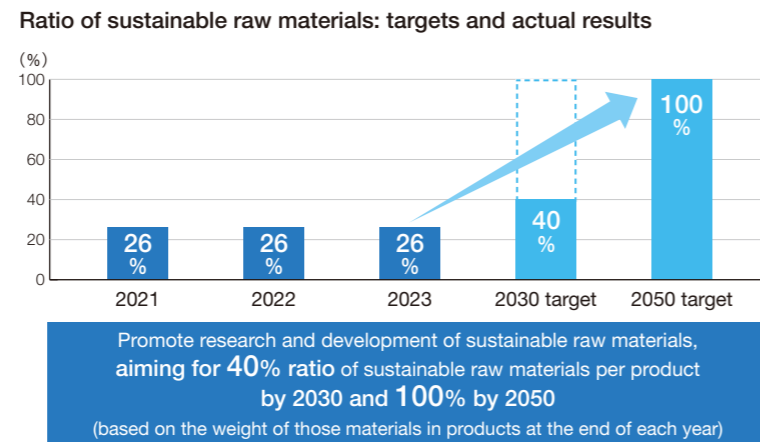
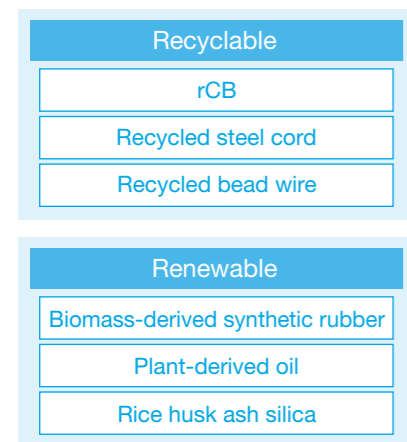
Expanding the use of sustainable raw materials

We believe it is our mission as a manufacturing company to help promote the transition from a society that consumes resources to a society that circulates resources. We conduct research and development with the aim of increasing the ratio\*1 of sustainable raw materials\*2 used in our products to 40% by 2030, and 100% by 2050. That ratio reached 26% at the end of 2023.

By 2025, the Group plans to gradually introduce products made from recycled raw materials, such as recycled rubber made from used tires and recovered carbon black (rCB). Furthermore, we are developing technologies to increase the use of renewable

raw materials, such as synthetic rubber made from biopolymer biomass (biomass-derived butadiene rubber and biomass-derived styrene butadiene rubber). This would lead to a reduction in the amount of petroleum-derived raw materials used, which have a large impact on climate change, and help reduce GHG emissions over the tire lifecycle.

\*1 The ratio is based on the weight of sustainable raw materials used in products at the end of each year.  
\*2 Toyo Tire Corporation defines sustainable raw materials as recycled raw materials and renewable raw materials.



Intellectual property

We pursue technological innovation and product development designed to realize an environmentally friendly society and an era of safe mobility. However, we believe that the new technologies and products we create through these initiatives only truly acquire social value when they are delivered into the hands of our customers and put to use. We acquire the intellectual property rights that underpin the technical support required to enable the

safe use of the products that result from our research and development into recycled raw materials, renewable raw materials, fuel-efficient rubber compounds and other areas. We believe that these ongoing intellectual property initiatives will help create value for the future era of mobility, and also secure our own presence in that arena.

TOPIC / Developing concept tires made from 90% sustainable raw materials

In January 2024, the Toyo Tire Corporation developed a concept tire made from 90% sustainable raw materials. That represents a dramatic increase compared to the previous highest ratio of sustainable raw materials in our tires of 50%\*1.

The concept tire was made from approximately 60% renewable raw materials, including biomass-derived butadiene rubber, biomass-derived styrene butadiene rubber, rice husk ash silica, plant-based oil, and biomass-derived polyester fiber, and roughly 30% recycled raw materials, including the butadiene rubber derived from CO<sub>2</sub> that we successfully developed together with the University of Toyama, rCB, recycled bead wire and recycled steel cord.

Another impressive feature of the tire is its ability to minimize the rolling resistance co-efficient, which greatly helps reduce GHG emissions throughout the tire lifecycle and improves the cruise range of EVs. It achieved AAA-equivalent fuel efficiency, the highest level of rolling resistance in the tire labeling system\*2.

Going forward, we will continue to perfect this tire's technological innovation and press for early commercialization as a product that can help realize an era of sustainable mobility.

\*1 Ratio of sustainable raw materials used in the OPEN COUNTRY M/T-R tire supplied and installed in vehicles participating in Dakar Rally 2024

\*2 A voluntary industry standard established by the Japan Automobile Tyre Manufacturers Association, Inc.: JATMA. Tires that meet certain values on both rolling resistance and wet-grip performance are defined as "fuel-efficient tires." The system encourages a clear labeling method (display method) that ensures consumers receive the appropriate information.



The concept tire was exhibited at the TOKYO AUTO SALON 2024 as a reference. The sidewall design is in the motif of "sustainable" and "electric"

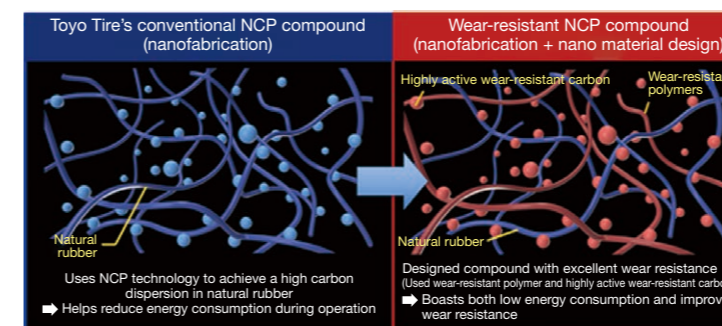
Efforts to reduce TRWP

Tire and road wear particles (TRWP) are dust produced by friction between the tire and the road surface that is a mixture of tire tread and road paving materials. Since the dust is discharged into the atmosphere, tire manufacturers view the need to reduce TRWP as a key issue. Any wear on tires does impact safety, comfort and fuel efficiency, so we are always striving to improve wear resistance through materials development and improved tread design. For example, we successfully improved wear resistance by designing an optimal compound polymer nanocomposite (rubber with highly uniform carbon black dispersion). This was

achieved through advanced nanofabrication using Nano Balance Technology, our fundamental material design technology.

We also actively participate in industry groups, the Tire Industry Project (TIP)\*3 and JATMA, to conduct research and study ways to mitigate the impact of TRWP since there are still many things about TRWP that have yet to be determined. We will continue to contribute to the industry's efforts in this area, while also using any knowledge we acquire through these industry-wide activities to improve our own initiatives on reducing TRWP.

\*3 One of the sector projects of the World Business Council for Sustainable Development (WBCSD)



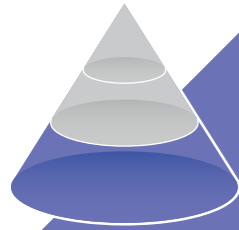
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NANOENERGY M151 EV

Improved wear resistance performance by 21%\* compared to the conventional M125ZB low-maintenance ribbed tire

\*Source: Toyo Tire Corporation



Domain III Risk management

# Material issues relating to risk management

There are various social responsibilities that we must fulfill as a company and that form the premise of our business management. These material issues epitomize the solid foundation required to ensure a sound and healthy environment and enable us to create our own unique value.

Material issue  
**05**

## Pursue decarbonization in all corporate activities [WEB](#)



- Responding to climate change risks and opportunities (TCFD)
- Reducing greenhouse gas emissions
- Increasing use of clean energy

Material issue  
**06**

## Promote supply chain sustainability [WEB](#)



- Procuring sustainable natural rubber
- Implementing supplier management and responding to conflict minerals risks
- Promoting efficient logistics

Material issue  
**07**

## Ensure the fundamentals of manufacturing: quality and safety [WEB](#)



- Improving quality and increasing customer satisfaction
- Promoting improved awareness of tire safety

## Decarbonization [WEB](#)

### Our policy

The impact of climate change is becoming increasingly severe and society's demands regarding mobility are increasing all the time. The mobility business lies at the very heart of the Toyo Tire Group operation and, as such, we recognize that addressing climate change is the most important issue, and one which has the power to greatly influence our growth. For that reason, we are committed to reducing greenhouse gas (GHG) emissions and expanding the use of clean energy in order to achieve the long-term goals set forth in the Paris Agreement. We also support the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and strive to disclose information based on the TCFD framework in order to stimulate dialogue, engage stakeholders and promote climate change initiatives.

### Organizational responsibilities (April 2024)

The Toyo Tire Sustainability Committee is chaired by the president and meets four times a year. The committee reports, deliberates and makes decisions on how to respond to climate-related and other sustainability issues, and what progress is being made. The Decarbonization Task Force, which sits under the Sustainability Committee, discusses climate-related activity plans, targets and KPIs, and the Sustainability Committee regularly confirms and monitors the status of those activities.

Any climate-related matters that have been debated and approved in the Sustainability Committee are then reported to or debated in the Executive Committee and reflected in the formulation or review of our annual and medium-term business plans. The developments are reported to the Board of Directors in a timely and appropriate fashion.



### Climate change risks and opportunities

We conducted scenario analysis to ascertain the impact of climate change on the Group's business activities.

#### Scenario analysis process



#### 1. Select scenarios to use and understand the outlook of each scenario

We assessed the impact of risks and opportunities in a baseline scenario (3-4°C scenario) and a transition scenario (1.5°C scenario).

| Baseline scenario  | Transition scenario   |
|--|---|
| <b>(Scenario outlook)</b> <ul style="list-style-type: none"> <li>• No new political policies or stronger regulations other than what is currently envisioned</li> <li>• GHG emissions increase in some areas following economic growth</li> <li>• Extreme heat, heavy rainfall and other natural disasters intensify as temperatures rise</li> </ul> | <b>(Scenario outlook)</b> <ul style="list-style-type: none"> <li>• New policies and stronger regulations are enacted to curb climate change</li> <li>• Global GHG emissions decline to net zero by 2050</li> <li>• Climate change causes sea level rises and changes in weather patterns, but they remain below those in the baseline scenario</li> </ul> |
| <b>(Main scenarios referenced)</b> <ul style="list-style-type: none"> <li>• IEA Stated Policies Scenario (STEPS)</li> <li>• IPCC SSP5-8.5</li> </ul>   | <b>(Main scenarios referenced)</b> <ul style="list-style-type: none"> <li>• IEA Sustainable Development Scenario (SDS)</li> <li>• IEA Net Zero Emission Scenario by 2050 case (NZE)</li> <li>• IPCC SSP1-2.6</li> </ul>   |

Domain III Risk management

2. Investigate risks and opportunities, 3. Assess significance, and 4. Calculate the financial impact of material risks and explore countermeasures

We identified climate-related risks and opportunities for each scenario and evaluated the significance of risks and opportunities based on the probability of certain events occurring that could prove to be pertinent factors in each risk and opportunity and the degree of impact on the expected costs and other factors in our business. Based on the results, we started to calculate the financial impact of risks that are expected to be significant over the medium to long term, and explore possible countermeasures.

Highly significant risks

| Scenario   | Type              | Climate-related events                            | Impact on business  | Main financial impact   | Significance   |
|------------|-------------------|---|---|---|----------------|
| Baseline   | Chronic           | Changes in climate patterns                       | <ul style="list-style-type: none"> <li>Migration of natural rubber tree crop zone, decline in quality</li> <li>Energy supply system instability</li> <li>Increased demand for crude oil, natural gas, etc.</li> </ul> | <ul style="list-style-type: none"> <li>Increased raw material prices (natural rubber)</li> <li>Increased R&amp;D costs (alternative raw materials)</li> <li>Decreased sales, worsened profits (decreased tire production)</li> </ul>                                  | Medium to high |
|            |                   | Temperature rises                                 | <ul style="list-style-type: none"> <li>Deterioration of roads</li> <li>Reduced areas of snowfall</li> </ul>   | <ul style="list-style-type: none"> <li>Increased R&amp;D costs (heat-resistant tires)</li> <li>Decreased sales (winter tires)</li> </ul>  | Medium to high |
|            |                   | Sea level rises                                   | <ul style="list-style-type: none"> <li>Reduced natural rubber harvests</li> <li>Compromised ports and warehouses</li> </ul>   | <ul style="list-style-type: none"> <li>Increased raw material prices (natural rubber)</li> <li>Decreased sales (reduced or suspended tire production)</li> <li>Inventory/product damage (flood damage)</li> </ul>   | Medium to high |
|            | Acute             | Increase in extreme weather                       | <ul style="list-style-type: none"> <li>Compromised infrastructure networks</li> </ul>   | <ul style="list-style-type: none"> <li>Decreased sales and profits (overall business slowdown)</li> </ul>   | Medium to high |
|            |                   | Frequent and severe heavy rainfall                | <ul style="list-style-type: none"> <li>Transport network disruption, loss of commuting options</li> <li>Flooding of natural rubber plantations</li> </ul>   | <ul style="list-style-type: none"> <li>Decreased sales, worsened profits (revision of production plans)</li> <li>Increased raw material prices (natural rubber)</li> </ul>  | Medium to high |
|            |                   | Increase and intensification of tropical cyclones | <ul style="list-style-type: none"> <li>Marine transport delays, accidents</li> </ul>  | <ul style="list-style-type: none"> <li>Increased transport costs</li> <li>Inventory/product damage</li> </ul>   | Medium to high |
| Transition | Policy            | Introduction of carbon pricing                    | <ul style="list-style-type: none"> <li>Increased service prices as costs are passed on</li> <li>Introduction of carbon border tax</li> <li>Introduction of environmental taxes to auto-related exports</li> </ul>     | <ul style="list-style-type: none"> <li>Increased distribution costs</li> <li>Increased costs of R&amp;D and equipment investment (shift to low-carbon products)</li> <li>Worsened profits (tariffs)</li> <li>Increased costs for purchasing carbon credits</li> </ul> | Medium to high |
|            | Market/reputation | Increased raw material costs                      | <ul style="list-style-type: none"> <li>Fewer rubber plantations due to poor profitability</li> </ul>  | <ul style="list-style-type: none"> <li>Increased raw material prices due to decreased natural rubber production</li> </ul>  | Medium to high |

(Financial impact and countermeasures)

1. Impact of changing climate patterns on the procurement of natural rubber [risk]

| Climate-related events/ financial impact on business  | Impact amount/ impact timing                       | Calculation method   | Countermeasures   |
|---|--|--|---|
| Changes in climate patterns<br>Changing climate patterns will generate changes in the areas in which natural rubber plants can grow, a deterioration in quality and other issues, all of which could increase the cost of natural rubber procurement. | Approx. 0.7 to 9.7 billion yen (Medium-term: 2030) | <p>(Minimum)<br/>Volume of natural rubber procurement × Increase in natural rubber prices</p> <ul style="list-style-type: none"> <li>The estimated volume of natural rubber procurement for 2030 is calculated on past trends</li> <li>The increase in natural rubber prices is calculated by averaging out the price increase in past months of high flooding across the whole year <p>(Maximum)<br/>Increase in natural rubber procurement cost × Percentage increase in natural rubber procurement volume</p> <ul style="list-style-type: none"> <li>The increase in natural rubber procurement cost is set at the same level as the increase in procurement cost in years when large-scale flooding occurred</li> <li>The percentage increase in natural rubber procurement volume is the estimated percentage increase in procurement volume between the year when large-scale flooding occurred through to the year 2030</li> </ul> </li></ul> | <ul style="list-style-type: none"> <li>Reduce the amount of natural rubber used in each tire by seeking to reduce tire weight while also paying due attention to reducing rolling resistance</li> <li>Continue efforts to increase the usage of sustainable raw materials and reduce consumption of natural rubber by gradually introducing products made from recycled raw materials such as recycled rubber from used tires</li> <li>Achieve stable natural rubber procurement by encouraging the entire supply chain to build solutions to issues faced by natural rubber production sites (deforestation, infringement of local residents' rights)</li> </ul> |

2. Carbon pricing mechanisms [risk]

| Climate-related events/ financial impact on business   | Impact amount/ impact timing                | Calculation method  | Countermeasures   |
|--|---|---|---|
| Introduction of carbon pricing<br>Introducing carbon pricing will boost the cost of CO <sub>2</sub> emissions. | Approx. 0.5 billion yen (Medium-term: 2030) | Shortfall in CO <sub>2</sub> reduction target × Carbon tax <ul style="list-style-type: none"> <li>The shortfall in CO<sub>2</sub> reduction targets is the volume outstanding supposing the Company's targeted CO<sub>2</sub> volume reduction in 2030 is lower than expected by 10%</li> <li>The carbon tax is the 2030 carbon tax for developed countries designed to help achieve the 2050 net zero emissions target announced by the IEA</li> <li>The percentage increase in natural rubber procurement volume is the estimated percentage increase in procurement volume between the year when large-scale flooding occurred through to the year 2030</li> </ul> | <ul style="list-style-type: none"> <li>The Toyo Tire Group will continue to reduce CO<sub>2</sub> emissions through efficient energy use in our products and business activities inside and outside the organization</li> <li>Help reduce CO<sub>2</sub> emissions by promoting the procurement of renewable energy at production sites using internal carbon pricing (ICP), as well as fuel conversion and equipment upgrades</li> </ul> |
|  | Approx. 5.7 billion yen (Medium-term: 2030) | CO <sub>2</sub> emissions × Carbon tax <ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions are the company's target for CO<sub>2</sub> emissions in 2030</li> <li>The carbon tax is the 2030 carbon tax for developed countries designed to help achieve the 2050 net zero emissions target announced by the IEA</li> </ul>   |   |

Highly significant opportunities

| Scenario   | Type                             | Changes in economy and society   | Impact on business   | Main financial impact   | Significance   |
|------------|----------------------------------|--|--|---|----------------|
| Transition | Market                           | Greater eco-conscious behavior by stakeholders                           | <ul style="list-style-type: none"> <li>Acquisition of new business partners through focus on the environment</li> <li>Increased added value of eco-conscious products</li> </ul> | <ul style="list-style-type: none"> <li>Increased sales and profits (acquisition of new business partners, increased added value)</li> </ul> | High           |
|            |                                  | Expansion of low-carbon product market                                   | <ul style="list-style-type: none"> <li>Greater demand for products to go low carbon</li> </ul>   | <ul style="list-style-type: none"> <li>Increased sales and profits (increased added value)</li> </ul>                                       | High           |
|            | Products/services                | Increased environmental awareness in customers                           | <ul style="list-style-type: none"> <li>Development and sales of products with low environmental impact</li> </ul>  | <ul style="list-style-type: none"> <li>Increased sales and profits (increased share, increased added value)</li> </ul>                      | High           |
|            |                                  | Growth of EVs/ next-generation vehicles                                  | <ul style="list-style-type: none"> <li>Greater demand for EV tires, early-stage development and sales</li> </ul>   | <ul style="list-style-type: none"> <li>Increased sales and profits (increased added value)</li> </ul>                                       | Medium to high |
| Energy     | Skyrocketing coal and oil prices | <ul style="list-style-type: none"> <li>Expansion of EV market</li> </ul> | <ul style="list-style-type: none"> <li>Increased sales and profits (sales of EV tires)</li> </ul>  | High  |                |

Climate-related metrics

- Greenhouse gas (GHG) emissions (Scope 1, 2, 3) →2019-2023 results [WEB](#)
- GHG emissions intensity →2019-2023 results [WEB](#)
- Introduction of an internal carbon pricing system  
Used to evaluate decarbonization-related projects and other investment initiatives.  
Following a trial operation in fiscal 2023, the system was officially launched in fiscal 2024 with a set carbon price\* of 10,000 yen/ton.  
\*The appropriateness of the carbon price will be assessed each year and revised if necessary.



Domain III Risk management

Climate-related targets

● GHG emissions reduction targets

\*Decided by the Sustainability Committee in November 2021 and approved by the Executive Committee in December 2021  
 \*Announced on February 15, 2022

|           |  |
|-----------|--|
| Scope1, 2 | GHG emissions: Reduce GHG emission by 46% by 2030 compared to 2019 and aim to achieve carbon neutrality by 2050. |
| Scope3    | GHG emission per unit: Aim to help reduce GHG emissions per tire in 2030 by 20% compared to 2019.                |

One of our milestones is to aim to reduce Scope 1, 2 GHG emissions by 25% by 2025 compared to fiscal 2019

Reducing greenhouse gas (GHG) emissions

Greenhouse gas emissions are seen as a major cause of climate change so the Toyo Tire Group is working to reduce GHG emissions through its products and business activities inside and outside the organization.

Scope 1, 2 initiatives

The amount of energy consumed increases in line with increases in production volume. However, as a means of addressing Scope 1, 2 emissions, we are seeking to reduce energy consumption at our production bases by repairing process pipelines and introducing highly efficient equipment to improve energy efficiency, and also by encouraging automation and improving the usage of air-conditioning and lighting. In addition, we are switching to fuels that emit lower greenhouse gases. We have reduced CO<sub>2</sub> emissions from the Sendai Plant by 500 tons a year in 2023 by strengthening the insulation of the plant's vulcanizers and pipelines and thereby reducing energy consumption. Furthermore, we converted the boilers at the Kuwana Plant to natural gas, reducing CO<sub>2</sub> emissions by 1,400 tons. By introducing nitrogen vulcanization and installing inverters on vacuum pumps at tire manufacturing subsidiaries in China, we have reduced CO<sub>2</sub> emissions by 1,600 tons annually.

Meanwhile, our plants in Japan are promoting the use of electric forklifts. Purchased electricity at our Japanese plants is being replaced by electricity derived from renewable sources in, and the electrification of 17 forklifts in 2023 helped reduce CO<sub>2</sub> emissions by 400 tons.

Expanding the use of clean energy

From the second half of 2022, the Toyo Tire Group began switching electricity purchased primarily at production sites to power derived from renewable sources. By the end of 2023, 100% of the electricity purchased at the Sendai Plant, the Kuwana Plant and our tire plant in the United States had been converted to renewables, along with our administrative and technical bases in Japan. We will systematically promote efforts to achieve a global 90% renewable energy usage ratio by 2030. That ratio stood at 71.14% at the end of 2023.

We are also actively introducing photovoltaic (PV) power generation systems for in-house use. The largest PV power generation system in Serbia (power generation capacity: 8.4 MW)

was installed on the premises of our Serbia Factory, which launched operations in 2022. The system's annual generation of 10,150 MWh of electricity is helping reduce CO<sub>2</sub> emission by 7,100 tons a year. By the end of 2023, a large-scale PV power generation system with a generating capacity of 14.0 MW installed on a 96,000 square meter rooftop space in our tire plant in Malaysia was fully operational. The system is expected to generate 19,000MWh and reduce CO<sub>2</sub> emissions by approximately 12,000 tons per year.

Meanwhile in Japan, at the end of 2023, we introduced a solar power generation system at our Corporate Technology Center. The system generates approximately 419 MWh each year, which is more than any other system at any other base in Japan, and is equivalent to approximately 12% of the electricity used at the Center. The system is expected to reduce CO<sub>2</sub> emissions by approximately 128 tons per year.



Tire plant in Malaysia

Corporate Technology Center

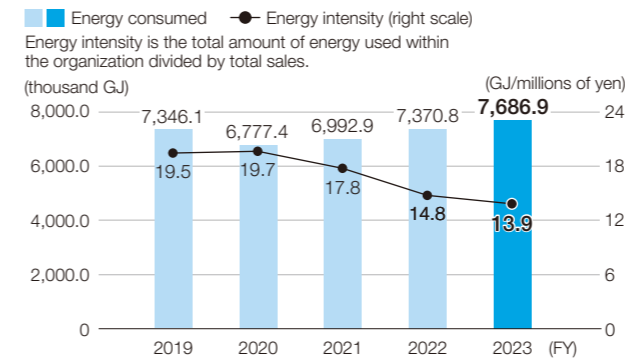
Scope 3 initiatives

The Toyo Tire Group aims to contribute to a 20% reduction in Scope 3 GHG emissions per tire by 2030 compared to 2019. A calculation of GHG emissions throughout the Group's value chain based on the Japan Automobile Tyre Manufacturers Association's (JATMA) Tyre LCCO<sub>2</sub> Calculation Guidelines Ver. 3.0.1 revealed that emissions from the Category 11 product use phase account for at least 80% of overall GHG emitted. According to the guidelines, fuel-efficient tires can reduce CO<sub>2</sub> emissions during use (during vehicle driving) by 95.4 kg CO<sub>2</sub>e per tire for passenger car radial (PCR) and 879.0 kg CO<sub>2</sub>e per tire for truck and bus radial (TBR) compared to standard tires. Our technical division is working to develop technologies to enhance fuel efficiency of tires by reducing their rolling resistance and weight. Over the medium to long term, the Group is planning to enlist the help of the Product Planning Division in

upgrading fuel efficiency performance each time we change a tire model. As of 2023, emissions from PCR had been reduced due to reduced rolling resistance by 1.5%\*1 compared to 2019, which is a reduction of 94.8 thousand tons-CO<sub>2</sub>e.

\*1 Calculation method: The weighted average RRC for each business year is calculated from PCR sales and the RRC for each product, and CO<sub>2</sub> emissions are estimated based on JATMA's Tyre LCCO<sub>2</sub> Calculation Guidelines Ver. 3.0.1.

Energy consumed



Energy consumed by source

|  | 2021    | 2022    | 2023    |
|--|---------|---------|---------|
| Consumption of fuel from non-renewable energy  | 4,735.7 | 5,130.8 | 5,302.7 |
| Purchased electricity consumption  | 1,944.2 | 1,923.5 | 2,027.6 |
| Consumption of purchased electricity from renewable energy sources, consumption equivalent to procurement of non-fossil certificates | 0.0     | 114.2   | 1,442.5 |
| Percentage of purchased electricity with a renewable energy certificate  | 0.00%   | 5.94%   | 71.14%  |
| Consumption of fuel from renewable energy sources (photovoltaics)  | 0.8     | 0.7     | 41.1    |
| Purchased steam consumption  | 312.2   | 315.8   | 315.4   |

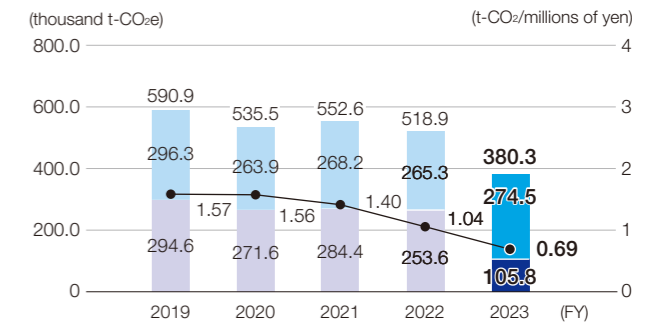
Greenhouse Gas (GHG) emissions

[Scope1, 2] (thousand t-CO<sub>2</sub>e)

|   | 2021  | 2022  | 2023  |
|---|-------|-------|-------|
| Total Scope1 GHG emissions                  | 268.2 | 265.3 | 274.5 |
| Total Scope2 GHG emissions (location-based) | 284.4 | 253.6 | 280.5 |
| Total Scope2 GHG emissions (market-based)   | -     | -     | 105.8 |

GHG emissions (Scope 1) GHG emissions (Scope 2) GHG emissions intensity (right scale)

Emissions intensity is total volume from Scopes 1, 2 divided by total sales. Scope2 is calculated on a location-based method until 2022 and on a market-based method from 2023.



Energy consumption and GHG emissions are third-party verified data.

SBTi\*2 initiatives

In May 2024, Toyo Tire Corporation submitted a letter of commitment to SBTi stating its intention to seek SBT certification. We have already set targets for reducing GHG emissions as the Toyo Tire Group and are currently working to achieve them. We will now strengthen our efforts across the entire supply chain by setting GHG reduction targets for the periods five to 10 years ahead, that comply with the levels required by the Paris Agreement\*3.

\*2 SBTi: The Science Based Targets Initiative is designed to achieve a goal of limiting any rise in average global temperatures to 1.5°C.

\*3 Paris Agreement: An international agreement formed at the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris in 2015. The long-term goal of this agreement is to keep any rise in average global temperatures to well below 2°C compared to pre-industrial levels, and strive to limit that increase to 1.5°C.

Supply chain WEB

**Our policy**

The Toyo Tire Group has established the Toyo Tire Group Basic Purchasing Policies 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 further promote sustainable procurement that aims to mitigate, prevent and minimize the negative impact of our corporate activities on the environment and society and to improve our corporate value and competitiveness.

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

**Organizational responsibilities (April 2024)**

We established the Supply Chain Task Force under the jurisdiction of the Sustainability Committee to discuss activity themes, targets and KPIs in relation to ESG issues in the supply chain. The Sustainability Committee regularly confirms and monitors the status of these activities.



**Procuring sustainable natural rubber**

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 the infringement of local residents' rights. We recognize the importance of striving to solve these problems across the entire supply chain from production through consumption.

**International cooperation for building a sustainable supply chain**

Toyo Tire Corporation is a member of the Global Platform for Sustainable Natural Rubber (GPSNR)\* 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. We are working to prevent deforestation, conserve biodiversity and water resources, uphold human rights and support local communities, improve the productivity of natural rubber and make our supply chain more transparent. We also exchange information with the civil society sector, which includes NGOs and other groupings that have specialized knowledge of environmental and social issues at natural rubber production sites.

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.



Global Platform for Sustainable Natural Rubber

\*A platform that seeks to transcend industrial boundaries and ensure that the production and use of the world's natural rubber is carried out in a way that is more conscious of the natural environment and social issues.

**Promoting sustainable procurement**

Following the guidance provided by GPSNR encouraging tire manufacturers to incorporate the platform's Principles of Sustainable Natural Rubber into their business activities, we conducted a thorough review of the items related to natural rubber procurement that were determined as part of our CSR Procurement Guidelines. Then, from 2021, we strengthened our system based on the separate Sustainable Natural Rubber Procurement Policy. That policy is designed to improve the effectiveness of initiatives relating to healthy ecosystems, human rights, communities and other issues. Currently, in addition to conveying this policy to suppliers and asking for their cooperation, we are promoting activities that ensure traceability and protect the environment in accordance with the medium- to long-term action plan stipulated by our Supply Chain Task Force. In 2023, we made a donation to an international environmental organization to help protect forests. We have also set up a dedicated contact point specifically for the natural rubber supply chain. We received no reports in 2023.

**Supplier management**

**Using guidelines to engage suppliers**

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. We also appeal 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. The guidelines have been published in Japanese, English and Chinese.

To ensure the fair and objective assessment of supply chain risks, we formed a contract with EcoVadis, a third-party organization that conducts CSR assessments, and commissioned sustainability assessments of our suppliers from an environmental and social perspective from 2022. By the end of 2025, we aim to have fully audited suppliers accounting for 95% or more of the total transaction value of our tire-related raw materials. At the end of 2023, we had finished evaluating suppliers that account for approximately 70% of that total transaction value, including natural rubber suppliers.

Going forward, we will promote engagement with suppliers based on the results of the EcoVadis assessments and work together to solve supply chain issues.

With regard to our decarbonization initiatives, we have been surveying existing suppliers since 2021 and are tackling any issues that emerge to help reduce the environmental impact of our supply chain activities.

**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, the Group seeks to ensure business activities are based on fair and free competition by establishing purchasing regulations that stipulate the thorough implementation of fair and non-discriminatory business dealings and prohibit the development of personal interests with suppliers. At Toyo Tire Corporation, we have established anti-cartel regulations to prevent cartels and bid-rigging activities. In addition, we continuously perform self-inspections regarding compliance with subcontracting law and implement e-learning programs on the law.

**Responding to conflict minerals risks**

**Conflict minerals response**

In Europe and the United States, manufacturers are legally obliged to conduct due diligence when purchasing conflict minerals (tin, tantalum, tungsten and gold) and cobalt mined in conflict and high risk areas 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. When procuring minerals and raw

materials mined and manufactured in such areas, the Group's policy is to ensure those materials are not linked to human rights violations, environmental destruction, conflict, or corruption, and we enlist the cooperation of suppliers to trace back to the smelters and confirm that the raw materials purchased by the Group are not linked to any such inhumane acts. We would request remediation through our suppliers if any such concerns were to emerge.

**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 more comfortable working environments.

To promote efficient logistics, Toyo Tire Corporation is instigating a modal shift to ships and national railways for the long-distance transportation of goods in Japan dispatched from our factories. We have already shifted over 50% of transportation to these new modes, and, ten years from now, we aim to have reduced long-distance truck transportation to roughly half of 2022 levels. Furthermore, ensuring safer and more efficient cargo handling operations will not only reduce the burden on drivers, but will also fuel economic growth and create higher levels of job satisfaction.

**Specific initiatives**

- Introduced and expanded large container transportation by Japan Freight Railway Company for shipments from Sendai Logistics Center and Kuwana Logistics Center, and introduced coastal vessel transportation using shipping containers from the Kuwana Logistics Center
- Installed safety fences in warehouses at our Sendai and Kuwana Logistics Centers following a risk assessment (to prevent tire racks from toppling or items from falling in the event of an earthquake)
- Installed monitoring cameras at logistics centers in each plant and distribution centers in Japan to ensure safe operation; installed monitoring cameras to ensure safe forklift operation

Quality 

**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. The policy clearly states that product safety and global environmental protection must be taken into consideration throughout the value chain, from the product planning, development and design stages to production, sales, use and after-use.

We operate a quality management system based on IATF 16949 (or ISO 9001 at some production sites) predominantly at our production bases, and take measures against risk.

—ISO 9001 certification (as of the end of March 2024)

Production bases: 13 sites (3 Toyo Tire Corporation sites\*, 10 affiliated company sites)

Sales bases (affiliated companies): 2 sites

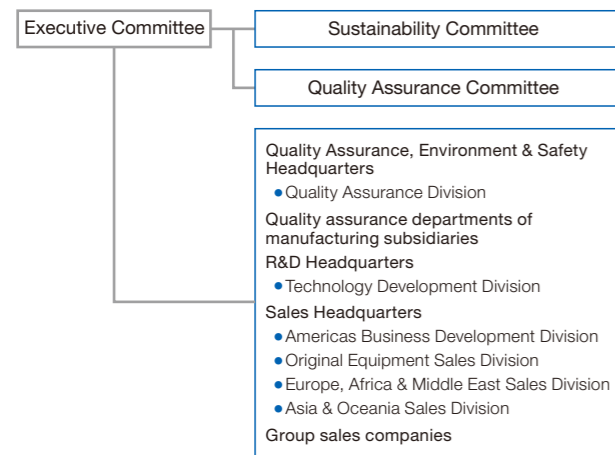
\*The Kuwana Plant has independently acquired certification at two sites: its tire production plant and automobile parts plant.

—IATF 16949 certification (as of the end of March 2024)

Production bases: 9 sites (3 Toyo Tire Corporation sites, 6 affiliated company sites)

**Organizational responsibilities (April 2024)**

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



throughout the Group to ensure we comply with the increasingly complex quality-related regulations in each country.

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 assurance systems for production, and quality-related demand of our business partners.

In addition, 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.



**Example Efforts to Meet Quality Standards**

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

**Improving product quality**

**Meeting the quality standards of each country**

In the face of factors such as greater climate change risks, many countries are rapidly introducing new regulations related to the environmental performance and quality of vehicles to promote higher fuel efficiency and reduce the CO<sub>2</sub> emissions. We are working to strengthen our response to quality standards

**Increasing customer satisfaction**

**Improving quality and customer satisfaction**

As a manufacturer, we understand that our products and services link us to both our customers and society, and we are working to improve quality throughout the entire value chain. Our production bases are constantly searching for ways to maintain and improve product quality while our technical service departments continuously investigate product satisfaction levels in the market and relay customer requests as feedback to our design and production bases. Our Customer Relations Department analyzes the opinions and inquiries received from customers on a day-to-day basis and makes recommendations to the relevant departments in order to improve our products and services. Other workplaces also strive to provide services and improve the quality of our operations from a customer perspective. Such activities reflect the spirit of our Company Philosophy of continuously improving our products and creating value for everyone who we work with.

For more than 50 years, the Group has continuously held quality control (QC) circle activities to proactively raise quality control standards using employee insight from the frontlines. QC circle activities began at production sites and have now spread to sales divisions, with about 300 circles currently running within the Group. In each circle, members pool their experience and knowledge in order to solve problems, and work to improve quality by grasping the current conditions, setting goals, developing action plans, and analyzing issues. Each year, we run a Toyo Tire QC Circle Convention, at which circle representatives from Japan and overseas come together to learn from each other by giving presentations on not only quality improvement initiatives but also their day-to-day efforts to eliminate workplace waste and loss. Moving forward, we will continue supporting QC circle activities to further improve worksite autonomy and customer satisfaction.

**Visualizing manufacturing quality using manufacturing execution systems (MES)**

The Toyo Tire Group aims to build a quality assurance system that can predict and prevent issues from occurring in the manufacturing process. We have introduced automatic measuring instruments into the tire manufacturing process, and are launching 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. At the Serbia Factory, MES will be put into operation in the second half of 2024 and expanded to the quality area. Analyzing the results, we are working to introduce MES at other production bases, as well as foster data-centric talent and corporate culture.

**Improving service quality at sales companies**

The Group's tire sales subsidiaries are striving to improve the job skills of tire technicians and the level of service provided by sales associates and front office staff. Sales companies provide job-specific training to sales associates and front office staff to equip them with the awareness required to convey product value to customers clearly and correctly on a day-to-day basis and to develop the skills required for their respective roles.

We also hold a Truck and Bus Tire Servicing Contest for technicians, at which technicians selected from all over Japan compete with each other to demonstrate their skills. The primary

goal of the contest is to improve the skills and service level of technicians responsible for exchanging tires, performing inspections, and providing after-sales services. This contest illustrates to staff how their own jobs contribute to the safety of our customers, which in turn fosters a sense of duty and motivation toward their work.



**Tire safety awareness activities**

We believe that one of our most important duties is to help drivers learn how to use tires appropriately. Using our proprietary driving simulator, we offer a workshop for driver to experience the difference between worn and new tires when breaking on wet roads or getting a puncture, and maneuverability under different tire pressures. During the 2023 spring and autumn National Traffic Safety Campaigns, we ran a workshop in collaboration with the police station nearest the venue. Approximately 4,200 people

have taken part in the workshop over the five-year period starting in 2019. We confirmed the effectiveness of the workshop with 97% of post-workshop questionnaire respondents indicating that their awareness of tire safety has increased.



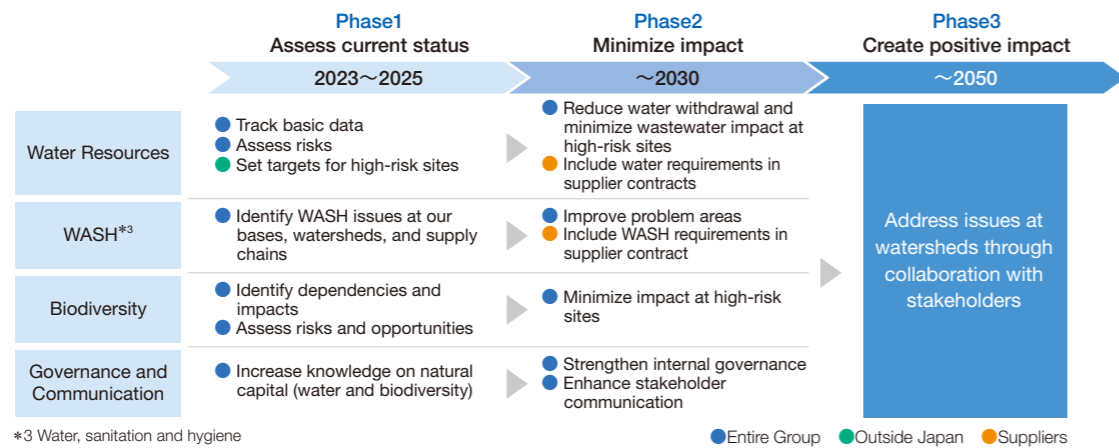
A participant using the driving simulator

## Taskforce on Nature-related Financial Disclosures (TNFD) WEB

### Our policy

In 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published version 1.0 of its recommendations and the Science Based Targets Network (SBTN) published version 1.0 of its guidance for setting Science Based Targets for Nature (SBTs for Nature). These two documents clarify the role of companies in avoiding, reducing and restoring the impact of their business activities on nature, increasing the demand on companies to take initiatives and disclose information. As a company that relies on natural capital in our business, we developed a long-term roadmap in 2023 that recognizes nature and natural capital. Going forward, we will implement initiatives at each phase in accordance with the roadmap and we will gradually disclose information in line with the TNFD recommendations.

\*Taskforce on Nature-related Financial Disclosure  
\*Science Based Targets for Nature



### Addressing nature-related risks and opportunities

In 2023, we implemented Phase 1 (assess current status) with respect to water resources, which are essential to our business activities.

#### Water risk assessment

- Assessment indicators: Of the two Aqueduct water resource risk assessment indicators, Water Stress and Water Depletion, Toyo Tire Corporation uses Water Depletion to conduct its risk assessments because that is a more pertinent representation of the water resource situation in the basin.

$$\text{Water Depletion} = \frac{\text{Total water consumption in the basin}^{*4}}{\text{Volume of usable water in the basin}^{*5}}$$

\*4 Water consumption: The amount of water withdrawn that cannot be reused  
\*5 Volume of usable water = Volume of water resources in the basin – Volume of water consumption from the basin

- Assessed areas: 12 areas where the Group has manufacturing bases
- Assessment period: April 2023
- Assessment results: One high risk area in China (Zhucheng City). One medium-high risk area in Thailand. All the other areas were low risk.

#### Water risk targets and indicators

##### Targets:

- Reduce water withdrawal by 10% compared to 2023 levels by 2030 at our bases in China which have been assessed as high risk in terms of water depletion by Aqueduct.
- Manage factors affecting increases and decreases in water withdrawal and continue to assess risks.
- Enhance data collection on water discharge volume and quality and continue to assess risks.

#### Reducing water risks

The Group mainly uses municipal or other public and private water supply facilities as well as groundwater for our boiler equipment and parts processing facilities, the cooling of production parts, cooling towers and welfare facilities at our manufacturing bases. For water withdrawal and discharge, we are working on proper water-resource management throughout the Group using efforts such as improving equipment to reuse water as much as possible in each production process.

As a result of our efforts over a five-year period (2019–2023) to reduce water withdrawal at our bases in Japan by 10% compared to 2018 levels, we reduced our water withdrawal in 2023 by 19%, thereby achieving our target. Moving ahead, we will follow the long-term roadmap and continue working on our targets of reducing water withdrawals at high-risk sites as well as minimizing wastewater impacts. We will maintain appropriate water usage at major domestic and overseas bases other than high-risk bases by managing changes in water withdrawals per unit of production.

## Human Rights WEB

### Our policy

The Global Human Rights & Labor Policy introduced in January 2019 sets out our clear commitment that, as our business globalizes and our stakeholders diversify, the Toyo Tire Group strives to carry out its 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, contributing to creating an inclusive society.

We also engage with our suppliers to ensure that they understand our policy and encourage them to work with us to fulfill our common corporate responsibility to uphold human rights.

### Organizational responsibilities (April 2024)

The Corporate Headquarters takes the lead in driving activities and holding discussions relating to the promotion of human rights, as well as maintaining a robust system for preventing human rights violations in day-to-day operations. Human rights-related activities are subject to the Sustainability Committee's oversight through progress reporting, review and approval.

### Human rights due diligence

In 2023, we identified and assessed which human rights risks are relevant throughout all of our Group business activities and the supply chain, then went further to identify which risks are the most important for us to take action on. In order to ensure objectivity, this process was conducted with the help of external experts in business and human rights.

#### Identifying important risks

##### 1. Identifying human rights risks

We identified relevant human rights risks by surveying each of our division headquarters to understand the business characteristics that are linked to risks, and comparing these with risks considered inherent to our industry based on reports and recommendations of prominent international institutions and organizations, as well as actual cases of risk that have manifested within the industry.

##### 2. Assessing the significance of human rights risks

The identified relevant human rights risks were scored by severity (the level of harm should an incident occur) and likelihood (the ease of manifestation within the Group). The significance of each risk was then assessed, with more weight given to severity in accordance with the UN Guiding Principles on Business and Human Rights.

##### 3. Identifying important human rights risks

The relevant human rights risks were assessed according to the type of rights holders (those who have the human rights that are at risk of being adversely impacted), which led to identification of important risks.

#### Prevention & mitigation measures for Identified important risks

To prevent and mitigate these important risks, we will both continue and strengthen our existing measures while constructing and enhancing management schemes.

| Rights holders   | Important risks   | Prevention & mitigation measures   |
|--|---|--|
| Group employees, job applicants  | Lack of health & safety at workplaces                                 | Strengthen occupational health & safety management   |
|  | Forced/compulsory or child labor                                      | Discover any current forced/compulsory or child labor, build systems to eliminate  |
|  | Power harassment or discrimination                                    | Enhance training on preventing harassment and discrimination   |
|  | Discrimination against candidates in hiring interviews                | Review materials for employees in charge of interviews   |
| Manufacturing contractors, distributors  | Long working hours, excessively strenuous work                        | Strengthen efforts to secure necessary personnel and improve productivity  |
|  | Lack of workplace health & safety at manufacturing sites              | Accelerate efficient logistics initiatives (distributors)<br>Strengthen manufacturing contractor/distributor management scheme |
| Raw material suppliers   | Forced/compulsory or child labor at raw material production sites     | Enhance sustainable procurement<br>Strengthen raw material supplier management scheme  |
|  | Sales partners, consumers, indigenous and other local communities     | Indirect complicity in wars of aggression through sourcing of conflict minerals and other materials                            |
| Indirect complicity in conflict through sales practices                            |   | Strengthen sales partner management scheme   |
| Adverse impact on local communities through production or disposal of our products |   | Further improve wastewater management, noise control   |
|  | Infringement on consumer health and safety through defective products | Accelerate initiatives based on quality management system operation  |

#### Raising awareness of respect for human rights

We work continuously to raise awareness of the company's responsibility to respect human rights through e-learning sessions on our Corporate Code of Conduct as well as level-specific and other training. We also participate in human rights awareness activities at every region where our business sites are located, and strive to respect the human rights of everyone related to our business operations, including those at our suppliers and within the communities where we operate.

On Human Rights Day, the President of Toyo Tire Corporation sends a message to all Group employees, stressing the importance of having a foundation of deeply diverse talent to generate value through our business, and of demonstrating sincerity with all stakeholders.

### Grievance mechanism

The Toyo Tire Group has established an internal reporting system for all compliance issues, including human rights. When consulted or a report is received, we conduct an internal investigation as needed and take corrective action. There were no cases of human rights violations in 2023.

# Pursuing sound governance

- Challenge**
- Engage in corporate management that meets societal needs and has a lasting positive reputation for value
  - Instill a healthy corporate culture and business practices

- Initiatives**
- Deepening understanding of our corporate philosophy among executives and employees
  - Regular dialogue with shareholders and investors
  - Improving awareness of the Toyo Tire Group Charter of Corporate Behavior and Code of Conduct

## 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 seek to ensure the rights and equal treatment of shareholders and to appropriately cooperate and engage in dialogue with our other stakeholders. We strive to make appropriate information disclosure and ensure transparency to help achieve those aims. The Board of Directors is accountable to the Company's shareholders and, as such, strives to appropriately execute its roles and responsibilities in order to enhance profitability and capital efficiency and, by extension, achieve the Company's sustainable growth and increase corporate value over the medium to long term.

We practice the ideals set forth in our Company Philosophy, Mission, Vision, and Fundamental Values, which together make up our philosophy framework. In order to meet the expectations of our stakeholders and improve our corporate value, we seek to ensure management transparency and efficiency, work to maintain and build appropriate management systems, and endeavor to further strengthen our corporate governance, internal control systems, and compliance.

As part of our efforts to strengthen compliance, which we consider to be the essential element that embodies our philosophy, we established the Toyo Tire Group Charter of Corporate Behavior as a set of common principles to help all Group companies conduct sincere business activities. 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. The Charter of Corporate Behavior and the Code of Conduct are reviewed when appropriate and any necessary revisions are resolved upon by the Board of Directors.

### Governance structure

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 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.

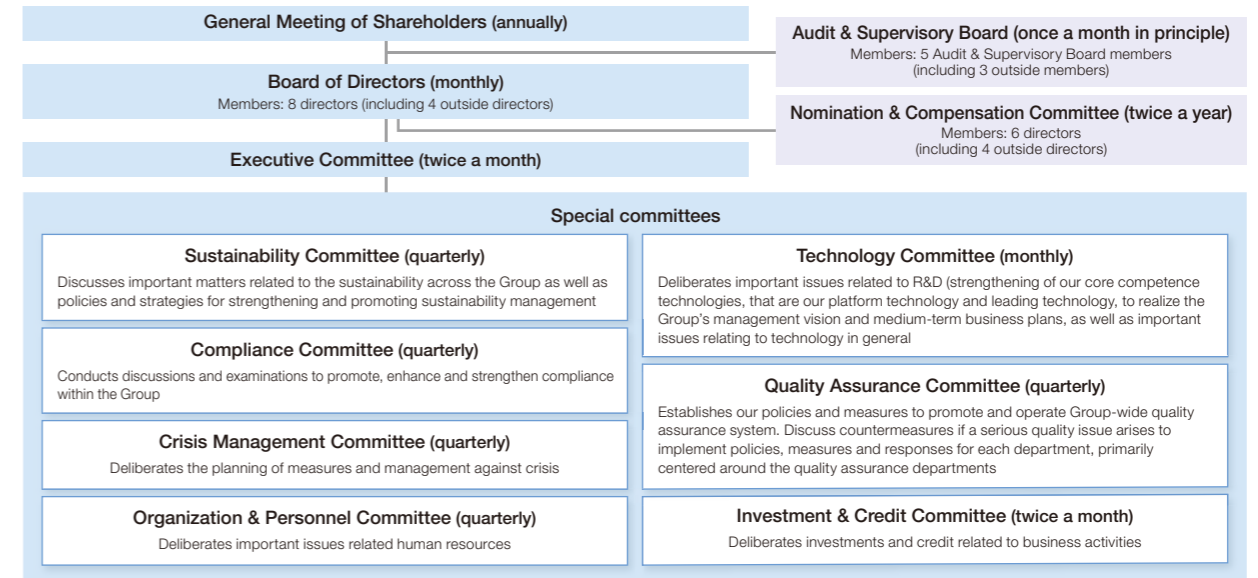
The Board of Directors meets, in principle, once a month to supervise the execution of duties by directors and decide important matters, including the appointment of the representative director and executive directors, determination of basic management policies, approval of important investment plans, determination or approval of the convening of general meetings of shareholders, agenda items to be presented and the proposals and documents to be submitted (including financial statements and supplementary statements) at the general meeting of

shareholders, and to hear reports on the status of business execution. Outside directors attend Board meetings, where they actively exchange opinions, and monitor and supervise management. The Board of Directors also receives regular reports on important management risks debated in the Executive Committee and the Sustainability Committee, supervises risk

management and assesses its effectiveness.

The Nomination & Compensation Committee, which acts as an advisory body to the Board of Directors, met twice in fiscal 2023 to discuss executive candidates, executive compensation policies, and the amount of executive compensation, and to give advice, recommendations, and reports to the Board of Directors.

### Governance structure (As of March 27, 2024)



### Governance overview

|  |   |  |   |   |  |
|--|---|--|---|---|--|
| <ul style="list-style-type: none"> <li>Organizational format</li> <li>Company with an Audit &amp; Supervisory Board</li> </ul> | <ul style="list-style-type: none"> <li>Directors <b>8</b></li> <li>(outside directors: <b>4</b>)</li> <li>(female directors: <b>1</b>)</li> </ul> | <ul style="list-style-type: none"> <li>Audit &amp; Supervisory Board members <b>5</b></li> <li>(outside members <b>3</b>)</li> </ul> | <ul style="list-style-type: none"> <li>Independent officers (including Audit &amp; Supervisory Board members) <b>7</b></li> </ul> | <ul style="list-style-type: none"> <li>Number of Board of Directors' meetings (FY2023) <b>17</b></li> </ul> | <ul style="list-style-type: none"> <li>Attendance of outside directors at Board meetings (FY2023) <b>100%</b></li> </ul> |
|--|---|--|---|---|--|

### Appropriate composition of Board of Directors

In our medium-term business plan, we have set the goal of bolstering our ability to flexibly respond to changes, and we are working to achieve this goal through the coordination of all our functions on a global scale. In our value creation processes too, we recognize that our strength lies in inter-functional collaboration in business processes, and plan to achieve outputs and outcomes through our business activities. We believe that the governance structure to achieve such outputs and outcomes requires members of the Board of Directors to have knowledge and experience of "corporate management," "finance and

accounting," and "legal and risk management." We have therefore positioned these areas of expertise as core qualities for ensuring the effectiveness of management oversight and decision-making functions. Moreover, in order to deepen discussions on growth strategies, we have worked to ensure that the Board of Directors is well balanced overall, by appointing one or more persons with expert knowledge and experience in the areas of "sales and marketing," "research and development," "manufacturing and quality assurance," "experience outside Japan," "digital transformation," and "sustainability."

→ See p.70 for details of skill matrix.

### Assessing the effectiveness of the Board

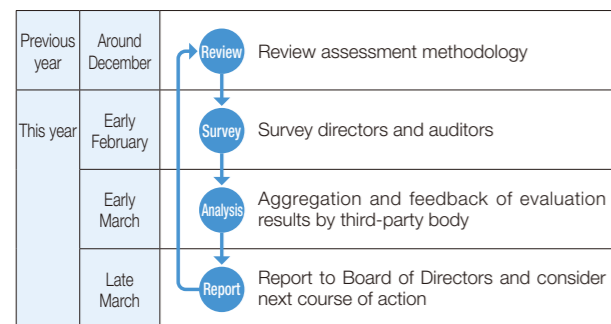
As part of our effort to promote sustainable growth and improve corporate value in the medium to long term, we have been conducting an annual analysis and assessment of the operation, composition and activities of the Board of Directors since 2017, with the aim of improving the Board's functionality. In order to ensure fairness, we use a third-party body to aggregate and evaluate survey results.

The main changes made this year are the assessment criteria. In previous years, the key focus areas were the composition and operation of the Board and the substantiveness of the discussions at Board meetings. This year, we have added questions related to sustainability, a new perspective required to ensure sound corporate governance.

**Overview of assessment**

|                      |  |                     |  |
|----------------------|--|---------------------|--|
| Assessment subject   | Self-assessment by directors and auditors, with third-party evaluation | Assessment criteria | <ul style="list-style-type: none"> <li>① Composition and operation of Board of Directors<br/>→ Board size, composition, operational status, quality of information provided, etc.</li> <li>② Management strategy &amp; management planning<br/>→ Discussions during the development stage, decision-making on strategic directions, level of contribution, etc.</li> <li>③ Risk management<br/>→ Oversight of management, sustainability actions based on risks and opportunities, etc.</li> <li>④ Overall assessment</li> </ul> |
| Methodology          | Questionnaire (18 questions)   |                     |  |
| Questionnaire design | Five-point scale scoring with comment field for each question          |                     |  |

**Assessment process**



**Overview of FY2023 assessment results and next course of action**

Most of the assessment results have been positive, and improvements have been made in areas where issues were raised in the last year, which suggest that the Board of Directors as a whole is functioning effectively. The third-party evaluation has also confirmed that our Board of Directors is functioning properly in general, and that it is structured in a way that assures effectiveness.

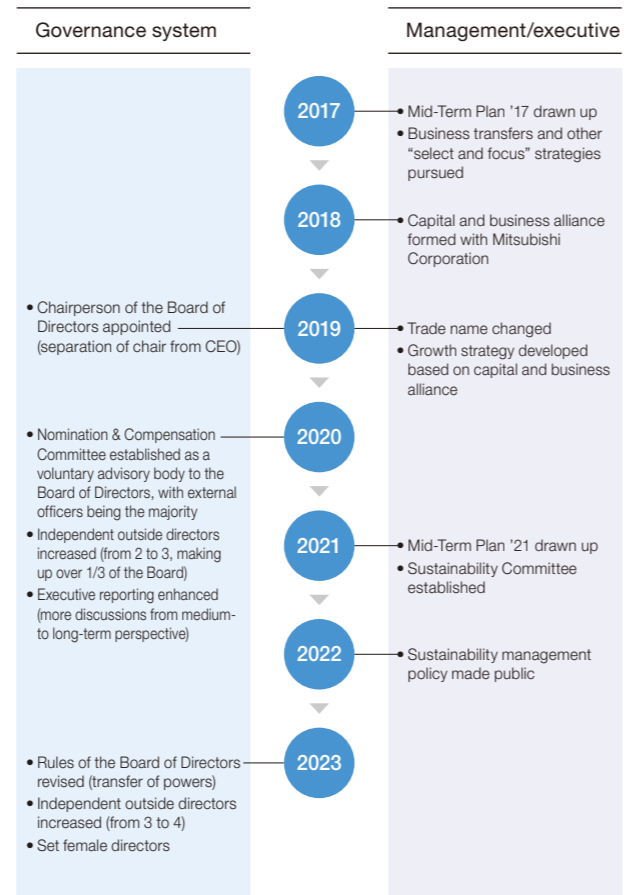
Among the assessment criteria, management supervision was once again highly evaluated. Since improvements have also been made to issues, we believe that the effectiveness of the Board of Directors as a whole has been ensured.

Improving the quality and timing of information provision to ensure time to review information before meetings is an ongoing issue. While we received positive feedback on the quality of the information we provide in response to the improvements we made to optimize the volume of information, we believe that further improvements are necessary, including further enhancements to information. With regard to the timing of information provision, although we make sure we distribute materials in advance, we will consider distributing materials even earlier and will review the mechanism we use to provide information, so that we can provide it as quickly as possible and ensure Board members have sufficient time to consider important matters before meetings.

With regard to the newly added questions on sustainability initiatives, our current initiatives and stance were positively evaluated, to some extent. However, we recognize the need to integrate initiatives for a number of topics into our business and instill them throughout the organization. We will expand opportunities for deliberation at Board meetings and consider appropriate responses while keeping a close eye on trends around the world.

**Progress in governance**

We have been strengthening our corporate governance system on an ongoing basis. We will continue reviewing our governance arrangements based on the results of the annual effectiveness assessments and take the necessary measures to improve the effectiveness 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. In 2023, senior executives engaged with investors through small meetings on 10 occasions (89 attendees from 82 institutions) and IR staff handled 348 interviews for shareholders and investors from 231 institutions.

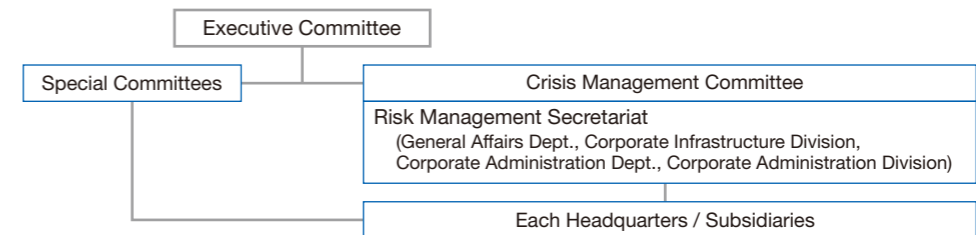
Our Shareholder Relations (SR) staff continues to engage in dialogue with shareholders, including institutional investors in Japan, focusing on topics such as our governance structure and sustainability initiatives. Opinions and requests obtained through such dialogue are promptly fed back to the company, leading to improvements, such as the enhancement of disclosed information.

**Company-wide risk management system**

**Our policy**

We will manage any risks that might affect the Group's business activities on a company-wide basis through our basic approach set out in the Risk Management Policy and Risk Management Rules. We will thus strive to promote sustainable growth, uphold our corporate value and fulfil our responsibilities to our stakeholders.

**Organizational responsibilities (April 2024)**



**Risk management initiatives**

The risks that are expected to have an impact on the Group's business activities are managed by the organization function or meeting body responsible for each risk. We recognize that, as the Group's business activities and supply chain expand globally, a wide variety of risks become more intricately linked and complex. For that reason, in 2023, we decided to restructure our company-wide risk management system to enable us to position risks that would have a significant impact on management if they were to occur or materialize as "significant risks," and prioritize the forming of concentrated and strategic measures to counter these risks.

For example, the Corporate Headquarters identifies risks associated with climate change and human rights risks in all our business activities, including our supply chain, and assesses their significance, formulates countermeasures in cooperation with relevant divisions and reports on such activities to the Sustainability Committee. The Crisis Management Committee, which oversees company-wide risk management, investigates and

confirms the effectiveness of the risk management activities conducted by various special committees and organizational functions within the Company, including any measures taken to counter the above-mentioned type of ESG risks, on a quarterly basis. The Crisis Management Committee regularly reports the results of its investigations to the Executive Committee and the Board of Directors.

Material risks will be reviewed when deemed necessary in light of changes in the external environment and the Group's business environment.

**Significant risks**

- Risk of wind, snow or water-related disaster
- Risk of earthquake, volcanic eruption or tsunami
- Risk of supply chain disruption
- Risk of information system failure
- Risk of infectious disease
- Risk of contingent liability related to product compensation
- Risk of changes in the consumer market
- Risk of changes in the competitive environment
- Risk of climate change
- Human rights risks in the supply chain

Compliance WEB

**Our policy**

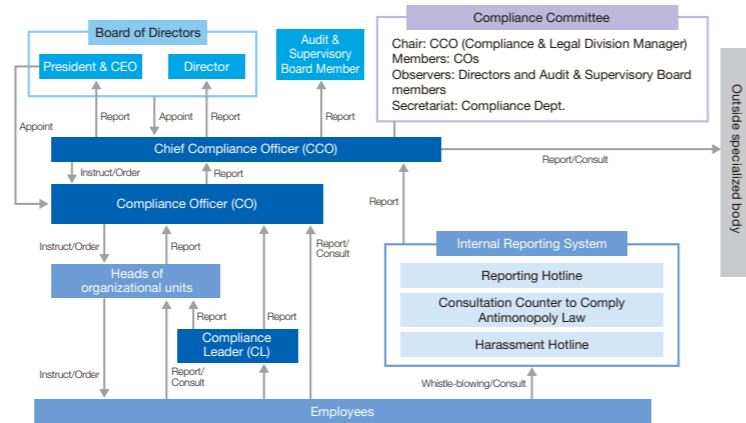
We ensure that all executives and employees within the Group prioritize compliance in their day-to-day operations.

**Organizational responsibilities**

We set up the Compliance Committee as one of the special committees under the jurisdiction of the Executive Committee to consult and investigate ways to promote compliance. The Chief Compliance Officer (CCO), compliance officers (CO) and compliance leaders (CL) play a key role in promoting compliance under our compliance officer system.

The Compliance Committee, chaired by the CCO appointed by the Board of Directors, meets quarterly in principle, and reports the results of its discussions twice a year to the Executive Committee, which is supervised by the Board of Directors. The status of activities to promote compliance is also reported to the Board of Directors as appropriate.

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



- CCO: Investigates, gives instructions and orders (including the suspension of operations and shipments, etc.) and makes suggestions on compliance matters for the entire Group
- CO: Investigates, gives instructions and orders (including suspension of operations and shipments, etc.) and makes suggestions on compliance matters in their department
- CL: Assists COs and reports to department managers and COs upon becoming aware of a compliance incident when promoting compliance activities in the workplace

**Instilling the Group Charter of Corporate Behavior and Code of Conduct**

We instill awareness in each and every Group employee and work to strengthen compliance by creating the Global Code of Conduct Handbook (available in ten languages: Japanese, English, Russian, German, Italian, Chinese, Thai, Malay, Portuguese and Serbian) as a guide for putting the Toyo Tire Group Charter of Corporate

Behavior and the Toyo Tire Group Code of Conduct in practice.

In Japan, we conduct read-along training sessions for all executives and employees, including Group companies, of the Code of Conduct Handbook or the Supplementary Reader with familiar and specific examples for manufacturing or sales sites. Upon completing the training, each participant submits a written pledge to promote compliance.

**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.

**2023 compliance awareness survey results**

|   |                               |
|---|-------------------------------|
| Response rate   | <b>89.9%</b><br>(2022: 89.4%) |
| Implementing activities to promote compliance   | <b>94%</b><br>(2022: 94%)     |
| Made one or more attempts to raise compliance awareness over the past year  | <b>94%</b><br>(2022: 94%)     |
| Degree of compliance awareness and understanding  | <b>89%</b><br>(2022: 88%)     |
| Understand what compliance means  | <b>89%</b><br>(2022: 88%)     |
| * Toyo Tire compliance: Instead of simply adhering to laws and regulations, we must comply with laws, regulations and internal rules, and be guided in our actions by a keen sense of ethics. |                               |
| Degree of embedding of compliance   | <b>94%</b><br>(2022: 94%)     |
| Remain conscious of compliance when conducting own work activities  | <b>94%</b><br>(2022: 94%)     |

**Whistleblowing system**

The Toyo Tire Group has been operating a whistleblowing system since 2006. As part of the system, we have established a hotline mechanism for employees to directly report or seek advice on compliance matters and other concerns that they fear could develop into a crisis event. The hotline can be accessed through multiple channels and accepts anonymous reporting from both inside and outside the company so that necessary information can be conveyed easily and smoothly to governance bodies. To detect and solve harassment incidents in the workplace at an early stage, we have set up harassment advice desks for employees and assigned counselors at each of our business sites in Japan. We have also set up a customer service center and web-based inquiry form for consumers, local communities, and other members of the general public.

Message from the Chairman



Board of Directors' role in adding a medium- to long-term perspective

Yasuhiro Yamada  
Chairman of the Board

The fiscal 2023 annual results far exceeded the initial plan, with both net sales and operating income hitting record highs. These results were the output of our value creation process, which was generated by our officers and employees following the right strategy and working to the best of their ability to implement it. The higher level of operating cash flow resulting from this achievement will generate future investments into the Company's growth and higher investor returns, and it is proof that our earning power is growing.

I define the Board of Directors as a body that oversees and advises the Company by applying the unique perspectives and abilities of its members and, ultimately, acts as a manager tasked with generating long-term value for shareholders and stakeholders to make the Company globally competitive. It often seems almost inevitable that companies, under pressures from the capital and consumer markets and faced with the need to meet the level of discipline as high as that required in the US and Europe, become obsessed with annual results. In order to avoid a myopic focus on short-term results in visible aspects, the Board of Directors is required to assume the role of being the force that guides the Company to create value from a medium- to long-term perspective. To fulfill this function, the Board must do more than simply taking the outward form required by the code. It must embody within it an intrinsic culture that can be formed only when it runs on two wheels working together: the quality of outside directors and their sense of responsibility on one side, and the commitment of the executive officers on the other.

All of our outside directors are unafraid to voice their opinions while respecting the sincerity of the executives' argument. The executives on the other hand have built a positive attitude, willing to take on board the comments and advice of outside directors and make further improvements. In other words, we are beginning to see cooperative dynamics emerge from uncompromising discussions and meaningful interactions between the outside directors and executives at board meetings. These meetings truly are our monthly sword fights. It may still be work in progress, but I can really see that our Board of Directors is beginning to develop a robust culture and am proud of this achievement.

In addition to agenda items to discuss, the Board of Directors has made executive reporting a regular feature, where members are able to share issues on the factory floor as well as ideas for

potential future technologies, and review plans and reasonings for launching value-added products in different markets. Business management and executive reporting also focus regularly on other themes around issues and policies that are important in the medium to long term, such as digital transformation, human rights and decarbonization. Our outside directors have a wealth of expert knowledge and experience in different fields and do not hesitate to offer substantial and constructive comments, providing deep insights and panoramic perspectives. It takes a considerable amount of energy for the executive members to face such questioning, but in terms of governance, this is a healthy exercise that prevents the Company's management from becoming complacent or oblivious to the common sense of the outside world.

In order to enable these uncompromising interactions to take place and suggestions and ideas gained from them to be incorporated into operations, the effectiveness of the Board of Directors must be guaranteed. Although the evaluation of board effectiveness tends to become all about improving indicator scores, I believe that the more important point is whether or not the management of the Company is based on identifying issues in board discussions and making improvements. It is only natural for an asymmetry of information to exist between outside directors and executive members. In order to enable discussions to take place on an equal footing, the executive side is working to fill the information gap and will proactively continue this effort and improve the quality of information.

The next year is the final year of Medium-Term '21 Plan. In order to raise our baseline performance level, it is important not to obsess over external factors, whether good or bad, and focus on how we manage internal challenges. In the meantime, the executives have already started reviewing and drafting the outline of the next medium-term plan. The Board of Directors will, as a manager that oversees and advises the Company and generates long-term value, also be involved in the development of the plan as a responsible manager with a good understanding of the Company's medium-term issues, advising on the appropriateness of policies, strategies and resource allocations as required. I will continue doing my best to improve the quality of the Company's governance in order to increase its corporate value.

## Messages from the Outside Directors



### Honest planning, strategic investment, and stubborn determination

Ken Morita

Outside Director

In fiscal 2023, we achieved the business plan with the highest profit ever, albeit, we must admit, with the help of some external factors. The purpose of a business plan is to set out a clear and unambiguous policy direction that shows what the company wants to be and to put forward the technology development, production capacity and sales strategy needed to achieve the vision while looking squarely at the company's actual ability. In our case, however, the correlation between the target figures and the actual ability seems rather tenuous, which means it is not very clear how we managed to achieve these figures.

A company blindly chasing numbers can lose sight of what truly matters as the social conditions change around it, so I hope that the next medium-term plan will include a more concrete set of figures based on a clear vision as well as a thorough analysis of the actual state of the Company, and that a business strategy will be developed to achieve those targets.

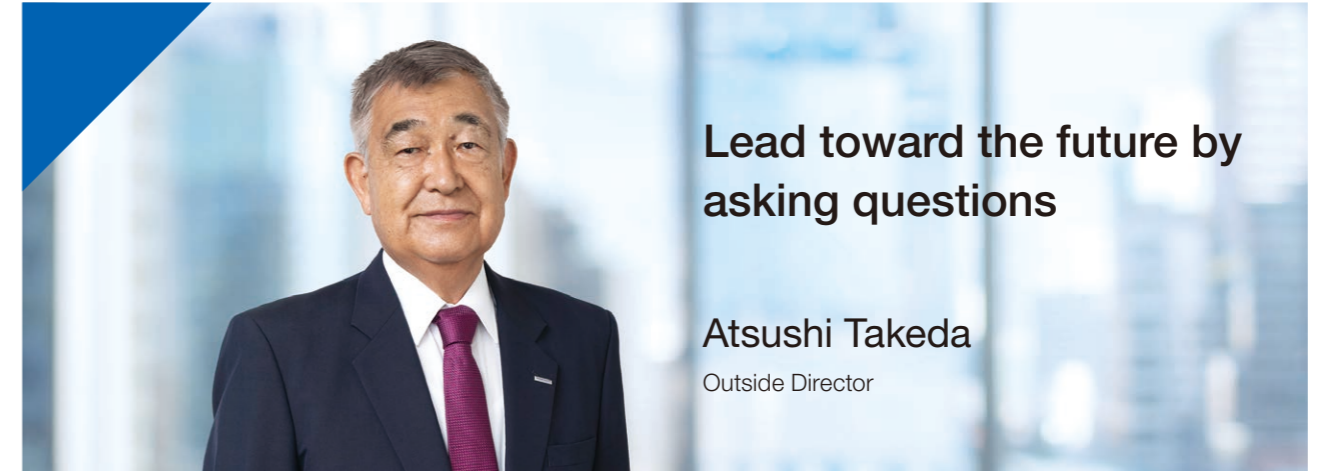
Firstly, a key consideration in technology development is the linking of elemental technologies to technologies for commercialization. For a manufacturer, everything starts from a medium- to long-term development road map that interlock the two together and a product strategy that makes the best use of the technological seeds we have.

The role of technology development is to contribute to the future of the company while addressing today's challenges. Those who are engaged in this mission must have a mindset that enables them to pursue the quest to the end. In the development of elemental technologies, in particular, it is not good to be too preoccupied with getting results in the individual tasks in front of you if that means you just give up when you fail. What the people working in development need is stubborn perseverance and the determination to keep trying no matter what. For the management, the most important thing is to allow the R&D teams to keep on dreaming, and this requires patience and commitment. It is often the case that a technology that does not seem immediately useful may still sow many seeds of other technologies in the development process. It is the companies that keep trying until these seeds grow, blossom and bear fruits that find new paths to success and win out. I believe that the conviction and commitment to see the process through will give the Company flexibility to respond to the future we are yet to see.

The same principle applies to production, where the key is to have a production plan based on the reality of the actual production capacity. Instead of simply using the estimated maximum plant capacity, the plan must take honest account of possible negative factors that may occur; otherwise, targets may be missed, and that can affect the morale of frontline workers. In manufacturing, every problem, from material supplies and facility maintenance to changeover losses and the number and standard of operators, translates straight to the output. Therefore, the most important prerequisite is to consider all risk factors and develop a production plan that allows sufficient leeway.

Another issue I would like to highlight is system development for digital transformation, to which the Company has been spending a considerable amount of money and time. As time goes by, however, approach to these things change, and so does the world in which we operate. Rather than aiming to create a perfect system at the first go, it may be necessary to accept a compromise and be willing to improve the system while using it. The key is to complete a system that is simple, uncomplicated and flexible without delay. One of the basic rules of management is not to waste resources such as time and money, and by following this rule and setting up a system quickly, the team will get a sense of achievement and be able to enjoy the result, which will energize the organization.

In everything from the core functions such as technology, production and sales to more novel requirements of our times such as digital transformation and ESG, it is critically important that the Company draws up implementation plans that are based on its management philosophy and vision and yet rooted firmly in reality, and choose where to invest the resources it has earned from a medium- to long-term perspective. I look forward to seeing the quality of the Company's management continue to improve.



### Lead toward the future by asking questions

Atsushi Takeda

Outside Director

Some say that the good fiscal 2023 results came with the help of favorable external factors, but my take is more positive; other than exchange gains, even those helpful factors such as material procurement costs and sea freight and other delivery costs were obtained through careful negotiations with our suppliers and were therefore the fruit of the Company's own efforts. Also, the marketing strategy that saw an expansion of channels in the North American market and increase in high value-added product sales contributed significantly to the results. These low-key but persistent efforts all added up to offset the increased start-up costs of the Serbia Factory and the unstable operations of the U.S. plant. I believe, therefore, that the best ever performance we have recorded in the Company's history has been won by the collective strength of the Company.

We have already achieved most of the Medium-Term '21 Plan's quantitative targets ahead of schedule, but slip-ups happen when the going looks easy. It is important to tighten our grip on the reins at this point.

I think the crucial period is from this summer until autumn 2025, when the Medium-Term '21 Plan reaches the end of the road. It is essential that the Sales Division in particular take a good look at the market conditions and review the overall product portfolio, including the lineup of models on offer and optimal pricing, and devise a marketing strategy that strikes a good overall balance.

Production sites also need to adjust their operations in response to fluctuating demands. The Serbia Factory is operating more stably now with better training on the factory floor, but many obstacles remain before it can start a vertical take-off toward full-scale operation. For the Sales Division, it is more important than ever to monitor the operating levels of production sites constantly and draw up sales policy and sales plans that take account of the supply and demand balance constantly. To do this, good communication throughout the value chain along the core functions of production, sales and R&D is essential. I would like to see the digital transformation system currently in development implemented and fully leveraged to enable the use of real-time information for this purpose.

Another key is to decide what leads our next medium-term business plan. What should be our goals in a tumultuous period

for the automotive industry as it goes through a major transformation? How should we be involved in the lifestyle changes that will come with the expansion and embedding of car sharing and autonomous driving, and the creation of new cityscapes and downtown revitalization they will bring? These are some of the questions we need to answer. For example, our sensing technology and airless tire technology may be able to address some of the challenges. For this to happen, the R&D Division needs to have a wider perspective that takes in possible future business models as it develops the seeds of new technologies and, most importantly, have a vision to match such seeds with societal needs. Think, for example, what sort of world is possible with our airless tire technology? How can we contribute to the society of the future through our core business? This way of thinking is what sustainability is about.

We changed our company name in 2019, which marked our transition from a rubber product manufacturer to a tire manufacturer. Depending on how we proceed, we may well need to explore new ways of contributing to society through our tire business. We may, if our future vision calls for it, also need to look to collaborating with other companies or partnering with the public sector or academia. In order to explore these possibilities, we need people who can rise above the daily demands of work, look at the big picture from a wider perspective and bring a fresh outlook to business concept development. In order to ensure future competitiveness, a good recruitment strategy is crucial.

Attracting talent is a challenge not only for us but for the whole manufacturing sector. I believe that the key is to communicate our way of working and our belief in what we do, not just attractive terms and conditions.

The Company's executive members and outside directors are engaging in highly active discussions at board meetings, skillfully facilitated by the chairperson, on a wide range of topics from immediate financial results to medium- to long-term issues. I am committed to playing my part in the sustainable growth of the Company through my role on the Board of Directors as well as by visiting the frontline workplaces that support our business operations.





## Build Your Own Foundation: A Critical Juncture

Michio Yoneda

Outside Director

I believe the record high corporate performance achieved in fiscal 2023 resulted from the steady establishment of efficiency-oriented measures stipulated in the Medium-Term '21 Plan, but it also undoubtedly benefited from what you might call tailwind assistance in the form of declining ocean freight rates and a depreciating Japanese currency. I would like to see the Company maintain and improve its earning power while continuously increasing resilience in the face of change so that it can still enjoy a steady increase in profits when any tailwinds turn into headwinds.

One essential factor here is a high degree of sensitivity to risk. Company-related risks are becoming increasingly diverse and frequent. In addition to geopolitical factors and climate change, the inherent dangers from cyber risks and other risk areas have grown rapidly more intense in recent years. The impact of these risks on companies operating on the global stage is immeasurable, so I think management needs to be conscious of these risks at all times and work hard to control them without ever taking their eyes off the ball. Having introduced a stronger risk management system, the Toyo Tire Group now needs not only to identify important risks in a timely manner, but also to analyze each risk in detail from multiple perspectives and determine how best to manage it. For instance, the Group's business strategy involves concentrating management resources in specific areas both in terms of products and geographical regions. That is one of the Group's strengths, but it comes with its own risks. Furthermore, certification issues have taken center stage in the manufacturing industry in Japan in recent years. The impact of reputational risk on a company's brand value can be enormous. Yes, it is important to manage any crisis that might arise when risks surface, but it is equally important for the entire organization, including the Board of Directors, to discuss ways of preventing those business risks and explore the best direction to be taken in terms of risk management.

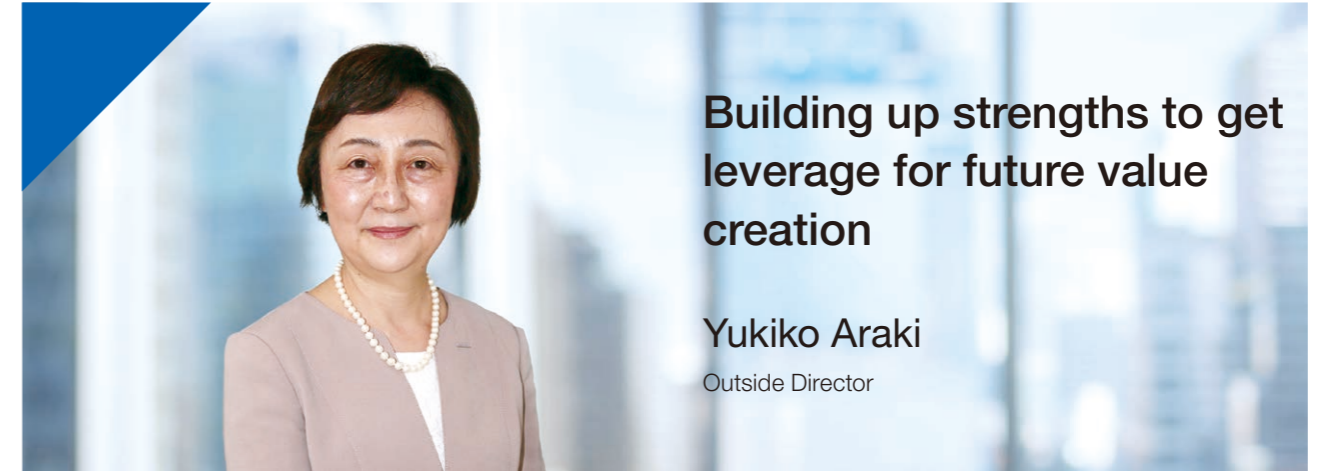
The current management challenge for the Group is to stabilize its two main production bases in the United States and Europe. Capacity utilization at the main U.S. plant needs to be improved. Full production systems are scheduled to be up and running at the Serbia Factory within the current business year. However, the plant needs to be able to respond more flexibly to

demand fluctuation due to various environmental changes by revising its enterprise resource planning (ERP) and organically linking business functions, such as production, sales, and inventory. In other words, it needs to promote data-driven management.

Digital technology is not a panacea and should not be treated as such. Before systemizing a business process, you have to take stock of the process itself. Don't rely too much on external experts, but do the business process reengineering (BPR) yourselves because you are the ones that understand your business the best. The Toyo Tire Group, like many other companies, have to deal with a lack of IT-savvy human resources. The Board of Directors must supervise the execution of digital transformation (DX) initiatives, including cost aspects, and decide for itself whether it is possible to build a particular system that incorporates the Group's policies and needs or not, rather than leaving it up to consulting companies and IT systems vendors.

Meanwhile, looking at the financial base, the Group has made some progress over the past few years on improving earning power, which is the main premise of the medium-term plan, and achieved a high level of return on equity (ROE). The capital adequacy ratio is currently sitting above 60%, which could be considered ideal, but the price to book value ratio (PBR) is lagging behind. The market is probably assessing the sustainability of these earnings and financial strengths. In that sense, the Group's commitment to effective growth investment and expansion of shareholder returns are important financial strategies.

Our debates in the Board of Directors have always been vigorous, and I feel that the Board's business execution capabilities have also improved. To further enhance the effectiveness of the Board, I believe it is necessary to stimulate even more debate of medium- to long-term issues and further strengthen the Board's supervisory function. I believe the role of an outside director is to serve as both a management supervisor and a catalyst for astute action. If we outside directors fulfill these designated roles, we can create effective chemical reactions that help propel Toyo Tire management to even greater heights and achievements.



## Building up strengths to get leverage for future value creation

Yukiko Araki

Outside Director

In 2023, a number of factors such as the weakening of yen and a drop in ocean freight rates helped to boost our profitability, but we can also attribute the positive results to the embedding of the management policy to actively pursue profits, which has enabled us to leverage our strengths. Although we are already building up profits in 2024, there are many uncertainties facing us in the external environment. In order to further bolster our strengths, we must differentiate ourselves against our competitors in key markets outside North America, and generate profits through business strategies that reflect the TOYO TIRE culture and identity.

In terms of production and supply, the key to supporting the business strategies will be how we utilize the Serbia Factory, which came into operation in 2022. In the tire business, which is our core business, production technologies are the critical foundation, which are so important that one might say that the tire business is a process industry. For this reason, I believe that it will become important for the Company to make production technologies more efficient and advanced so that more value can be added to products to meet the needs and expectations of different markets and to roll out the latest technologies available at the Serbia Factory strategically on a global scale. We will need to review our strategies for investing into production facilities and technological development toward the next medium-term plan.

We must also bear in mind that society is rightly calling on companies to make efforts to reduce the environmental impact of their business activities, and that we need to include a long-term perspective of environmental value creation in our decision-making. As the global competition heats up, however, some may view this from a short-term outlook and fear that actions and investments that look to the future may impact revenues negatively. Adverse factors such as the politically motivated backlash against ESG and, in the automotive industry, the slowing down of policies to accelerate EV adoption may also complicate medium-to-long-term management decision-making.

However, these factors do not change the medium-to-long-term trend that requires businesses to be responsible for and play an active role in the environmental conservation and climate action. It is important that we do not allow the vagaries of fashion to sway us, and instead run our business with a firm focus on the

big picture, always considering how we as a manufacturer create value for society through our products, services and technologies. Naturally, any environmental value we create will be underpinned by the unique added value we can offer such as the joy of driving and comfort. Technological development work is what secures our values and outlook as a company, and I feel that we can be much more open to the outside world about the work we do, not only regarding the current product development pipeline but also our diverse initiatives to sow and nurture the seeds of the future.

I would like to see the management team to present a clear vision of a sustainable mobility that the Company is trying to achieve, share this future vision across the workforce, and lead from the front on this journey. I strongly believe that employees will feel motivated and fulfilled if they can tangibly feel that the work they do make a positive contribution to society.

With a view to increasing corporate value, I would like to see the Company redouble its public relations efforts, proactively communicating to our broad range of external stakeholders on our visions, goals and day-to-day achievements. It is often said that Japanese companies in general, not just our Company, are poor at appealing to the outside world compared to companies in other countries, but the metrics by which stakeholders assess companies are changing. Good disclosure practices enable fair assessments and can also lead to opportunities to collaborate with companies from other industries as well as academic institutions that share the same vision and aspirations to create social value together.

As a director, I am committed to playing my part in the Company's growth and its endeavor to make a sustainable society a reality through its business.

# Directors, Audit & Supervisory Board Members and Corporate Officers

## Directors



Director, Chairman of the Board  
**Yasuhiro Yamada**  
 (Date of birth: April 8, 1958)  
 Number of shares of the Company held  
**5,073**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1983 Joined Mitsubishi Corporation
- Jun. 2007 Director, Hokuetsu Paper Mills, Ltd. (currently, Hokuetsu Corporation)
- Apr. 2013 General Manager, Paper & Packaging Dept., Mitsubishi Corporation
- Apr. 2015 Senior Vice President; Division COO, Living Essential Products Division, Mitsubishi Corporation
- Apr. 2018 Adviser (full-time), Toyo Tire Corporation
- Mar. 2019 Director, Chairman of the Board (current position)



Representative Director, President & CEO  
**Takashi Shimizu**  
 (Date of birth: April 2, 1961)  
 Number of shares of the Company held  
**32,192**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1985 Joined Toyo Tire Corporation
- Apr. 2010 President, Toyo Tire Holdings of Americas Inc.
- Jan. 2013 Division General Manager, Tire Planning Division, Toyo Tire Corporation
- Mar. 2014 Corporate Officer; Division General Manager, Tire Planning Division, Tire Business Group Headquarters; General Manager, Europe Business Unit
- Jul. 2015 Senior Corporate Officer; Division General Manager, Tire Planning Division, Tire Business Group Headquarters; General Manager, North America Business Unit
- Nov. 2015 Representative Director, President & CEO (current position)



Director, Corporate Officer  
**Tatsuo Mitsuata**  
 (Date of birth: December 13, 1964)  
 Number of shares of the Company held  
**14,062**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1988 Joined Toyo Tire Corporation
- Jan. 2012 President, Toyo Tire U.S.A. Corp.
- Jul. 2014 General Manager, Europe Business Unit, Tire Business Group Headquarters, Toyo Tire Corporation
- Jan. 2016 Corporate Officer; Division General Manager, Tire Planning Division, Tire Business Group Headquarters
- Jan. 2017 Corporate Officer; Vice President, North American Business Development Division
- Jan. 2019 Corporate Officer; Vice President, Sales Headquarters
- Mar. 2019 Director; Corporate Officer; Vice President, Sales Headquarters (current position)



Director, Corporate Officer  
**Satoru Moriya**  
 (Date of birth: December 23, 1965)  
 Number of shares of the Company held  
**10,843**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1989 Joined Toyo Tire Corporation
- Nov. 2014 General Manager, O.E. Tire Development Dept.
- Apr. 2015 General Manager, O.E. Tire Development Dept.; General Manager, O.E. Tire Technical Service Dept.
- Jan. 2017 Division General Manager, R&D Division No. 1
- Feb. 2018 Corporate Officer; Division General Manager, R&D Division No. 1, R&D Headquarters
- Jan. 2019 Corporate Officer; Division General Manager, Technology Development Division, R&D Headquarters; Division General Manager, Product Development Division
- Feb. 2020 Corporate Officer; Vice President, R&D Headquarters
- Mar. 2021 Director; Corporate Officer; Vice President, R&D Headquarters (current position)



Outside Director  
**Ken Morita**  
 (Date of birth: October 24, 1948)  
 Number of shares of the Company held  
**0**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1971 Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Holdings Corporation)
- Oct. 2000 Representative Director and President, Matsushita Plasma Display Co., Ltd.
- Apr. 2006 Senior Vice President, Panasonic AVC Networks Company (currently, Panasonic Connect Co., Ltd.), Matsushita Electric Industrial Co., Ltd.
- Jun. 2009 Representative Director and Senior Managing Executive Officer, Panasonic Corporation (currently, Panasonic Holdings Corporation)
- Jun. 2012 Adviser, Panasonic Corporation (currently, Panasonic Holdings Corporation)
- Nov. 2015 Outside Director, the Company (current position)



Outside Director  
**Atsushi Takeda**  
 (Date of birth: February 27, 1947)  
 Number of shares of the Company held  
**0**

### Career summary, positions, assignment and significant concurrent positions

- May 1970 Joined Nippon Steel Corporation
- Jun. 2002 Director, Nippon Steel Corporation
- Apr. 2006 President and Representative Director, Nippon Steel Coated Sheet Corporation
- Jun. 2014 Director and Advisor, Nippon Steel Coated Sheet Corporation
- Mar. 2016 Outside Director, Toyo Tire Corporation (current position)



Outside Director  
**Michio Yoneda**  
 (Date of birth: June 14, 1949)  
 Number of shares of the Company held  
**0**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1973 Joined Bank of Japan
  - Dec. 2003 President & CEO, Osaka Securities Exchange Co., Ltd. (currently, Osaka Exchange, Inc.)
  - Jan. 2013 Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc.
  - Dec. 2016 Special Advisor (part-time), Toyo Tire Corporation
  - Jun. 2018 Outside Director, Asahi Broadcasting Group Holdings Corporation (current position)
  - Jun. 2018 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (current position)
  - Mar. 2020 Outside Director, Toyo Tire Corporation (current position)
- Significant concurrent positions**  
 Outside Director, Asahi Broadcasting Group Holdings Corporation; Outside Corporate Auditor, Sumitomo Chemical Company, Limited



Outside Director  
**Yukiko Araki**  
 (Date of birth: December 13, 1960)  
 Number of shares of the Company held  
**0**

### Career summary, positions, assignment and significant concurrent positions

- Apr. 1983 Joined Japan's Ministry of International Trade and Industry (currently, Ministry of Economy, Trade and Industry)
  - Jul. 2006 Director, Tourism Economy and International Affairs Division, Policy Bureau of Japan's Ministry of Land, Infrastructure and Transport (currently, Ministry of Land, Infrastructure, Transport and Tourism)
  - Jul. 2008 Deputy Governor, Yamagata Prefecture
  - Dec. 2012 Joined Hitachi, Ltd.; General Manager, CSR Division, Legal and Communications Group; Member, Environmental Strategy Office
  - Apr. 2018 Corporate Officer; Executive General Manager, Sustainability Promotion Division, Government & External Relations Group, Hitachi, Ltd.
  - Dec. 2020 Outside Director, Fuji Pharma Co., Ltd. (current position)
  - Mar. 2021 Outside Director, Nakanishi Inc. (current position)
  - Mar. 2023 Outside Director, Toyo Tire Corporation (current position)
  - Jun. 2023 Outside Director, Hirose Electric Co., Ltd. (current position)
- Significant concurrent positions**  
 Outside Director, Fuji Pharma Co., Ltd.; Outside Director, Nakanishi Inc.; Outside Director, Hirose Electric Co., Ltd.

## Audit & Supervisory Board Members

|   |                   |
|---|-------------------|
| Standing Audit & Supervisory Board Member | Mitsunobu Kohno   |
| Standing Audit & Supervisory Board Member | Satoshi Takashina |
| Audit & Supervisory Board Member          | Tomoyuki Matsuba  |
| Audit & Supervisory Board Member          | Yasuhiro Kitao    |
| Audit & Supervisory Board Member          | Tsukasa Takahashi |

Tomoyuki Matsuba, Yasuhiro Kitao and Tsukasa Takahashi are outside auditors.

## Corporate Officers

|                             |                    |                   |                   |
|-----------------------------|--------------------|-------------------|-------------------|
| President & CEO             | Takashi Shimizu*   | Corporate Officer | Masami Miyamori   |
| Executive Corporate Officer | Tomoshige Mizutani | Corporate Officer | Yoji Imura        |
| Senior Corporate Officer    | Masayuki Kanai     | Corporate Officer | Kenta Kuribayashi |
| Corporate Officer           | Tatsuo Mitsuata*   | Corporate Officer | Yuji Miyazaki     |
| Corporate Officer           | Satoru Moriya*     | Corporate Officer | Tamotsu Mizutani  |
| Corporate Officer           | Kiyohito Hasumi    | Corporate Officer | Ichiro Shima      |
| Corporate Officer           | Hideaki Takahashi  | Corporate Officer | Junichi Uda       |
| Corporate Officer           | Hiroshi Nobuzawa   | Corporate Officer | Haruhiko Kitagawa |

\*Indicates post held concurrently with that of director

## Skill matrix

○ Major skill / ● Other skill

| Name            | Officer category                         | Outside | Area able to exhibit particular expertise |                     |                          |                                     |                        |                           |                          |                        |                | Nomination and Compensation Committee |
|-----------------|--|---------|---|---------------------|--------------------------|-------------------------------------|------------------------|---------------------------|--------------------------|------------------------|----------------|---------------------------------------|
|                 |  |         | Corporate management                      | Sales and marketing | Research and development | Manufacturing and quality assurance | Finance and accounting | Legal and risk management | Experience outside Japan | Digital transformation | Sustainability |                                       |
| Yasuhiro Yamada | Director, Chairman of the Board          |         | ○   | ●                   |                          |                                     |                        | ●                         | ○                        |                        |                | ●                                     |
| Takashi Shimizu | Representative Director, President & CEO |         | ○   | ○                   | ●                        | ●                                   | ○                      | ○                         | ○                        | ○                      | ○              | ●                                     |
| Tatsuo Mitsuata | Director, Corporate Officer              |         | ●   | ○                   |                          |                                     |                        |                           | ○                        | ●                      |                |                                       |
| Satoru Moriya   | Director, Corporate Officer              |         | ●   | ●                   | ○                        | ●                                   |                        |                           |                          | ●                      |                |                                       |
| Ken Morita      | Director                                 | ●       | ○   |                     | ●                        | ●                                   |                        |                           |                          |                        |                | ●                                     |
| Atsushi Takeda  | Director                                 | ●       | ○   | ●                   |                          |                                     |                        | ●                         |                          |                        |                | ●                                     |
| Michio Yoneda   | Director                                 | ●       | ○   |                     |                          |                                     |                        | ●                         | ●                        |                        |                | ●                                     |
| Yukiko Araki    | Director                                 | ●       | ●   |                     |                          |                                     |                        |                           |                          | ●                      | ○              | ●                                     |

## Financial Summary (11 years)

|  | FY2013   | FY2014   | FY2015   | FY2016   | FY2017   | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   | FY2023   |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Year-end consolidated financial position (millions of yen) |          |          |          |          |          |          |          |          |          |          |          |
| Net sales  | 370,218  | 393,782  | 407,789  | 381,635  | 404,999  | 393,220  | 377,457  | 343,764  | 393,647  | 497,213  | 552,825  |
| Gross profit   | 115,810  | 132,911  | 153,500  | 136,267  | 136,982  | 134,169  | 130,822  | 123,239  | 161,041  | 197,976  | 216,511  |
| Selling, general and administrative expenses               | 78,569   | 85,401   | 90,119   | 86,952   | 91,674   | 91,779   | 92,374   | 86,911   | 107,960  | 153,930  | 139,612  |
| Operating income   | 37,240   | 47,510   | 63,381   | 49,315   | 45,308   | 42,390   | 38,447   | 36,328   | 53,080   | 44,046   | 76,899   |
| Profit (loss) attributable to owners of parent             | 11,596   | 31,240   | 1,674    | (12,260) | 15,476   | 10,553   | 24,482   | 11,682   | 41,350   | 47,956   | 72,273   |
| Capital expenditure  | 28,999   | 40,711   | 48,338   | 23,930   | 22,381   | 29,722   | 42,633   | 26,967   | 37,766   | 47,303   | 34,102   |
| Depreciation and amortization                              | 19,511   | 21,858   | 24,828   | 24,856   | 25,538   | 25,795   | 25,162   | 21,005   | 21,468   | 26,748   | 30,772   |
| Net cash provided by (used in) operating activities        | 41,558   | 37,789   | 41,305   | 38,865   | 13,430   | 19,063   | 11,229   | 53,796   | 34,465   | 15,172   | 86,503   |
| Net cash provided by (used in) investing activities        | (22,504) | (30,122) | (46,009) | (13,785) | (10,633) | (28,428) | (38,271) | (27,856) | (37,538) | (16,712) | (14,661) |
| Net cash provided by (used in) financing activities        | (5,095)  | (12,680) | 19,051   | (31,317) | (13,513) | 12,829   | 20,732   | (12,638) | 11,697   | (16,231) | (62,894) |
| Year-end consolidated financial position (millions of yen) |          |          |          |          |          |          |          |          |          |          |          |
| Total assets   | 433,327  | 481,966  | 522,937  | 491,088  | 473,876  | 469,377  | 468,746  | 445,579  | 531,229  | 598,889  | 645,480  |
| Total liabilities  | 291,817  | 297,327  | 347,572  | 345,466  | 310,061  | 312,130  | 244,237  | 222,885  | 251,073  | 277,974  | 250,281  |
| Interest-bearing debt                                      | 129,849  | 131,780  | 162,035  | 132,930  | 119,963  | 137,327  | 118,545  | 110,578  | 128,784  | 135,436  | 102,714  |
| Net assets   | 141,510  | 184,638  | 175,364  | 145,621  | 163,815  | 157,251  | 224,509  | 222,694  | 280,155  | 320,915  | 395,199  |
| Non-controlling interests                                  | 3,793    | 4,062    | 3,513    | 4,043    | 4,735    | 4,511    | 1,747    | 1,918    | 201      | 231      | –        |
| Equity capital   | 137,716  | 180,576  | 171,851  | 141,578  | 159,079  | 152,739  | 222,761  | 220,776  | 279,954  | 320,683  | 395,199  |
| Data per share (yen)                                       |          |          |          |          |          |          |          |          |          |          |          |
| Earnings per share (EPS)                                   | 45.65    | 245.97   | 13.19    | (96.54)  | 121.87   | 83.11    | 161.41   | 75.89    | 268.62   | 311.51   | 469.42   |
| Cash dividends per share (annual)                          | 12       | 45       | 45       | 45       | 45       | 45       | 45       | 45       | 76       | 80       | 100      |
| Net assets per share (BPS)                                 | 542.15   | 1,421.84 | 1,353.19 | 1,114.82 | 1,252.66 | 1,202.75 | 1,447.23 | 1,434.23 | 1,818.60 | 2,083.00 | 2,566.76 |
| Financial ratio (%)  |          |          |          |          |          |          |          |          |          |          |          |
| Operating income margin                                    | 10.06    | 12.07    | 15.54    | 12.92    | 11.19    | 10.78    | 10.19    | 10.57    | 13.48    | 8.86     | 13.91    |
| Gross profit margin  | 31.28    | 33.75    | 37.64    | 35.71    | 33.82    | 34.12    | 34.66    | 35.85    | 40.91    | 39.82    | 39.16    |
| Selling, general and administrative expenses margin (%)    | 21.22    | 21.69    | 22.10    | 22.78    | 22.64    | 23.34    | 24.47    | 25.28    | 27.43    | 30.96    | 25.25    |
| Return on equity (ROE) (%)                                 | 9.60     | 19.63    | 0.95     | (7.82)   | 10.30    | 6.77     | 13.04    | 5.27     | 16.52    | 15.97    | 20.19    |
| Return on assets (ROA) (%)                                 | 9.72     | 10.17    | 11.31    | 8.70     | 8.33     | 8.14     | 7.81     | 6.76     | 11.45    | 9.03     | 13.83    |
| Capital ratio  | 31.78    | 37.47    | 32.86    | 28.83    | 33.57    | 32.54    | 47.52    | 49.55    | 52.70    | 53.55    | 61.23    |
| Debt / equity ratio (Times)                                | 0.94     | 0.73     | 0.94     | 0.94     | 0.75     | 0.90     | 0.53     | 0.50     | 0.46     | 0.42     | 0.26     |
| Payout ratio   | 26.29    | 18.29    | 341.26   | –        | 36.92    | 54.15    | 27.88    | 59.30    | 28.29    | 25.68    | 21.30    |

## Consolidated Balance Sheets

Millions of yen

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| <b>Assets</b>                              |   |  |
| Current assets                             |   |  |
| Cash and deposits                          | 41,601  | 52,879   |
| Notes and accounts receivable – trade      | 109,468   | 107,794  |
| Merchandise and finished goods             | 78,315  | 77,465   |
| Work in process                            | 5,091   | 5,060  |
| Raw materials and supplies                 | 29,477  | 24,536   |
| Other                                      | 25,952  | 31,504   |
| Allowance for doubtful accounts            | (328)   | (269)  |
| <b>Total current assets</b>                | <b>289,579</b>                                    | <b>298,972</b>                                   |
| Fixed assets                               |   |  |
| Property, plant and equipment              |   |  |
| Buildings and structures                   | 140,461   | 150,674  |
| Accumulated depreciation                   | (58,960)  | (63,878)   |
| Buildings and structures, net              | 81,501  | 86,796   |
| Machinery, equipment and vehicles          | 380,917   | 407,350  |
| Accumulated depreciation                   | (264,069)   | (280,329)  |
| Machinery, equipment and vehicles, net     | 116,847   | 127,020  |
| Tools, furniture and fixtures              | 73,487  | 78,975   |
| Accumulated depreciation                   | (63,610)  | (65,417)   |
| Tools, furniture and fixtures, net         | 9,876   | 13,557   |
| Land                                       | 17,972  | 17,862   |
| Lease assets                               | 1,445   | 1,434  |
| Accumulated depreciation                   | (1,001)   | (938)  |
| Lease assets, net                          | 443   | 496  |
| Right-of-use assets                        | 13,256  | 30,694   |
| Accumulated depreciation                   | (5,273)   | (9,549)  |
| Right of use assets, net                   | 7,983   | 21,145   |
| Construction in progress                   | 30,426  | 19,911   |
| <b>Total property, plant and equipment</b> | <b>265,051</b>                                    | <b>286,790</b>                                   |
| Intangible assets                          |   |  |
| Software                                   | 8,144   | 15,515   |
| Other                                      | 384   | 287  |
| <b>Total intangible assets</b>             | <b>8,529</b>                                      | <b>15,802</b>                                    |
| Investments and other assets               |   |  |
| Investment securities                      | 27,204  | 17,750   |
| Long-term loans receivable                 | 142   | 118  |
| Retirement benefit asset                   | 1,993   | 10,936   |
| Deferred tax assets                        | 2,847   | 7,601  |
| Other                                      | 3,643   | 7,610  |
| Allowance for doubtful accounts            | (102)   | (102)  |
| <b>Total investments and other assets</b>  | <b>35,729</b>                                     | <b>43,915</b>                                    |
| <b>Total fixed assets</b>                  | <b>309,310</b>                                    | <b>346,508</b>                                   |
| <b>Total assets</b>                        | <b>598,889</b>                                    | <b>645,480</b>                                   |

Millions of yen

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| <b>Liabilities</b>   |   |  |
| Current liabilities  |   |  |
| Notes and accounts payable – trade                               | 42,577  | 38,262   |
| Commercial papers  | 43,000  | –  |
| Short-term loans payable   | 24,780  | 11,653   |
| Accounts payable – other   | 31,225  | 32,527   |
| Income taxes payable   | 11,816  | 18,783   |
| Provision for directors' bonuses                                 | 110   | 85   |
| Provision for product compensation                               | 4,820   | 456  |
| Provision for loss on liquidation of subsidiaries and associates | –   | 1,997  |
| Other  | 32,716  | 39,055   |
| <b>Total current liabilities</b>                                 | <b>191,048</b>                                    | <b>142,822</b>                                   |
| Non-current liabilities  |   |  |
| Bonds payable  | 10,000  | 25,000   |
| Long-term loans payable  | 51,366  | 45,992   |
| Provision for directors' retirement benefits                     | 10  | 6  |
| Provision for environmental measures                             | 86  | 86   |
| Provision for product compensation                               | 1,380   | 928  |
| Provision for loss on litigation                                 | 1,340   | 1,432  |
| Retirement benefit liability                                     | 3,523   | 3,524  |
| Deferred tax liabilities   | 10,478  | 8,138  |
| Other  | 8,740   | 22,351   |
| <b>Total non-current liabilities</b>                             | <b>86,926</b>                                     | <b>107,459</b>                                   |
| <b>Total liabilities</b>   | <b>277,974</b>                                    | <b>250,281</b>                                   |
| <b>Net assets</b>  |   |  |
| Shareholders' equity   |   |  |
| Common stock   | 55,935  | 55,935   |
| Capital surplus  | 54,341  | 54,197   |
| Retained earnings  | 159,837   | 221,333  |
| Treasury stock   | (132)   | (120)  |
| <b>Total shareholders' equity</b>                                | <b>269,981</b>                                    | <b>331,344</b>                                   |
| Accumulated other comprehensive income                           |   |  |
| Valuation difference on available-for-sale securities            | 12,743  | 6,812  |
| Deferred gains or losses on hedges                               | 58  | 103  |
| Foreign currency translation adjustments                         | 32,359  | 45,170   |
| Remeasurements of defined benefit plans                          | 5,541   | 11,767   |
| <b>Total accumulated other comprehensive income</b>              | <b>50,702</b>                                     | <b>63,854</b>                                    |
| Non-controlling interests  | 231   | –  |
| <b>Total net assets</b>  | <b>320,915</b>                                    | <b>395,199</b>                                   |
| <b>Total liabilities and net assets</b>                          | <b>598,889</b>                                    | <b>645,480</b>                                   |

## Consolidated Statements of Income

Millions of yen

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Net sales   | 497,213  | 552,825   |
| Cost of sales   | 299,237  | 336,314   |
| Gross profit  | 197,976  | 216,511   |
| Selling, general and administrative expenses          | 153,930  | 139,612   |
| Operating income                                      | 44,046   | 76,899  |
| Non-operating income                                  |  |   |
| Interest income                                       | 523  | 883   |
| Dividends income                                      | 1,084  | 868   |
| Foreign exchange gains                                | 7,736  | 8,620   |
| Equity in earnings of affiliates                      | 199  | –   |
| Other   | 1,741  | 1,866   |
| Total non-operating income                            | 11,286   | 12,239  |
| Non-operating expenses                                |  |   |
| Interest expenses                                     | 1,278  | 1,068   |
| Loss in earnings of affiliates                        | –  | 30  |
| Other   | 3,018  | 1,991   |
| Total non-operating expenses                          | 4,297  | 3,090   |
| Ordinary income                                       | 51,035   | 86,047  |
| Extraordinary income                                  |  |   |
| Gain on sale of non-current assets                    | 299  | –   |
| Gain on sale of investment securities                 | 18,252   | 15,106  |
| Gain on sale of shares of subsidiaries and associates | 32   | –   |
| Total extraordinary income                            | 18,583   | 15,106  |
| Extraordinary losses                                  |  |   |
| Loss on retirement of non-current assets              | 395  | 620   |
| Loss on sale of investment securities                 | 7  | –   |
| Impairment losses                                     | 736  | 2,051   |
| Loss on liquidation of subsidiaries and associates    | –  | 2,166   |
| Loss on product compensation                          | 456  | 230   |
| Provision for loss on litigation                      | 1,340  | –   |
| Loss on COVID-19                                      | 58   | –   |
| Total extraordinary losses                            | 2,994  | 5,069   |
| Profit before income taxes                            | 66,624   | 96,084  |
| Income taxes - current                                | 20,452   | 31,292  |
| Income taxes - deferred                               | (1,783)  | (7,394)   |
| Total income taxes                                    | 18,668   | 23,898  |
| Profit  | 47,956   | 72,186  |
| Loss attributable to non-controlling interests        | 0  | (87)  |
| Profit attributable to owners of parent               | 47,956   | 72,273  |

## Consolidated Statements of Comprehensive Income

Millions of yen

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Profit  | 47,956   | 72,186  |
| Other comprehensive income  |  |   |
| Valuation difference on available-for-sale securities                               | (13,706)   | (5,930)   |
| Deferred gains or losses on hedges  | 75   | 45  |
| Foreign currency translation adjustment   | 20,912   | 12,706  |
| Remeasurements of defined benefit plans, net of tax                                 | (1,309)  | 6,226   |
| Share of other comprehensive income of associates accounted for using equity method |  |   |
| Total other comprehensive income  | 48   | 119   |
| Total other comprehensive income  | 6,020  | 13,166  |
| Comprehensive income  | 53,977   | 85,352  |
| (Comprehensive income attributable to)  |  |   |
| Owners of the parent  | 53,946   | 85,425  |
| Non-controlling interests   | 30   | (72)  |

## Consolidated Statements of Cash Flows

Millions of yen

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Cash flows from operating activities                         |  |   |
| Income before income taxes                                   | 66,624   | 96,084  |
| Depreciation and amortization                                | 26,748   | 30,772  |
| Increase (decrease) in retirement benefit liability          | (390)  | (4)   |
| Decrease (increase) in retirement benefit asset              | 4,476  | (151)   |
| Interest and dividend income                                 | (1,608)  | (1,752)   |
| Interest expenses  | 1,278  | 1,068   |
| Foreign exchange losses (gains)                              | (4,438)  | (5,998)   |
| Equity in losses (earnings) of affiliates                    | (199)  | 30  |
| Loss (gain) on sale of non-current assets                    | (299)  | –   |
| Loss (gain) on sale of investment securities                 | (18,245)   | (15,106)  |
| Loss (gain) on sale of shares of subsidiaries and associates | (32)   | –   |
| Loss on retirement of non-current assets                     | 395  | 620   |
| Impairment losses  | 736  | 2,051   |
| Loss on liquidation of subsidiaries and associates           | –  | 2,166   |
| Loss on product compensation                                 | 456  | 230   |
| Provision for loss on litigation                             | 1,340  | –   |
| Decrease (increase) in notes and accounts receivable-trade   | (17,887)   | 7,484   |
| Decrease (increase) in inventories                           | (23,794)   | 11,909  |
| Increase (decrease) in notes and accounts payable-trade      | 7,573  | (4,999)   |
| Other, net   | (9,172)  | (10,141)  |
| Subtotal   | 33,563   | 114,265   |
| Interest and dividends income received                       | 1,528  | 1,820   |
| Interest expense paid  | (1,292)  | (1,187)   |
| Payments of product compensation                             | (3,086)  | (4,705)   |
| Income taxes paid  | (16,067)   | (24,407)  |
| Income taxes refunded  | 527  | 717   |
| Net cash provided by (used in) operating activities          | 15,172   | 86,503  |

Millions of yen

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Cash flows from investing activities   |  |   |
| Purchase of property, plant and equipment  | (43,030)   | (22,664)  |
| Proceeds from sale of property, plant and equipment  | 6,135  | 119   |
| Purchase of intangible assets  | (3,360)  | (8,039)   |
| Purchase of investments in securities  | (16)   | (14)  |
| Proceeds from sale and redemption of investment securities   | 21,623   | 15,998  |
| Proceeds from sale of shares of subsidiaries and associates  | 86   | –   |
| Other, net   | 1,849  | (61)  |
| Net cash provided by (used in) investing activities  | (16,712)   | (14,661)  |
| Cash flows from financing activities   |  |   |
| Net increase (decrease) in short-term loans payable  | 7,159  | (4,401)   |
| Net increase (decrease) in commercial papers   | 16,000   | (43,000)  |
| Proceeds from long-term debt   | 10,400   | 400   |
| Payments of long-term debt   | (32,562)   | (15,905)  |
| Purchase of repayment of lease obligations   | (4,023)  | (3,926)   |
| Proceeds from issuance of bonds  | –  | 15,000  |
| Cash dividends paid  | (13,228)   | (10,768)  |
| Payments from changes in investments in capital of subsidiaries that do not result in change in scope of consolidation | –  | (313)   |
| Other, net   | 22   | 22  |
| Net cash provided by (used in) financing activities  | (16,231)   | (62,894)  |
| Effect of exchange rate on cash and cash equivalents   | 5,779  | 2,249   |
| Net increase (decrease) in cash and cash equivalents   | (11,992)   | 11,197  |
| Cash and cash equivalents at beginning of the year   | 53,592   | 41,600  |
| Cash and cash equivalents at end of the year   | 41,600   | 52,798  |

## Investor Information

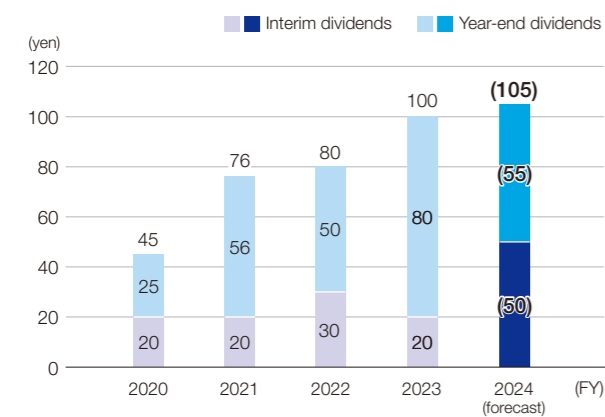
### Stock information (As of December 31, 2023)

|  |  |
|--|--|
| Total number of issued shares:   | 154,111,029                                  |
| Number of shareholders:  | 28,225                                       |
| Stock exchange listing:  | Tokyo Stock Exchange                         |
| Shareholder register administrator and account management institution for special account: | Mitsubishi UFJ Trust and Banking Corporation |
| Independent auditor:   | KPMG AZSA LLC                                |
| Fiscal year:   | January 1 – December 31                      |
| Annual general meeting of shareholders:  | March  |

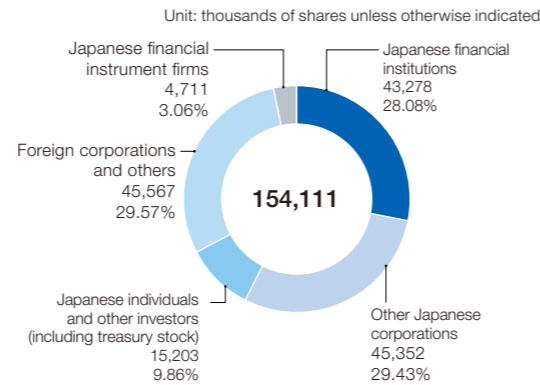
| Shareholder  | Number of shares held (thousand shares) | Shareholding ratio (%) |
|--|---|------------------------|
| Mitsubishi Corporation                               | 30,822                                  | 20.01                  |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 22,745                                  | 14.77                  |
| Custody Bank of Japan, Ltd. (Trust Account)          | 10,600                                  | 6.88                   |
| Bridgestone Corporation                              | 5,000                                   | 3.24                   |
| Toyota Motor Corporation                             | 4,774                                   | 3.10                   |
| JP MORGAN CHASE BANK 385632                          | 4,748                                   | 3.08                   |
| CEP LUX—ORBIS SICAV                                  | 3,446                                   | 2.23                   |
| STATE STREET BANK AND TRUST COMPANY 505223           | 2,928                                   | 1.90                   |
| BBH (LUX) FOR FIDELITY FUNDS—JAPAN ADVANTAGE POOL    | 1,947                                   | 1.26                   |
| THE BANK OF NEW YORK MELLON 140044                   | 1,879                                   | 1.22                   |

\*The shareholding ratio is calculated excluding treasury stock (142,724 shares).

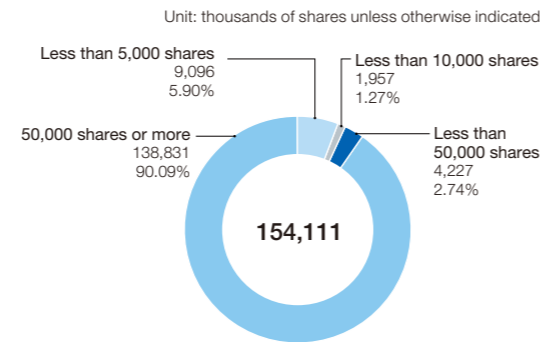
### Changes in dividends per share



### Breakdown by shareholder type

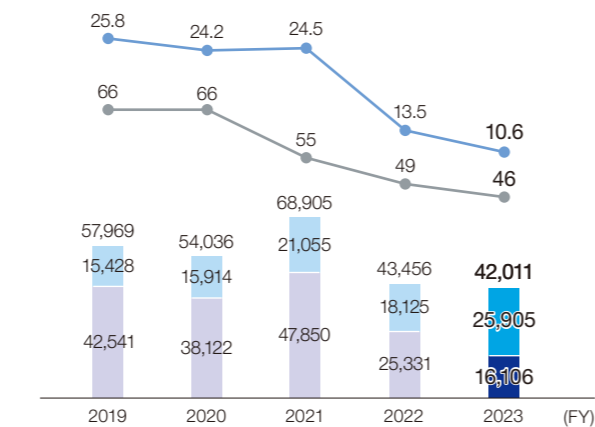


### Breakdown by number of shares held



### Changes (Reduction) of Strategic shareholdings

Balance sheet amount (Millions of yen)  
 ■ Listed, unlisted ■ Deemed shareholdings  
 ● Percentage of consolidated net assets (including deemed shareholdings) (%)  
 ● Number of issues (Security titles)



| Category                               | 2019                   | 2020   | 2021   | 2022   | 2023   |        |
|--|------------------------|--------|--------|--------|--------|--------|
| Number of issues (Security titles)     | Listed                 | 28     | 28     | 18     | 13     | 12     |
|  | Unlisted               | 38     | 38     | 37     | 36     | 34     |
|  | Total                  | 66     | 66     | 55     | 49     | 46     |
| Balance sheet amount (Millions of yen) | ① Listed               | 42,187 | 37,770 | 47,499 | 24,983 | 15,764 |
|  | ② Unlisted             | 354    | 352    | 350    | 347    | 342    |
|  | ③ Deemed shareholdings | 15,428 | 15,914 | 21,055 | 18,125 | 25,905 |
| Percentage of consolidated net assets  | ①+②                    | 18.9%  | 17.1%  | 17.0%  | 7.8%   | 4.1%   |
|  | ①+②+③                  | 25.8%  | 24.2%  | 24.5%  | 13.5%  | 10.6%  |

## Corporate Data

### Overview

|                     |  |
|---------------------|--|
| Trade name          | Toyo Tire Corporation  |
| Established         | August 1, 1945   |
| Paid-in capital     | 55,935 million yen   |
| Number of employees | 11,267 (consolidated, including temporary employees)<br>*As of December 31, 2023   |
| Headquarters        | 2-2-13 Fujinoki, Itami City, Hyogo 664-0847, Japan<br>Phone: +81-72-789-9100   |
| Plants              | Sendai Plant / Kuwana Plant, others  |
| Lines of business   | [Tire Business] Tires (for passenger vehicles, light trucks, trucks & buses)<br>[Automotive Parts Business] Automotive anti-vibration rubber |

### Network in Japan

| Office                            | Address   |
|-----------------------------------|---|
| Headquarters                      | 2-2-13 Fujinoki, Itami City, Hyogo 664-0847   |
| Tokyo Office                      | 19F Shinagawa Seaside Park Tower, 4-12-4 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002 |
| Nagoya Office                     | 3 Syogayama, Uchikoshi-cho, Miyoshi City, Aichi 470-0213                                |
| Hiroshima Office                  | 13-20 Hikari machi 1-chome, Higashi-Ku, Hiroshima City, Hiroshima 732-0052              |
| Sendai Plant                      | 3-5-1 Fukiage, Iwanuma City, Miyagi 989-2484  |
| Kuwana Plant                      | 2400 Oaza Nakagami, Toin-cho, Inabe-gun, Mie 511-0294                                   |
| Hyogo Manufacturing Complex       | 1183 Rokubuichi, Inami-cho, Kako-gun, Hyogo 675-1112                                    |
| Corporate Technology Center       | 3-10-1 Yato, Kawanishi, Hyogo 666-0131  |
| Tire Technical Center             | 2-2-13 Fujinoki, Itami City, Hyogo 664-0847   |
| Automotive Parts Technical Center | 3 Syogayama, Uchikoshi-cho, Miyoshi City, Aichi 470-0213                                |
| Miyazaki Tire Proving Ground      | 2318 Kawakita, Tsuno-cho, Koyu-gun, Miyazaki 889-1201                                   |
| Saroma Tire Proving Ground        | Nishitomi, Saroma-cho, Tokoro-gun, Hokkaido 093-0504                                    |

| Consolidated subsidiaries                   | Address   |
|---|---|
| Toyo Tire Japan Co., Ltd.                   | 2-2-13 Fujinoki, Itami City, Hyogo 664-0847                 |
| Toyo Tires Logistics Co., Ltd.              | 2-2-13 Fujinoki, Itami City, Hyogo 664-0847                 |
| Orient Machinery Co., Ltd.                  | 2-3-6 Fujinoki, Itami City, Hyogo 664-0847                  |
| Toyo Chemical Industrial Products Co., Ltd. | 1183 Rokubuichi, Inami-cho, Kako-gun, Hyogo 675-1112        |
| Fukushima Rubber Co., Ltd.                  | 28 Aza Domae, Miyashiro, Fukushima City, Fukushima 960-0116 |
| Ayabe Toyo Rubber Co., Ltd.                 | 115 Kuri-cho, Sawa, Ayabe City, Kyoto 623-0222              |
| Toyo Tire Refine Corporation                | 2-2-13 Fujinoki, Itami City, Hyogo 664-0847                 |

### Global network

| Consolidated subsidiaries                        | Country     |
|--|-------------|
| <b>North America</b>                             |             |
| TOYO TIRE HOLDINGS OF AMERICAS INC.              | U.S.A       |
| TOYO TIRE U. S. A. CORP.                         | U.S.A       |
| NITTO TIRE U. S. A. INC.                         | U.S.A       |
| TOYO TIRE NORTH AMERICA OE SALES LLC             | U.S.A       |
| TOYO TIRE NORTH AMERICA MANUFACTURING INC.       | U.S.A       |
| TOYO AUTOMOTIVE PARTS (USA), INC.                | U.S.A       |
| TMM (USA), INC.                                  | U.S.A       |
| TOYO TIRE CANADA INC.                            | Canada      |
| <b>Central &amp; South America</b>               |             |
| NT MEXICO S. DE R. L. DE C. V.                   | Mexico      |
| TOYO AUTOMOTIVE PARTS DE MEXICO, S. A. DE C. V.  | Mexico      |
| <b>Europe</b>                                    |             |
| TOYO TIRE HOLDINGS OF EUROPE GMBH                | Germany     |
| TOYO TIRE DEUTSCHLAND GMBH                       | Germany     |
| TOYO TYRE (UK) LTD.                              | U.K.        |
| TOYO TIRE BENELUX B. V.                          | Netherlands |
| TOYO TIRE ITALIA S. P. A.                        | Italy       |
| TOYO TIRE RUS LLC                                | Russia      |
| TOYO TIRE SERBIA D. O. O.                        | Serbia      |
| <b>Oceania</b>                                   |             |
| TOYO TYRE AUSTRALIA PTY LTD                      | Australia   |
| <b>Asia</b>                                      |             |
| SILVERSTONE BERHAD                               | Malaysia    |
| SILVERSTONE MARKETING SDN BHD                    | Malaysia    |
| SILVERSTONE POLYMER INDUSTRIES SDN BHD           | Malaysia    |
| TOYO TYRE MALAYSIA SDN BHD                       | Malaysia    |
| TOYO TYRE SALES AND MARKETING MALAYSIA SDN.BHD.  | Malaysia    |
| TOYO RUBBER CHEMICAL PRODUCTS (THAILAND) LIMITED | Thailand    |
| TOYO TIRE (THAILAND) CO., LTD.                   | Thailand    |
| TOYO TIRE (SHANGHAI) CO., LTD.                   | China       |
| TOYO TIRE ZHANGJIAGANG CO., LTD.                 | China       |
| TOYO TIRE (ZHUCHENG) CO., LTD.                   | China       |
| TOYO AUTOMOTIVE PARTS (GUANGZHOU) CO., LTD       | China       |