Value Creation Process

Our Mission

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

Inputs

Financial capital

- Total assets: **753.2**B yen (end FY2025)
- Strategic investment: **340.0**B yen (during the medium-term plan)

Manufactured capital

- Manufacturing equipment that generates high value-added products
- Number of production sites: **12** (Japan: 5, International: 7) (as of the end of FY2025)

Intellectual capital

- R&D expenditure: **90.0**B yen (during the medium-term plan)
- THiiiNK framework for materials, design, and simulation technologies
- Global R&D functions and technology platforms
- In-house evaluation equipment & analysis/analytical expertise

Human capital

- Human resource base centered on key talent to be intensively developed, such as management talent, DX talent, and highly specialized talent
- Number of consolidated employees: **10,702** (In Japan 5,567; Outside Japan 5,135) (end FY2025)

Social and relationship capital

- Brand power in the large-diameter tire arena
- Loyalty of earnest fans
- Solid customer base based on sustainable relationships
- Partnerships with external research organizations
- Trust-driven supplier relationship base

Natural capital

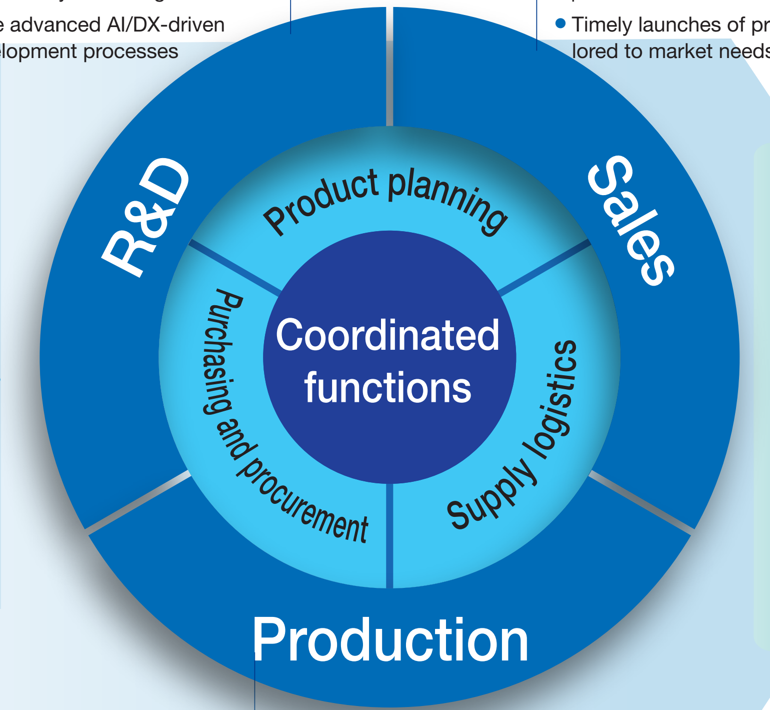
- Natural rubber and other raw material resources
- Energy and water resources that support production activities

Business processes

Medium-Term '26 Plan: Pursuit of decision-making speed and uniqueness that set us apart in the industry

Medium-Term '26 Plan
- High-level balance between functionality and design
- More advanced AI/DX-driven development processes

Medium-Term '26 Plan
- Fast product supply based on local production for local consumption model
- Timely launches of products tailored to market needs



Medium-Term '26 Plan
- Advancement of in-house manufacturing methods through equipment upgrades
- High-quality, efficient production using MES*1
- Optimal global supply

Creating Management Foundation to Support Sustainable Growth

Human resource base | Financial base | Digital transformation platform

Sustainability Policy

Enterprise risk management

Corporate governance

Our philosophy

Outputs

Outputs

Embodying manufacturing that contributes to social sustainability and products that bring joy to the people who use them

WLTR Enthusiastic support for honest craftsmanship
Global expansion from North America

UHP High-level basic performance
Global expansion from Europe

TBR Global expansion of reliable quality

- Working environments that support employee health, well-being, and engagement at work
- Lowering environmental impact through CO_2 emissions reduction
- Building a supply chain that ensures stable supply

Outcomes

Medium-Term '26 Plan

Consolidated operating income	120.0B yen
Consolidated operating income margin	18% or higher
ROE	13% or higher
ROIC	10% or higher
Dividend on equity	4.5%
Dividend payout ratio	30% or higher

Safety, peace of mind, and comfort

- Inbuilt safety performance that adapts to social and mobility changes

The ultimate enjoyment, excitement, and surprise of driving

- The satisfaction of enjoying the quality of life that mobility brings, the ultimate joy of connecting society through mobility

Mobility with reduced impact on the environment

- Helping achieve a carbon-neutral society through lifecycle product planning and development

2030 targets

Ratio of sustainable raw materials per products	40%
Reducing emissions Scope1, Scope2	Reduce 50% compared to 2019
Reducing emissions Scope3	Contribute to 20% reduction per tire against 2019
Sustainable supplier ratio*2	85% or above

Our Vision

(The vision of how we want our Company to be in order to keep our promise to society (=our mission))

*1 Manufacturing Execution System *2 As determined by Toyo Tire's supplier evaluation criteria

Medium-Term ’21 Plan Review

We pursued a five-year Medium-Term ’21 Plan from 2021 to 2025.
We have largely achieved the plan’s key performance indicator targets and strengthened our earnings base while swiftly and flexibly responding to changes in the external environment.

Medium-Term ’21 Plan vision

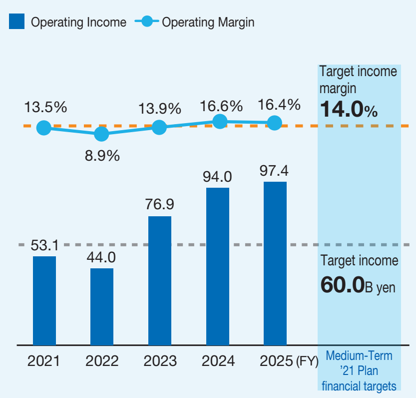
- Promote sales of priority products
- Achieve highly efficient production based on a local production for local consumption strategy
- Achieve high quality through process assurance that helps improve customer satisfaction
- Develop a “one-step ahead” management foundation that supports sustainable growth
- Focus on data-driven management that strives to achieve ultimate efficiency and profitability
- Strengthen three-pronged R&D framework, improve differentiated products
- Reduce distribution costs through centralized global supply and demand management

Achievement of key performance indicators

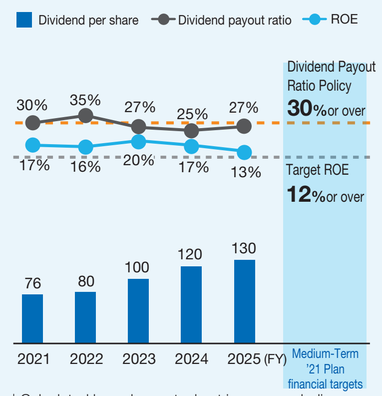
By focusing on the quality of our product mix in the market and steadily promoting sales of our priority product group centered on our unique, high value-added products, as well as capturing tailwinds from the external environment, we achieved our targets for operating income and operating income margin in fiscal 2025.

Furthermore, our efforts to promote management with a focus on improving capital efficiency helped achieve an average ROE of 16% over the five-year period, which was higher than targeted. In terms of shareholder returns, we set a target dividend payout ratio of 30% or higher, and we have also been using dividend on equity (DOE) as a guide to help steadily and consistently increase dividends.

Changes in operating income and operating margin

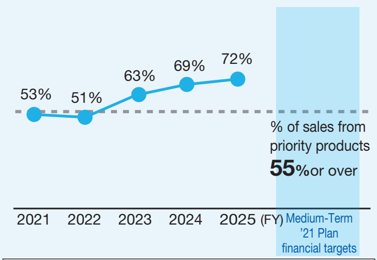


Dividends, dividend payout ratio* and ROE



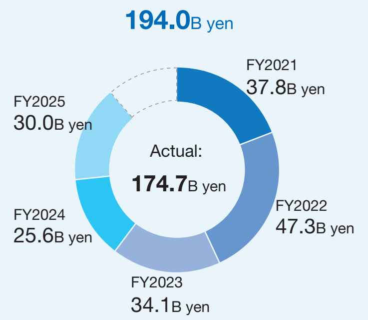
* Calculated based on actual net income excluding extraordinary gains/losses

Changes in percentage of sales from priority products



Priority products: Tire product categories that epitomize Toyo Tire’s strengths and that are vital for achieving our targets for operating income and operating income margin, such as new products, core products, and differentiated products

Capital investment



* The capital investment figure excludes right-of-use assets

Medium-Term ’21 Plan initiatives

R&D

Build a foundation for advancing our global technological competitiveness

Production

Create a globally balanced supply framework with the launch of our Serbia Plant

Sales

Expand contact with potential customers, enhance our unique presence in the market

Realize effective coordination among R&D, production and sales functions Establish a management platform to drive our growth strategies and enhance human resources

【Corporate】

2021

FY2020 results

Operating income:	36.3B yen
Operating income margin:	10.6%

Closed Silverstone Plant (Malaysia)

2022

U.S. Plant

Expanded U.S. Plant (5th term, 2nd phase)

U.S. sales market share: No.5

2023

Serbia Plant (new construction)

First Shipment from the Serbia Plant

Started production at Serbia Plant

2024

Closed U.S. factory for automotive parts

Automotive parts business turns an early profit

Focused on high value-added product sales
Achieved over 70% of Japan priority product sales ratio

2025

European sales bases consolidated in Serbia

Transferred stake in Chinese production subsidiary (deconsolidation)

Announced new THiiNK technological framework

FY2025 results

Operating income:	97.4B yen
Operating income margin:	16.4%

Medium-Term ’26 Plan

External Environment and Risks & Opportunities

Taking into account anticipated changes in the business environment over the five-year period of the Medium-Term ’26 Plan, we will identify the risks and opportunities that may affect our business, adapt to them, and create value for society through our unique products, services, and targeted initiatives.

External environment

Politics and economics

- Expansion of geopolitical risks
- Accelerated nationalism, decline of international cooperation
- Rising inflationary pressures primarily in the U.S. and Japan
- Increased fluctuations in resource and energy prices

Environment

- Uncertainty associated with environmental regulatory trends
- Progressing decarbonization
- Transition to a circular economy
- Growing interest in natural capital

Society

- Greater use of AI/IT (mobility-related data linking)
- Changing working population and composition
- Growing importance of human capital
- Upholding human rights in the supply chain
- Increasing demand for labor-saving measures and greater efficiencies in the logistics sector
- High quality- and safety-related demands

Opportunity

- Expanding market opportunities where environment-conscious technologies and design quality are highly valued
- Increase in low-emission vehicles in light of environmental and social issues in the logistics industry
- Demand for maintenance-free features in next-generation transportation services
- Continued popularity of SUVs and pickup trucks in the U.S.

Risk

- Uncertainty surrounding business operations due to geopolitical tensions
- Rising costs due to soaring renewable energy prices and purchase of carbon credits
- Increasing uncertainty surrounding prices of raw materials derived from fossil fuels
- Increased cost of establishing traceability systems
- Difficulty securing quality human capital in sufficient numbers
- Expanding demands to address environmental issues and human rights violations in the supply chain
- Rising costs associated with development of technical responses and quality control/assurance systems
- Increasing sophistication of cybersecurity measures

Regional demand trends in the mobility field

U.S.

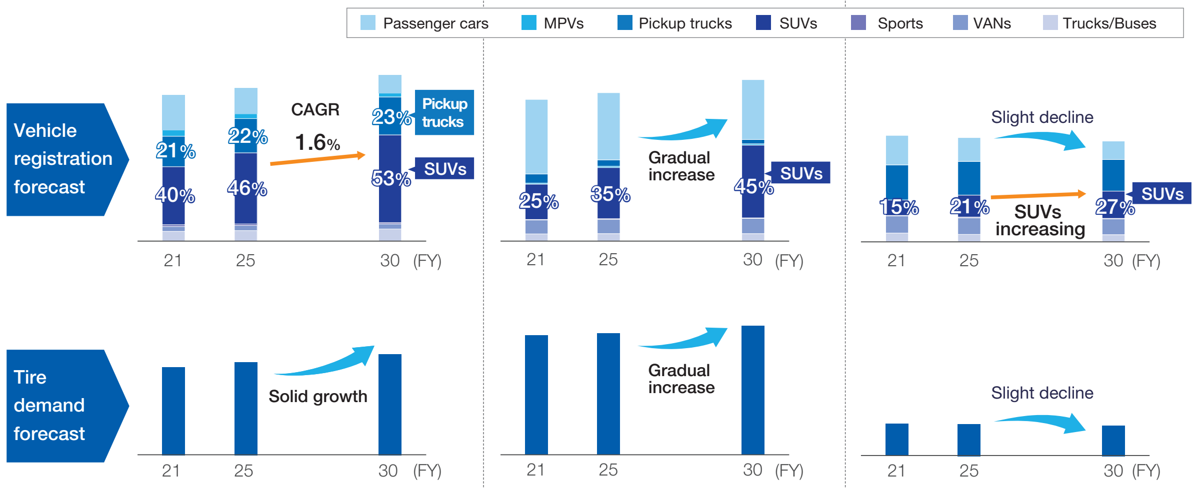
While overall automotive demand is expected to grow only moderately, demand for larger vehicles such as SUVs and pickup trucks is likely to show solid growth, representing a continued opportunity. At the same time, we need to pay close attention to changes in the competitive landscape.

Europe

While automotive demand is expected to grow gradually, demand for SUVs is particularly notable and represents an opportunity. At the same time, we need to respond to intensifying technological competition aimed at ensuring environmental compliance and improving overall vehicle performance.

Japan

The automotive market is moving toward a shrinking equilibrium with structural shifts in demand, such as population decline and young people's declining interest in cars, forcing companies to adapt. Within this environment, the accelerating popularity of SUVs is likely to be an opportunity.



In all regions, continued upsizing and growing SUV demand are expected, and against this backdrop, demand for high value-added tires is projected to grow. In the United States, demand for large SUVs and pickup trucks, as well as the wide light truck (WLTR) market, remains steady. In Europe, the ultra-high performance (UHP) market is expanding alongside continued upsizing. In Japan, structural shifts in demand driven by population decline are progressing, but growth in demand for high value-added tires is expected, reflecting a rising SUV ratio. At the same time, competition on both market and technological fronts is intensifying in each market, making it essential to strengthen competitiveness through improved product appeal and differentiation. Given our strengths in high value-added, distinctive segments such as off-road and luxury, we will capture opportunities in each market by enhancing the cost competitiveness of our manufacturing base and further honing our differentiated product appeal.

New Medium-Term Business Plan (Medium-Term’26 Plan)

Toyo Tire Corporation has formulated a new medium-term business plan, Medium-Term ’ 26 Plan, covering the five years from starting fiscal 2026. Even today, uncertainty is rising amid heightened geopolitical risks and prolonged inflation. Looking ahead, we believe it will be increasingly important to promote swift decision-making and steady strategy implementation over the next five years. With this in mind, we have adopted “the pursuit of decision-making speed and uniqueness that set us apart in the industry” as the slogan for the Medium-Term ’ 26 Plan.
By improving the speed and accuracy of our decision-making and strategically allocating management resources to areas where we can leverage our core strengths, we will build a competitive advantage for growth and continue working to enhance corporate value over the long term.

Management indicators

The selected management indicators emphasize a balance between growth potential, capital efficiency, and shareholder returns.

Profitability	
Build a robust earnings base	･Operating income: **120.0** billion yen ･Operating margin: **18**% or higher
Capital efficiency	
Optimize capital efficiency Reduce capital costs	･ROE: **13**% or higher ･ROIC: **10**% or higher
Shareholder returns	
Stable, progressive dividend payments Conduct share buybacks	･Dividend on equity: **4.5**% ･Dividend payout ratio: **30**% or higher ･Total share buybacks: **100.0** billion yen

Key sustainability indicators

The plan incorporates sustainability indicators that are linked to our business strategy.

Supply chain	
Promote responsible procurement	･Natural rubber traceability: **95**% or above (district level) ･Sustainable supplier ratio*: **85**% or above * As determined by Toyo Tire’s supplier evaluation criteria
Decarbonization	
Reduce GHG emissions throughout product lifecycle	･Scope1 & 2: Reduce by **50**% (compared to 2019) ･Scope 3: Contribute to a **20** reduction in emissions per tire (compared to 2019)

Growth strategy

With a long-term perspective looking beyond 2030, we aim to enhance our business portfolio and boost overall profitability.
The Medium-Term ’26 Plan positions the following business segments as the pillars of our business strategies to achieve this aim.

*1 Wide light truck tires
*2 Ultra-high-performance tires
*3 Tires for truck and bus radial
*4 The images are AI-generated conceptual illustration

Expand TBR*2 business

In the Truck and Bus Radial Tire (TBR) business, we will increase supply capacity while leveraging our strengths in durability and wear resistance to drive sales growth. By expanding the business scale, we will strengthen our earnings base.

New plant projects*4

Enhance WLTR*1 business

In the Wide Light Truck Tire (WLTR) business, we will work to strengthen our stable business base by expanding supply capacity while introducing products that combine designability and functional performance. We will expand sales primarily in the North American market, further solidifying our high profitability and strong presence in the WLTR category.

Renovate the U.S. Plant

Strengthen UHP*3 PROXES brand

In the PROXES brand, a leader in the Ultra High Performance (UHP) segment, we will accelerate the rollout of high-inch, high value-added products. We will work to enhance profitability and the brand’s value as a global flagship, thereby strengthening the competitiveness of our passenger car tire business as a whole.

Open the Serbia R&D center

Goals under Medium-Term ’26 Plan

Under our previous medium-term business plan, the Medium-Term ’21 Plan, we cultivated the ability to swiftly and flexibly adapt to change by coordinating all functions on a global scale while encouraging each functional organization to enhance its expertise. Even when our external environment changed more than anticipated at the time the plan was formulated, we were able to overcome each situation through close inter-functional collaboration and agile action. These experiences enabled us to strengthen our management structure into a leaner, more resilient one, and as a result, we concluded the plan with results that exceeded our targets.

Under the Medium-Term ’26 Plan, we have set “the pursuit of decision-making speed and uniqueness that set us apart in the industry” as the key goal.

The “speedy management” element refers to our ability to seamlessly carry the entire process, from decision-making, execution, revision, and adaptation, through to completion. To date, the Toyo Tire Group has made decisions based on frontline information and swiftly executed the resulting actions by coordinating production, sales, and R&D. Under the Medium-Term ’26 Plan, we will facilitate greater data standardization and visualization across functional organizations by leveraging digital transformation (DX), thereby enhancing the speed and accuracy of horizontal decision-making and further promoting speedy management.

The “uniqueness” element represents a profitability-enhancing business strategy that channels management resources into focused areas where we can fully demonstrate our particular strengths, rather than expanding the scale of our business by offering a full product lineup. In North America, Europe, and other regions, we intend to build a local production for local consumption business model that skillfully coordinates production, sales, and R&D. By accurately and promptly capturing market changes, we will promote investment in technological innovation and increased production capacity, thereby driving profit growth.

To translate these “speedy management” and “uniqueness” elements into an effective competitive advantage, we will invest in human capital to build a solid human resource base characterized by agility and specialized expertise.

Ultimately, we seek to turn change into growth opportunities and enhance corporate value by perfecting our strengths as the source of our competitive advantage and increasing the speed from decision-making to implementation.

Technical Strategy

New THiiiNK technological framework

Among the various technologies we have cultivated over many years, we have identified materials technology, simulation technology, and design technology as our core technologies, and have continued to refine them through product development. We have established a new technological framework called THiiiNK that closely links and integrates these three technology areas, which had previously been developed independently, into a unified system. We will leverage this new technological framework as the fundamental philosophy and core technological foundation for next-generation tire development.

Technological innovation surrounding next-generation mobility, including the growing adoption of EVs, advances in autonomous driving technology, and the progress of Software Defined Vehicle strategies*1, is currently accelerating. As a result, the performance and value required of tires are becoming increasingly sophisticated and diverse. In addition to further improving quietness, fuel efficiency, and wear resistance, there is also a growing need to develop, with both precision and speed, products that meet new functional requirements such as sensor integration and real-time data connectivity. THiiiNK is an approach that addresses these challenges by effectively utilizing high value-added data based on our platform technologies, thereby evolving the very nature of technical development.

*1 A strategy that controls and updates vehicle functions through software to enhance performance and offer new services

Materials technology

We use Nano Balance Technology*2 to promote advanced material design that combine material data collected over many years with materials informatics (MI)*3. Deriving the optimal material formulation based on targeted performance parameters helps minimize the time required for prototyping and verification, thereby achieving stable performance and reducing development hours.

*2 Toyo Tire's proprietary material design platform technology that analyzes, designs, and controls rubber materials at nano (molecular) level

*3 An approach that leverages AI and data analysis to predict material performance and streamline research and development

Design technology

To achieve a high level of both aesthetic appeal and functionality, we are introducing AI and digital transformation (DX) technologies based on our proprietary design technology cultivated ever since our founding. We seek to reduce trial and error and optimize product value by providing design support that simultaneously considers design concepts, required performance, and tire bench characteristics.

Simulation technology

By integrating our proprietary simulation platform technology with AI-driven design support technology, we have further advanced our tire development process. Linking design data with simulation data enhances the added value of that data, which can then be leveraged as training data for new analysis and prediction. In addition, the use of driving simulators that reflect vehicle conditions, road surfaces, and driving environments helps shorten the verification process and reduce lead time in product development.

Instead of optimizing these three technology areas individually, the THiiiNK approach connects the processes of product planning, design, prototyping, and evaluation across the board, seamlessly integrating the development process as a whole and simultaneously enhancing our technological capabilities and improving development efficiency.

By using this technological framework and data infrastructure as a common base for engineering thinking, our engineers can shorten development lead time by 50% and improve investment efficiency, thus promoting greater technological competitive advantage and value creation.

Collaboration among global R&D bases

The Toyo Tire Group has R&D bases in Japan, North America, and Europe, and we are enhancing our global R&D capabilities while also addressing technical issues related to specific regional market characteristics and usage environments. In Europe, with the aim of further strengthening our competitiveness, we are consolidating our R&D function in Serbia, where we already have production and sales functions, establishing a European structure with closely integrated technological capabilities.

Our R&D function in Serbia serves as a center for technical refinement that perfects material design and processing technologies through compliance with strict regulations and response to third-party evaluations. The sophisticated materials and processing technologies cultivated in Serbia are being deployed across R&D functions in both Japan and North America, and reflected in each region's product development processes. Through such tripartite R&D cooperation and knowledge-sharing across the globe, the Group seeks to strengthen its technological prowess on a globally integrated basis and improve development efficiency, and ultimately facilitate the continuous and rapid development and launch of high value-added products.

The Technical Center in Japan is responsible for overseeing and advancing the platform technologies underpinning the THiiiNK framework and serves as the Group's R&D hub, including talent development. We help enhance technological prowess and sustainable value creation by consolidating regionally developed technologies and expertise into a common stock of technology assets that can be systematically shared and expanded across the Company.

The R&D Center in North America, firmly rooted in the local market, leverages its market proximity to quickly develop products that reflect local customer needs and usage environments. The center evaluates and verifies technologies and products based on actual driving data to enhance technology implementation and accelerate product commercialization, while also helping to boost market competitiveness.

Developing high-value-added tires

Toyo Tire's high-value-added tire development revolves around three technology categories: wide light truck tires (WLTR), ultra-high performance tires (UHP), and truck and bus radial tires (TBR). We develop material technologies, structural designs, and evaluation and analysis technologies that are tailored to their respective usage environments and performance requirements.

The sharing and integration of this tailored technical and evaluation expertise across our global R&D bases is working to promote the adoption of universally applicable technologies and the consistent creation of high-value-added products.

For WLTR, we are pursuing more sophisticated structural designs with a focus on performance balance and uniformity in order to facilitate stable driving performance even in tough usage environments. We also ensure consistent basic performance, such as handling stability and wear life, by optimizing tire design and controlling quality variation. In terms of pattern design, we promote the development of high-value-added tires that balance performance and design by considering the aesthetic appeal of products that have already met their performance requirements.

For UHP tires, we are developing technologies that combine material, simulation, and processing technologies to satisfy increasingly sophisticated performance demands including handling and safety at high speeds. We also use analysis technology to improve the accuracy of rubber material design and structural design. We conduct multiple checks during the development phase including evaluations of actual vehicles and bench tests to ascertain whether the intended design performance is being achieved in practice. Promoting integrated materials development, analysis, and evaluation allows us to develop more advanced UHP technologies that offer both high performance and reliability.

Regarding TBR, leveraging our strength in structural design technology, we are advancing our design technology with a focus on durability and wear resistance to facilitate the consistent demonstration of required performance even under demanding usage conditions. We are working to improve overall tire performance balance by optimizing tire structure based on driving conditions and long driving periods.

Furthermore, we are elevating the quality and shape stability of the casing, which can withstand repeated use, to an even higher level. These efforts are helping enhance the reliability of our TBR technology for long-term use.

Nurturing technical talent

The Toyo Tire Group expects professionals who not only possess a deep understanding of fundamental tire engineering, materials, and structures, but who can also accurately grasp changes and challenges in the market environment and convert them into opportunities for sustainable growth, to play a key role in our R&D function. While the use of AI and digital transformation (DX) technologies is advancing, we believe it is important to train engineers not to accept generated results at face value but to develop a full understanding of any underlying principles or physical phenomena and form independent judgments.

We have a company-wide training system and generally train our young engineers on the job. We seek to improve specialized skills and transfer knowledge and expertise that can be hard to standardize or verbalize through the Toyo Tire educational curriculum (Tire Technology & Engineering Course: 20 lectures, approximately 180 hours). We promote technical exchanges across our tripartite global R&D framework, and our European R&D Center hires local engineers to incorporate diverse perspectives and cutting-edge technologies and integrate technical expertise. Meanwhile, we promote implementation of AI and DX technologies by encouraging staff, particularly in advanced technology divisions, to obtain doctorate degrees and proactively hiring and assigning staff with PhDs (current PhD holders: 14) to help accelerate the creation of next-generation technology by highly skilled personnel.

Through these initiatives, talent with a well-balanced combination of advanced knowledge and capabilities serves as a core foundation supporting the execution of our technical strategy.

Product Brand Strategy

We carry out product planning that enables differentiation in each market based on region-specific growth strategies, while also promoting the value of these products through brand-building and motorsports activities. We formulate a medium-term product plan and roll it over annually, strategically strengthening our product brands.
Through collaboration among our product planning, R&D, and sales functions, we translate our accumulated technical expertise and insight, together with market-focused product planning, into concrete products. This enables us to continuously deliver unique products tailored to each region and application, thereby enhancing our brand value.

Improving product functionality through motorsports activities

We position motorsports activities as an opportunity to refine our technical capabilities, enabling us to apply insights gained under extreme real-world driving conditions to product development.

In the off-road category, in order to hone the performance of our SUV and pickup truck tires, we provide our OPEN COUNTRY series tires (including racing models) to teams competing in some of the toughest races including the SCORE Baja 1000, where most of the course runs across deserts and only around a half of entrants finish, and the Dakar Rally, reputedly the most grueling off-road endurance rally in the world. The learnings from these competitive events are used to develop rubber composition and internal structure that ensure high durability on rough terrains, and design features and bead structures that minimize tire damage caused by impacts during high-speed driving.

In the on-road category, in order to hone the high dynamic performance required of ultra-high performance (UHP) tires, we compete in races at the Nürburgring in Germany, renowned as one of the world's most demanding race tracks, with vehicles fitted with special PROXES racing tires. With 300 meters of elevation change and more than 170 corners, the North Course of Nürburgring is renowned for its difficulty, and the lap times and performance quality achieved on this course are important indicators for assessing the ultimate performance of UHP tires. We use the data and insights gained through races under these arduous conditions to improve the handling, stability and durability of our products during high-intensity driving at high speed. These learnings from motorsports activities are also used in product development. An example of that is new materials developed and tuned through racing activities that have now been incorporated into commercial tires in stages.

Going forward, with the goal of competing in the top class of each race and achieving overall victories, we will focus on product development centered on wide light truck (WLTR) tires in the off-road category, working to deliver tires that combine high functionality with unique styling.

In the on-road category, we will further verify and refine our accumulated expertise at an even higher level, thereby enhancing the dynamic performance of our UHP tires and leveraging these achievements to increase our brand value and strengthen our market presence.

An off-road rally vehicle fitted with OPEN COUNTRY tires

A race vehicle fitted with PROXES tires competing at the Nürburgring

SUV and pickup truck tires

OPEN COUNTRY: Functionality and style converge

The wide light truck (WLTR) category of tires for SUVs and pickup trucks is an important business segment for us. WLTR tires must be able to perform under a range of different road surface conditions and use cases including off-road driving, while providing driving comfort and durability in on-road driving.

For the SUV and pickup truck tire market where WLTR is a key segment, our product offering centers around the OPEN COUNTRY brand. Originally launched in the North American market in 1983, OPEN COUNTRY is one of our longest-standing tire brands, which is rooted in off-road driving and custom car culture and has been supported by a loyal core fan base for many years. In North America, against the backdrop of the widespread popularity of SUVs and pickup trucks and users' growing appetite for vehicle customization, tires are valued not only for their driving performance but also for their design, which affects visual impression as a form of self-expression. The OPEN COUNTRY brand has earned strong support as a product that combines high durability and off-road performance in demanding conditions with a commitment to aggressive tread patterns and distinctive tire designs, thereby contributing to our company's sales growth and improved profitability.

Close collaboration among market research, product planning, R&D, and sales, which are rooted in the local market, underpins this product development. We maintain close communication with vehicle customization shops and dealers through local sales subsidiaries to gain a granular understanding of how drivers use their vehicles and what the prevailing tastes and latest customization trends are. The product planning teams take the lead in sharing this on-the-ground information with the R&D and sales functions so that it can be reflected in performance specifications and designs, ensuring that product planning is fully aligned with market needs.

We have continued expanding our product lineup to address the growing diversity of road surfaces, operating conditions and applications. In the Japanese market as well, following its relaunch in 2016, we have advanced tuning tailored to the unique characteristics of Japanese vehicle models and usage environments, along with size expansion, thereby building on the brand value cultivated in North America and earning strong support from an increasing number of users in the country.

OPEN COUNTRY A/T III

OPEN COUNTRY R/T

Ultra-high performance tires

PROXES: In pursuit of the next-level motion performance

The ultra-high performance (UHP) category of tires is designed for superb stability at high speeds, superior handling on both dry and wet surfaces and excellent braking performance. In recent years, UHP tires have also been expected to achieve a balance between comfort and environmental performance in everyday driving, such as quietness and fuel efficiency, in addition to their high dynamic performance.

PROXES, which is our long-standing brand offering in this category, marked its 35th anniversary in 2026. Under the brand philosophy of demonstrating excellent performance in all conditions based on high-speed stability, we have pursued the performance required of UHP tires across a wide range of uses from motorsports to daily driving.

The PROXES Sport series is our primary lineup in the UHP segment designed to satisfy two contradicting requirements: fuel efficiency and wet surface performance. PROXES Sport 2 is a particularly well-balanced product that meets the needs of today's UHP market, featuring an asymmetrical tread pattern designed to provide superior handling and braking performance both on dry and wet surfaces while offering characteristics that ensure good environmental performance such as low rolling resistance.

The product planning and R&D functions work closely to feed advanced insights verified through racing participation at the Nürburgring back into product development. In Europe, tire tests conducted by German specialist magazines, which are known to influence consumer purchasing behavior, serve as an important guide for product evaluation. We use these tests as part of our performance verification process, making continuous improvements based on the resulting data. By reflecting the technical insights gained through such racing activities, as well as the challenges identified through market evaluation, in our product development, we continue to advance our product offerings that achieve a high-level balance of the various performance requirements, further enhancing the product strength and brand value of PROXES.

PROXES Sport 2

35th ANNIVERSARY PROXES ESTD.1991

Truck and bus tires

Combining transport efficiency and environmental impact reduction

The environment surrounding logistics and public transportation faces challenges common across the globe, including the intensifying labor shortage driven by a shrinking workforce, the resulting need for greater transport efficiency, and mounting social demand for reduced environmental impact. To address these challenges, we contribute to more efficient and stable transport operations by developing and offering truck and bus radial (TBR) tires tailored to actual applications and operating environments.

Developing TBR tires, which are used under a heavy load over a long period at a high internal pressure, involves simultaneously achieving multiple performance requirements, including durability, wear resistance, and fuel efficiency. Optimizing this balance calls for advanced design capabilities. Through our proprietary technology, which combines structural design that contributes to shape stability, such as the use of high-rigidity beads, with optimization simulation, we minimize trade-offs among these performance requirements while achieving a high-level balance among them. To enhance wear resistance in particular, we have suppressed uneven wear by equalizing ground contact pressure and optimizing rigidity balance. This has extended replacement cycles, helping to reduce operating costs and improve vehicle uptime.

We offer a comprehensive product lineup addressing the challenges associated with diverse vehicle characteristics and operating conditions, including long-haul transport, low-floor trucks, regional transit and bus applications. Beyond simply offering products by application, we design tires with the entire tire lifecycle in mind, thereby reducing replacement frequency and maintenance burden, contributing to stable vehicle operation, and supporting sustainable transport at its most fundamental level.

In addition, through continuous engagement with transport operators, we reflect the operational data and on-site challenges we gather in product development, further enhancing the value we provide to address real-world challenges. These field-driven initiatives have enabled us to deliver highly effective product value that contributes to improving customers' operational efficiency, while also strengthening confidence in our brand.

M177+

M630

Sales Strategy

Sales strategies for priority products

Under the Medium-Term '21 Plan, to further strengthen our competitive edge, we have promoted a priority product sales strategy that stands apart from the pursuit of a full product line or scale. Under this policy of aiming to maximize profit through thorough, consolidated profitability management across each market globally, product development, production, and sales functions have worked as one to deliver high value-added products tailored to the characteristics of each market.

Priority products are an original tire product category that epitomizes Toyo Tire's strengths, comprising new, core, and differentiated products. Our sales function has worked to enhance the quality of its product mix in each region in line with local market characteristics, using the percentage of sales from priority products as a key indicator when developing sales activities. The Medium-Term '26 Plan continues with this approach, pursuing profitability-oriented growth.

Marketing activities

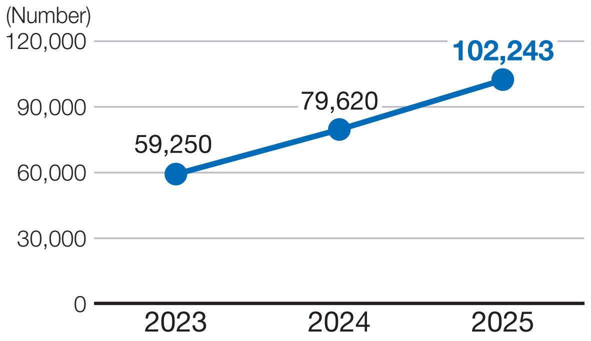
Tires are a core component essential to mobility. With this in mind, and grounded in the act of driving and operating a vehicle, we develop marketing activities tailored to the diverse interests of our users.

Motorsports, in particular, offer an ideal setting for showcasing tire performance. By accumulating a track record in racing, we actively pursue not only product performance appeal among fans but also opportunities for brand engagement. Through promotional activities featuring well-known drivers as brand ambassadors, we have them convey the appeal of our products through their firsthand experience as professional drivers, further enhancing brand favorability and trust.

The worldview embodied by PROXES, a brand that has continually evolved in pursuit of high performance, resonates strongly with the challenger spirit of Yuichi Nakayama, a driver affiliated with TOYOTA GAZOO Racing (TGR). His appointment as a brand ambassador reflects this shared affinity.

For users who are attuned to trends and whose choice of tires reflects their personal taste, we are also taking a distinctive approach to user insights, for example, building a fan base for OPEN COUNTRY with outdoor activities, rather than hardcore off-road driving, as the starting point. A notable example of this demand comes from users who want tires stable enough for driving on gravel campground roads, forest trails, grassland, and rough terrain, while also being fully suited to everyday driving. Targeting this need, we leverage social media to promote tires featuring highly distinctive tread pattern designs that achieve both off-road and on-road performance.

Instagram followers
(Account: @teamtoyotiresjp)




PROXES brand ambassador Yuichi Nakayama

Regional sales strategies

North America

In North America, we seek to maintain and enhance Toyo Tire’s presence and expand sales with a WLTR-focused branding strategy. At the same time, we use TBR as a growth driver to strengthen supply capacity and profitability and sharpen our competitive advantage.

● Consolidating our WLTR presence and promoting further growth

The Medium-Term ’21 Plan focused on strategic product development centered around OPEN COUNTRY (TOYO TIRES) /GRAPPLER (NITTO) tires and on the offering of tailored promotions to strengthen dealer relationships. This strategy propelled Toyo Tire rise to No.5 on the U.S. sales table, and helped steadily increase WLTR presence in the North American market.

Demand for wide light truck tires (WLTR) is expected to continue expanding steadily, supported by the upward trend in vehicle sales in the North American market and the rising rate of WLTR installation on new vehicles from major automakers. Traditionally, users have focused on WLTR designability and durability but in recent years, more and more users are also interested in basic performance elements such as better wet performance and rolling resistance. While our WLTR products place particular emphasis on sophisticated features, we are also advancing product development that responds to the market's performance requirements, and we expect demand for our products to remain firm as a result. In North America, market data on price, size, and other factors is readily accessible, and we believe that swiftly and accurately capturing customer feedback will be key to strengthening our competitiveness.

The underlying policy in the Medium-Term ’26 Plan is to maintain and enhance WLTR presence, in which the Group has the competitive edge, and promote further growth. We intend to strengthen our brand strategy centered around OPEN COUNTRY/GRAPPLER tires to better compete with leading brands. We will also aim to expand WLTR sales through marketing designed to foster a passionate WLTR fan base. Ultimately, our aim is to increase WLTR sales volume over the medium-term plan period by a minimum of 10% compared to 2025.

In terms of frontline sales, we remain committed to our fundamental approach of staying attuned to market needs and developing a swift response, rapidly bringing the necessary sizes to the market in line with the timing at which demand materializes.

Market offensive that leverages TBR strengths

Under the Medium-Term '21 Plan, we focused on expanding the sales of truck and bus radial tires (TBR) and delivered firm sales performance over the plan period.
While our TBR products have earned strong recognition and support in the market, we have not always been able to adequately satisfy these expectations due to certain constraints on our supply capacity.
The current Medium-Term '26 Plan positions the expansion of our TBR market share as a key growth driver and aims to expand its sales volume by 50% compared to the 2025 level. In terms of supply, in addition to our Kuwana Plant in Japan, we plan to build a new TBR plant to strengthen our supply capacity.

Europe

Having consolidated production, sales, and R&D functions in Serbia, we will now turn our attention to strengthening our brand power by integrating these functions, improving supply capacity and lead times by pursuing local production for local consumption, and expanding sales and accelerating revenue growth in the European market by focusing on UHP.

Consolidating sales functions in Serbia

In the European market, during the Medium-Term '21 Plan period, we consolidated our sales companies previously located across multiple regions into a newly established sales company in Serbia, where our production plant is located, achieving a significant streamlining of our cost structure. Going forward, by advancing the consolidation of our production, sales, and R&D functions in Serbia, we will swiftly build the foundation needed to strengthen our competitiveness in the European market.
Under the Medium-Term '26 Plan, we will fully capitalize on this structure to take a more aggressive approach to growth in the European market. While we have earned a certain degree of recognition through third-party evaluations such as magazine tire tests and motorsports activities, we recognize that we have not yet fully conveyed the technical value behind our products. To address this, our production, sales, and R&D functions will work as one on the marketing front to clearly showcase a strengthened brand power backed by technological excellence.
These strong results in magazine ratings and high-end motorsports, together with our stable supply system and low complaint rate, give our frontline personnel a strong sense of confidence, motivating them to pursue further quality and continuous improvement. We believe this will help establish a virtuous cycle in which heightened awareness enhances quality and performance, encourage stronger external evaluations, and generate even stronger results. Leveraging the strengths generated by coordinating production, sales, and R&D initiatives from a single location will enable us to rapidly share these strong results, and drive more organic and sophisticated ideas and activities.

Establishing local production for local consumption frameworks

Under the Medium-Term '21 Plan, product supply to the European market was based primarily on shipments from our plant in Japan, which required a certain lead time from order receipt to delivery.
Establishing a local production for local consumption framework will enable us to substantially shorten supply lead times to the European market, while also allowing for a broader product lineup. Going forward, this accelerated supply will drive a major shift in both the quality and tactics of our sales.

Enhancing the PROXES (UHP) brand and European offensive

During the Medium-Term '21 Plan period, we worked to maintain and strengthen relationships with medium- and large-scale dealers in Europe that have their own retail networks and warehouse distribution systems, while securing a sales base for future business expansion. In addition, productivity at our Serbia Plant has improved, steadily strengthening our competitiveness in terms of supply. Through these efforts, we are building a framework that will enable us to compete in earnest under the Medium-Term '26 Plan.
Under the Medium-Term '26 Plan, we aim to expand sales to roughly 2.5 times their current level by capturing a wide range of replacement demand across summer, winter, and all-season tires. We have positioned the UHP category as the primary field in which we will compete, pursuing our own technological refinement to deliver added value and rising to the challenge of enhancing our presence. Europe is a market that can be considered the true home of UHP, and we will feed back the recognition and trust we gain there into the Japanese and other Asian markets. We will also work to strengthen communication with customers by expanding our product lineup and shortening logistics lead times.
Looking beyond the Medium-Term '26 Plan, we need to establish PROXES as a competitive presence in the premium price segment, positioning it as a brand that stands alongside OPEN COUNTRY as twin pillars of our lineup. Building on the technological strength cultivated through the unity of our production, sales, and R&D functions in Europe, we will develop PROXES into a high value-added, globally competitive PCR brand.

Japan

Focusing on core brands and optimizing sales structures

In the Japanese market, we focus on building relationships with sales partners who share our approach and can work together with us to deliver products to customers. Under the Medium-Term '21 Plan, we worked to build win-win relationships that would lead to sustainable growth over the long term.
Through measures such as consolidating sales outlets and enhancing call center functions, we fundamentally overhauled our sales structure, driving this restructuring consistently in line with our market strategy. As fixed cost structures have been reviewed and sales efficiency has improved, a robust business foundation is steadily taking shape in our operations in Japan.
Against that background, under the Medium-Term '26 Plan, we will continue to strengthen our competitiveness by focusing on core brands and developing unique products. On the sales front, as in the European market, we will place emphasis on promoting high value-added products. We will further deepen the efficiency gains achieved through the sales structure reforms carried out during the Medium-Term '21 Plan, leveraging AI and digital transformation (DX) to build a more sophisticated sales framework with greater quality, while further accelerating our shift toward a compact and resilient profit structure. We recognize that establishing OPEN COUNTRY and PROXES as our two flagship brands and using them to elevate the presence of the TOYO TIRES brand is the key to achieving sustainable growth in Japan.

Other markets

Acquiring brand-conscious customers

In the Southeast Asian market, we will steadily capture demand by appealing to the tastes and preferences of brand-conscious, discerning high-end customers through our product strength and brand power, while working to strengthen our sales base. In recent years, the spread of EVs has helped boost demand for large-diameter tires, one of our focal areas, and this has proved a welcome tailwind for us. We consider product strength and stable supply to be key drivers of our competitive edge, and we will build a flexible supply system that combines supply from both Malaysia and Japan.
In Malaysia, we have leveraged our strength in local production for local consumption to expand both replacement and OEM sales channels and secure the No.1 market share. Pickup trucks remain consistently popular in the market, and our tire lineup complements those vehicles well, enabling us to readily demonstrate our product advantages there.
Thailand is a highly competitive market, but given the high proportion of pickup trucks, it is a market where we can leverage our strengths, and we will continue to aim for expanding our presence there.

Production and Supply Strategy

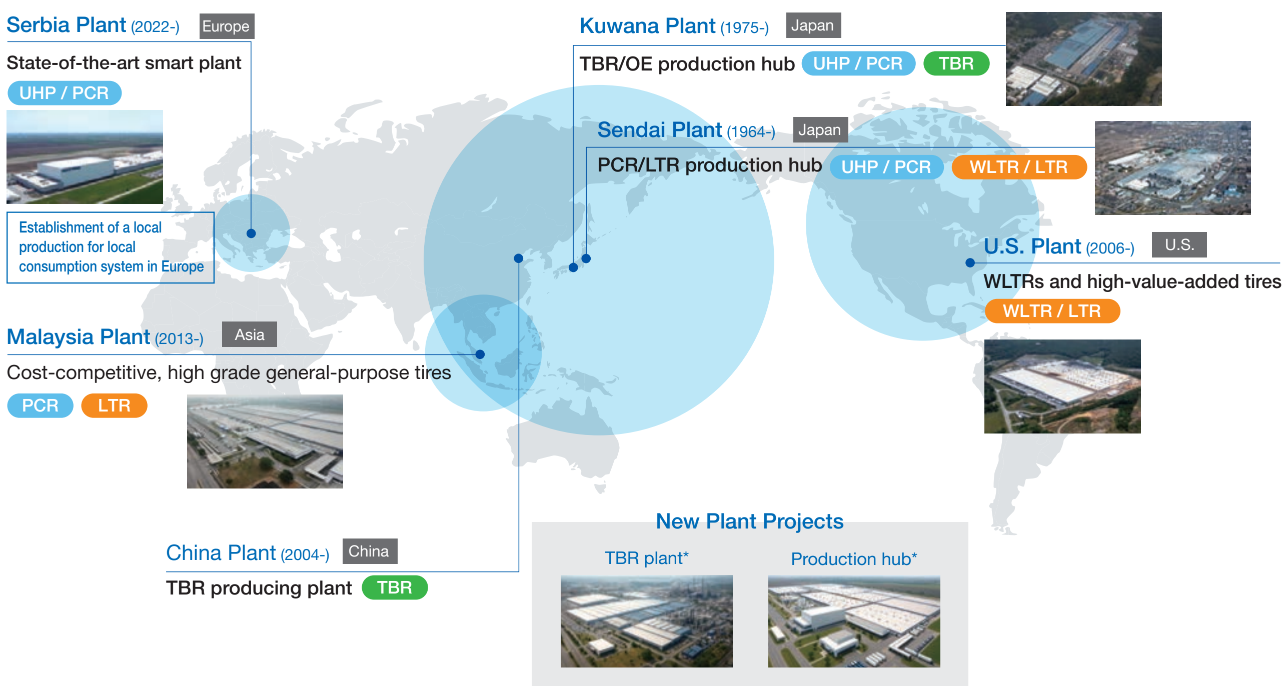
Global production and supply system

In the early stages of the Medium-Term '21 Plan, the global pandemic and the resulting lockdowns affected production activities across every industry. Our Group was not immune to this impact and was forced to temporarily shut down plants around the world. Even so, in order to meet expectations of us as an essential business, we put in place production arrangements suited to conditions in each region and continued to fulfill our responsibility to supply.

Amid growing workforce turnover, we also faced challenges in employee retention in Europe and the United States. We focused on improving productivity to minimize the impact on our business, and also succeeded in getting supply from our newly established Serbia Plant on track. Furthermore, we seized the opportunity to carry out a disciplined replacement of assets to strengthen our competitiveness, including the closure of the Silverstone Plant in Malaysia and an automotive parts plant in the United States.

In the Medium-Term '26 Plan, while maintaining the basic principle of local production for local consumption, we are evolving our global production system further so that production bases in different regions can complement one another, enhancing supply capability based on market needs. We are also strengthening the inter-functional collaboration between production, sales and R&D within each region to ensure that market trends and customer needs captured are accurately incorporated into products. By managing all processes from product development to production and supply in such an integrated manner, we can improve our responsiveness and competitiveness.

As each market has a distinct demand structure and product characteristics, our plants in Japan, North America, Europe and Asia are each assigned specific roles and functions to supply their local market as a priority with maximum supply flexibility and efficiency. Furthermore, we will strive to optimize supply allocation in accordance with demand-supply dynamics, which will improve the operational stability and profitability of the business as a whole.



*The images are AI-generated conceptual illustration of TBR plant and Production hub

Building on our unique Advanced Tire Operation Module (A.T.O.M.) manufacturing method, our U.S. plant is actively introducing and utilizing the technical expertise and know-how accumulated at our other bases to elevate quality and productivity to the next stage and further strengthen our competitiveness.

In Europe, the Serbia Plant plays a central role, around which we are building an integrated production, sales and R&D system. This enables us to respond flexibly to dynamic demands in the region, and the seamless linking of different processes from product development to production ensures stable supplies of high value-added products and a more agile response to market demand. We have introduced state-of-the-art facilities to maximize competitiveness both in quality and cost.As our global mother plants, our two plants in Japan are responsible for developing technologies and facilities and deploying them to sites overseas, while also advancing human resource development, thereby supporting the foundation of our global production and supply system as a whole. By linking knowledge and insights from both within and outside Japan, we will pursue the advancement and continuous evolution of our manufacturing technologies.

Our plant in Malaysia takes advantage of the favorable cost structure in the region to function as a volume production base. While primarily supplying to meet regional demand, it also serves as a hub that responds flexibly to demand fluctuations across global markets, supporting the stability of our global production system.

Looking ahead beyond the Medium-Term '26 Plan, we will realize our plans for a new plant, strengthening our supply capability to support continuous growth.

We will further strengthen the distinct roles of each plant as well as facilitate more coordination and collaboration among the plants, establishing a production and supply foundation resilient enough to withstand a changing market environment.

Smart factories

Our Group is promoting the development of smart factories to strengthen the competitiveness and resilience of our production bases. In the manufacturing process, we collect and visualize digital data related to production equipment and quality, advancing our quality assurance system through the prediction and prevention of defects. This enables both quality improvement at each process and the early detection of defects through data analysis. Our Serbia Plant has been analyzing and utilizing quality data since 2024. Going forward, we will expand the scope of this initiative and roll it out to other production bases, driving quality improvement across the entire Group.

We are also carrying out phased renovations at our existing plants to update facilities and optimize layouts, improving productivity, quality, and safety, while building a stable supply system for high value-added products through manufacturing process reforms that include our proprietary methods.

Production and managerial human resource development

Our Group considers the transfer of the skills and know-how developed on the production floor, along with the development of managerial talent, to be an important management priority, as these serve as the foundation for advancing our production sites through data utilization and for realizing a flexible production system.

In response to the declining working-age population, we are promoting the standardization and automation of work processes through AI and digital transformation (DX) in Japan, while reducing workload and eliminating reliance on specific personnel, thereby fostering a work environment where employees can work comfortably regardless of age or gender. At our overseas locations, in light of the fluid labor market, we are streamlining the transfer of skills through means such as video versions of standard operating procedures (SOPs), and building a framework that enables training within a shorter timeframe. At our U.S. plant in particular, we are enhancing on-the-job training delivered by process-specific trainers under our global standard training system.

At our production bases, we are also working to develop management talent equipped not only with expertise in production engineering and quality control, but also with the ability to make decisions based on production, supply/demand, and profitability data. In addition, through human resource exchanges between locations and the rollout of advanced initiatives across sites, we are sharing diverse frontline experience and insights, thereby promoting the development of production managers who combine a management perspective with strong execution capabilities.

Human Capital Management

Medium-Term '21 Plan: Building the foundation

In the Medium-Term '21 Plan, we set out to build a solid foundation to support sustainable growth by: (1) promoting organic teamwork and job satisfaction and empowerment among diverse talent; and (2) cultivating individuality, quality and competencies through talent development. The aim was to prepare a foundation on which diverse talents were able to develop and thrive regardless of their nationality, gender, age or experience. In recruitment and appointment, we promoted a policy of assessing candidates and employees on the basis of competencies, aptitude and track record, and placing them in roles that matched their strengths in order to ensure we had the best mix of talent. In terms of investment in human capital, our policy of developing talents, promoting diversity and creating healthy working environments (workstyle reform) guided our medium- to long-term resource allocations to the system to develop talents for business executive and functional professional roles systematically, the office environments and human resource systems that provide optimal working conditions for diverse talents, and working arrangements and tools for improving employee performance and communication.

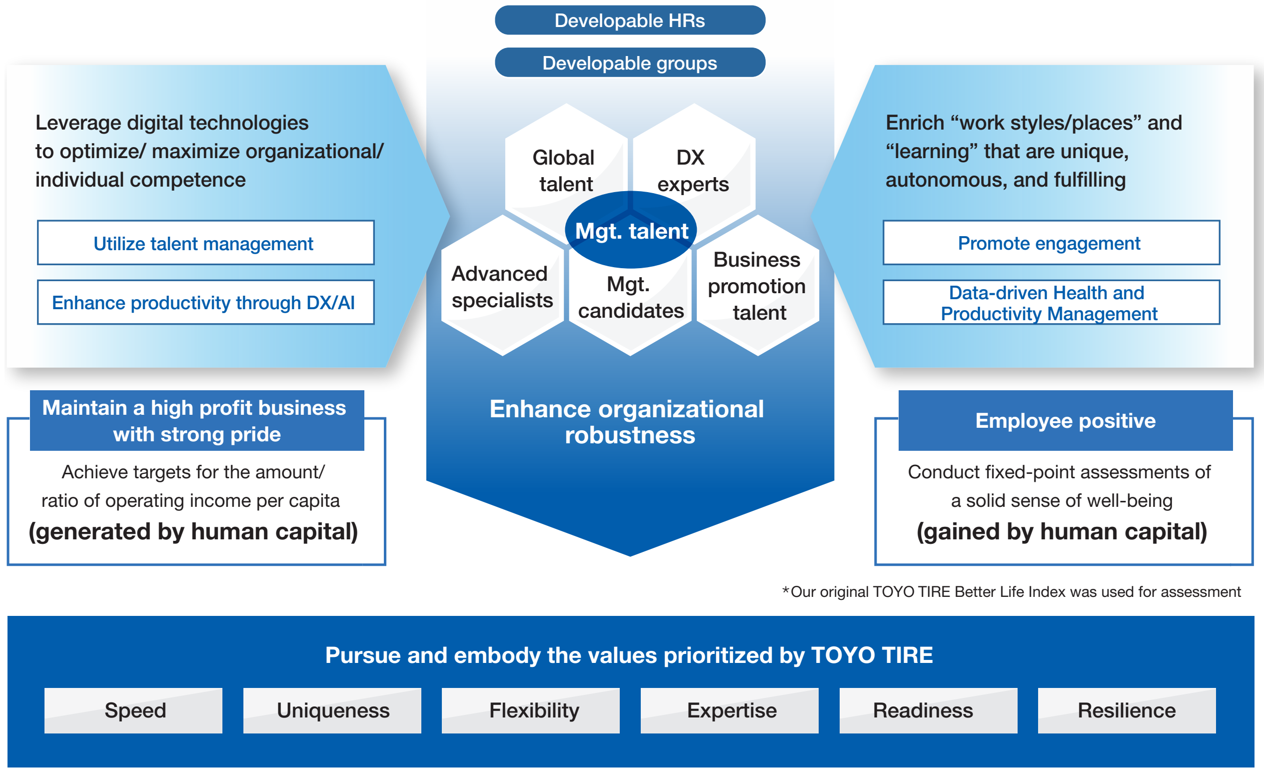
As a result of the measures implemented under the Medium-Term '21 Plan, we were able to build a small, lean and talented organization that can contribute to making the Company structurally profitable.

Deepening the Medium-Term '26 Plan

Under the Medium-Term '26 Plan, we will further deepen our human capital initiatives in earnest in response to changes in the business environment and promote human capital management across the Toyo Tire Group. Our goal is to nurture talents that can pursue and embody the values that are important to us: speed, uniqueness, flexibility, expertise, readiness and resilience. At the same time, we will make our organization more robust so that these talents can function cohesively as an organization. In order to maintain a proudly high-profit business that is positive for employees, we will make full use of a talent management system to develop talents that can play a role in maintaining and expanding the Group's management and business operations (P.49), promote engagement to motivate these talents (P.50), and practice data-driven health and productivity management to ensure they can always perform to their full potential (P.51). We will implement these actions speedily and steadily in order to build a solid foundation of human resources that can help to achieve the targets of an operating income of 120 billion yen or higher and an operating income margin of 18% or higher by the final year of the Medium-Term '26 Plan (fiscal 2030).

For human capital management, we have defined key goal indicators (KGIs) for each goal. (1) To maintain a high-profit business with strong pride, we track the operating income and margin targets per capita (generated by human capital). (2) To create a positive environment for our employees, we track the strength of the employees' sense of well-being (gained by human capital). In order to measure the sense of well-being, we have devised our own metric, the Toyo Tire Better Life Index, to assess the level on an ongoing basis.

Proactively circulate human capital investment to build a solid HR foundation composed of a selected few with agility and uniqueness



Financial Strategy

Basic approach

Under the Medium-Term ’21 Plan, Toyo Tire Corporation increased the production of wide light truck radial (WLTR) tires, expanded the sales of priority products and started the operation of the Serbia Plant, all of which strengthened our earning power and cash-generating ability and enabled us to achieve financial targets such as profitability, capital efficiency and shareholder returns. Under the Medium-Term ’26 Plan, we will forge ahead with our growth strategy, implement structural reforms and strengthen our financial foundation in order to achieve even higher levels of profit while establishing a robust earnings structure. Through these efforts, we aim to maintain and improve our profit-generating capability, strengthen our balance sheet management for better capital efficiency, and enhance shareholder returns by fiscal 2030.

In order to execute our growth strategy successfully as we face the prospect of even more uncertainty in the business environment, disciplined financial management is essential. Through investment decision-making that optimizes capital efficiency and focuses on reducing capital costs, combined with appropriate cash allocations, we will maximize the potential for growth, while working to enhance the medium- to long-term corporate value and pressing forward with a financial strategy that rewards the confidence of our stakeholders, shareholders and the wider society in us.

Medium-Term ’26 Plan financial targets

The Medium-Term ’26 Plan sets out financial targets that aim for high levels of both profitability and capital efficiency in order to ensure a sustainable growth in corporate value. These targets are to achieve an operating income of 120 billion yen or higher and an operating income margin of 18% or higher by fiscal 2030, along with important indicators of the sustainability of the Company’s earning capacity, targeting a return on equity (ROE) of 13% or higher and a return on invested capital (ROIC) of 10% or higher.

The ROE achieved during the course of the Medium-Term ’21 Plan was partly boosted by transient factors such as gains on the sale of non-operating assets such as strategic shareholdings and idle real estate. Therefore, we should not regard this ROE as representing our underlying performance without taking these factors into account. In the Medium-Term ’26 Plan, we are entering a phase where we increase the ROE further by making strategic growth investments and improving the substantive earning capacity of our business, with the ROIC added as a new financial indicator.

Corporate management focused on capital efficiency

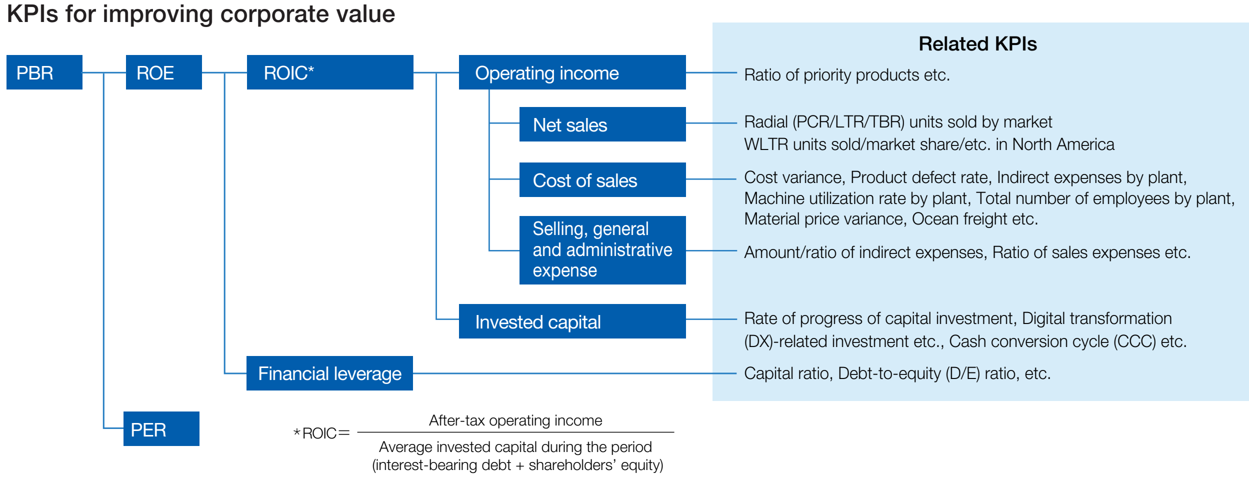
In order to ensure our corporate management is focused on capital costs, the Medium-Term ’26 Plan places the ROIC at the core of corporate management along with the ROE. When making an investment decision, our policy has been to make careful assessment to ascertain that the internal rate of return (IRR) exceeds the weighted average cost of capital (WACC), taking into consideration any downside risks, in order to prioritize the certainty of returns exceeding capital costs. We are introducing the ROIC as an additional indicator in order to gain a more comprehensive understanding of the return on the invested capital and make it more directly visible how much value the invested capital has generated through our business activities. We are incorporating the perspective of capital efficiency not only at the time of making an investment but also afterwards when the outcome of the investment is assessed, which will strengthen our effort to improve capital efficiency.

The ROIC is a corporate management indicator that focuses on a specific business activity and is used for business portfolio reviews and resource allocation decision-making, as corporate value rises when the ROIC is higher than the cost of capital. Under the Medium-Term ’26 Plan, we will generate returns in excess of capital costs on a stable basis, building on the foundation of the strong earning power we have cultivated to date and making growth investments aligned with our technology, product branding, regional, and supply strategies.

Furthermore, in order to achieve the financial targets set out in the Medium-Term ’26 Plan along with the annual plan, we will define key performance indicators (KPIs) at the beginning of each period from the perspectives of the functional headquarters, regions and bases, which will be managed on a Group-wide basis. The progress against the KPIs will be reviewed monthly, and as we did during the Medium-Term ’21 Plan period, we will continue holding Group-wide discussions to consider what actions should be taken to achieve the targets. In concrete terms, monthly review meetings will examine a range of KPIs, such as tire sales quantities by type and region, the share of the sales of priority products, the number of units/rubber volume produced by base, the cost, the defect rate, the material cost and the logistics cost, in order to ensure these numbers are tightly managed.

Through these KPI management, we aim to maintain stable business operations in the face of an uncertain and rapidly changing economic environment, and to continue our efforts to improve capital efficiency by scrutinizing our business assets, to ensure cash flow-focused management by strengthening our cash-generating capacity and accelerating cash cycles, and to maintain financial soundness with due consideration to the balance between interest-bearing debt and equity capital and stable shareholder returns through share buybacks and progressive dividend payments. Through these efforts, we will build a robust financial base on which corporate value can grow, which will enable a sustainable improvement in our corporate value.

KPIs for improving corporate value



Strategic investment under Medium-Term ’26 Plan

In order to sustain growth over the medium- to long-term, the Medium-Term ’26 Plan includes a plan for strategic investments totaling 340 billion yen over five years, as well as 90 billion yen of R&D expenses with sights set on the development of proprietary technologies. These investments will be interlinked with our growth strategy and allocated strategically to areas with a potential to expand our future revenue base.

In relation to production, we will introduce new equipment and carry out renovations at our North America Plant for the purpose of bolstering our unique competitive edge in the North American market further. In addition, we are planning to invest in two new plant projects, one to boost our production capacity for truck and bus radial (TBR) tires and another involving plans for replacing the existing outdated plant with a next-generation production hub, totaling around 100 billion yen. These investments will provide a more advanced global production system and reinforce our supply stability.

In the area of research and development, we are embarking on a project to strengthen our R&D function centered in Europe. We will invest in its core facility, the Serbia R&D Center, to strengthen our processing technology and roll it out globally, while pursuing the research and development of core technologies such as ultra-high performance (UHP) tire development, in order to establish a European supply system for the regional market and to strengthen its technological foundation.

We position our investments into digital transformation (DX) as foundational investments to enable a real-time visualization of the Company’s activities, which is necessary to realize data-driven management. By automating routine tasks and strengthening our operational base through an enterprise resource planning (ERP) upgrade, we aim to achieve industry-leading speed in business decision-making and further pursuit of uniqueness. Furthermore, we will invest in our human capital through measures to foster a new generation of dynamic and unique talents in order to establish a robust organization that can support our growth strategy.

Environment and social (ES) investment

As part of our drive for sustainability management, we define investments in environmental and social areas as a prerequisite for our business activities and have been making continuous efforts to invest in these areas. We recognize decarbonization-related investments in particular as a critical element needed to ensure our future business sustainability and competitiveness.

With decarbonization-related investments, it can be difficult to fully evaluate the CO_2 reduction impact of an investment in the standard profitability analysis method used to assess regular investment projects, resulting in the project being judged to be inconsistent with the principle of sustainability management. In order to address this issue, we use internal carbon pricing (ICP) as a tool to quantify the impact of reducing CO_2 emissions in monetary terms and incorporate it into investment decision-making, so that it can be reflected in management decisions. The ICP is reviewed on a regular basis, and for fiscal 2025, we have set the monetary value of the impact of emissions reduction at 10,000 yen per ton in calculating the impact of investments into measures to reduce emissions. This method allows decisions to be based on quantitative assessments when entering into a power purchase agreement (PPA), which is a new way of procuring electricity from renewable sources, or when making environment-related investment decisions on projects such as the installation of photovoltaic power generation and cogeneration facilities at production plants.

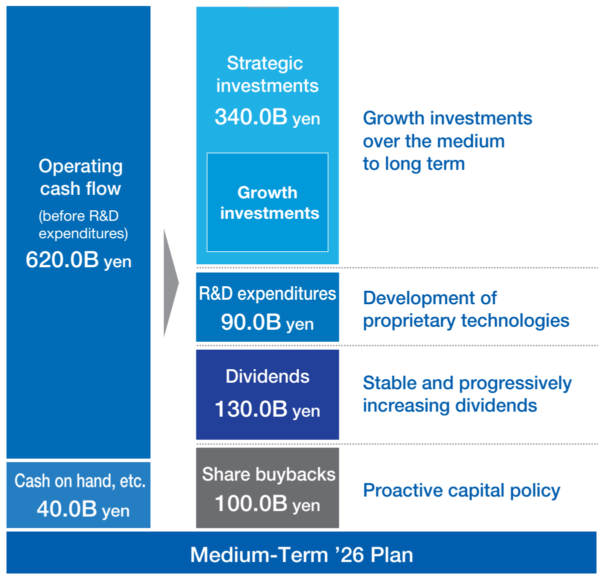
In the Medium-Term ’26 Plan, these efforts are not treated as separate, special measures but placed, maintained and refined within the framework of management decision-making in the same way as investments into facilities and R&D. By embedding the concept of capturing the monetary value of the impact of CO2 emissions reduction in investment decision-making, we are increasing the effectiveness of decarbonization and other environment-related investments, which, together with investments into the social foundations, underpin our growth strategy.

Cash allocation

In the Medium-Term ’26 Plan, we are adopting a policy of a balanced allocation of cash flows and cash on hand over the five-year period to: ordinary investments necessary to maintain our competitiveness; proactive funding of production capacity expansions, digital transformation/AI and other growth investments as well as R&D expenses; and shareholder returns such as dividends and share buybacks.

Standing upon the foundation of the strong earning power and cash flow-generating capacity built over the period of the Medium-Term ’21 Plan, we will continue managing our finances with a focus on the balance among growth investments, capital efficiency and shareholder returns during the Medium-Term ’26 Plan.

In terms of fund management, we have adopted cash pooling across Japan, North America and Malaysia in order to improve the efficiency of fund use and respond flexibly to investment needs by allowing funds within a region to be drawn elsewhere. We will continue this practice during the Medium-Term ’26 Plan and explore how we can manage funds globally in the optimal and most efficient way, while taking issues such as currency fluctuations and financial regulations into consideration.



Shareholder returns and capital policy

In the Medium-Term ’26 Plan, we have set out policies for capital investment and shareholder returns in addition to capital efficiency indicators such as ROE and ROIC in order to pursue both profitability and efficiency in a well-balanced manner.

Under these policies, we have set shareholder return targets of 4.5% for the dividend on equity (DOE) ratio and 30% or higher for the dividend payout ratio. The DOE ratio is considered a particularly important indicator that forms the basis of our shareholder returns. By adopting the basic principle of progressive dividend payments centered around the DOE ratio, we can make long-term holdings even more appealing.

In addition to dividend payments, we are going to carry out share buybacks totaling around 100 billion yen as a further proactive measure to boost shareholder returns while achieving the optimal balance between capital and debt.

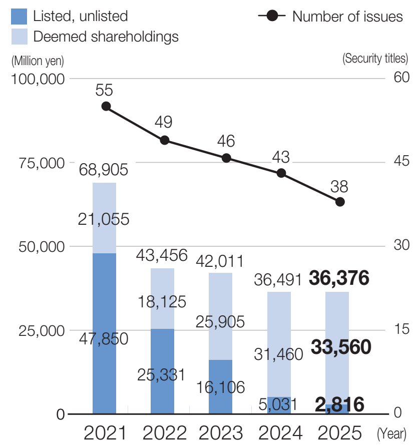
During the Medium-Term ’21 Plan period, we continued to accelerate the effort to reduce our strategic shareholdings. We hold strategic shares only in cases where such holdings are deemed reasonable due to business alliances or a need to maintain or strengthen trading leverage in business activities. In order to reduce these strategic shareholdings, the Board of Directors conducts a review of each individual issue on an annual basis to ascertain the appropriateness of the holding, and sells off any shares that are judged to be no longer necessary to continue holding. In fiscal 2025, we reduced strategic shareholdings by five issues, reducing the number of holdings to 38 issues as of December 31, 2025, which represent 0.5% of consolidated net assets (6.8% if deemed shareholdings are included).

In exercising voting rights on the strategic shareholdings, we scrutinize the purpose and details of each proposal individually, and exercise such voting rights appropriately after deciding on the overall merits of the proposal as to whether or not it will contribute to the enhancement of the corporate value of both the Company and the investee.

Number of issues of strategic shares held and balance sheet amount

Category		2021	2022	2023	2024	2025
Number of issues (Security titles)	Listed	18	13	12	10	6
	Unlisted	37	36	34	33	32
	Total	55	49	46	43	38
Balance sheet amount (Millions of yen)	(i) Listed	47,499	24,983	15,764	4,701	2,486
	(ii) Unlisted	350	347	342	330	330
	(iii) Deemed shareholdings	21,055	18,125	25,905	31,460	33,560
Percentage of consolidated net assets	(i)+(ii)	17.0%	7.8%	4.1%	1.1%	0.5%
	(i)+(ii)+(iii)	24.5%	13.5%	10.6%	7.7%	6.8%

Trend of shareholdings



Financial situation

(Millions of yen)

	FY2023	FY2024	FY2025
Total assets	645,480	722,666	753,248
Equity capital	395,199	472,552	522,659
Capital ratio (%)	61.2	65.4	69.4
Cash and cash equivalents at end of the year	52,879	86,636	117,256
Interest-bearing debt at end of the year	102,714	108,449	92,349

Throughout the Medium-Term ’26 Plan, we aim to maintain a good balance between ordinary investments required to maintain the competitiveness of our existing business and strategic investments for future growth while making optimal allocations to shareholder returns in order to ensure that our finances remain healthy, and that our corporate value continues to grow.

Sustainability Policy

In 2022, our Group formulated its Sustainability Management Policy. With this policy, we clarified our approach to enhancing corporate value over the medium to long term by addressing social issues and creating social value through our business, guided by five perspectives for advancing sustainability: our identity based on our corporate philosophy, medium- to long-term view, contribution to a sustainable society, value creation cycle, and stakeholder collaboration.

Based on this policy, we have identified seven material issues as key priorities to be addressed in implementing sustainability management.

In identifying our material issues, we first extracted themes that we should address in order to realize our Philosophy, taking into account our products and services, their target audiences, and future societal changes. We then comprehensively evaluated the significance and priority of the business opportunities and social value generated through these initiatives, as well as the risks we recognize through our business activities, considering their impact on value creation and the status of our risk management, among other factors.

For each material issue, we have set corresponding activity themes and goals/key performance indicators (KPIs), and we are advancing our initiatives through the strategic allocation of internal resources. Our activity themes and goals/KPIs are continuously reviewed based on the results of progress monitoring by the Sustainability Committee, changes in the external environment and our business strategy, and feedback obtained through stakeholder engagement.

In 2025, with the aim of aligning the challenges for medium- to long-term value creation identified through our sustainability activities to date with our growth strategy launching in 2026, namely our new Medium-Term '26 Plan, so that the two can be pursued in parallel and as one, we updated the activity themes, goals/KPIs, and action plans associated with our material issues.

Building on this, under the Medium-Term '26 Plan, we will integrate and drive sustainability and our business strategy as one, strengthening our value creation capabilities while advancing the human resources and technology base that support them. We will also further enhance our response to risks, such as those related to decarbonization and the supply chain, that could affect the execution of the Medium-Term '26 Plan. Through these efforts, we aim to achieve a sustained increase in corporate value.

	Material issue	Vision	KPI (2030 targets)
1	Help create a society of sustainable mobility	●Contribute to achieving a carbon-neutral society by developing tires that enhance fuel efficiency and the value of electric vehicles ●Improve safety through products with a high level of both wear resistance and wet-grip performance ●Provide safety that meets the evolving mobility needs of society using puncture-proof and maintenance-free technologies	■Reduced rolling resistance ■Improvements to fuel efficiency and wear resistance based on the medium-term product development plan ■Extended tread life of TBR tires
2	Support the enjoyment of mobility for all	●Share the enjoyment of driving through products with quality design, lower environmental impact, and comfort	■Enhanced ability to develop high-value-added products combining functionality, design, and lower resource usage, and launch them in a timely manner ■Reduction in development time: 50%
3	Support diverse talent with motivating challenges and job satisfaction	●Improve well-being and work engagement ●Create workplaces where employees can thrive based on health management, respect for human rights, and diversity ●Develop talent to support business growth	■Increased positive response rate of employee opinion survey ■Continuously reduced presenteeism, new cases of medical leave, and smoking rate ■Operation of an effective grievance mechanism ■Greater diversity in management-level talent ■Progress in developing talent for key positions ■Progress in building a human resource base aligned with business strategy
4	Continue innovating next-generation mobility technology	●Strengthen development technologies that contribute to reducing environmental impact and ensuring safe driving ●Secure intellectual property rights in the sustainability field	■Increased sustainable raw material ratio*1 40% by 2030 and 100% by 2050 *1 Within our Group, this refers to recycled and biomass-derived raw materials ■Number of sustainability-related patents held ■Patent Asset Index: Technology Relevance*2 *2 An index calculated using the patent analytics tool LexisNexis® PatentSight+™
5	Pursue decarbonization in all corporate activities	●Achieve carbon neutrality in Scopes 1 and 2 ●Promote net-zero initiatives across the entire value chain, including Scope 3	■Scope1, Scope 2: Reduce GHG emissions by 50% compared to 2019 ■Scope 3: Reduce GHG emissions per tire by 20% compared to 2019 ■Percentage of suppliers that have set science-based CO_2 emission reduction targets Coverage of emissions from purchased products and services:89% (target: end of 2029)
6	Promote supply chain sustainability	●Ensure natural rubber traceability ●Establish a sustainable supply chain management system ●Improve logistics productivity and efficiency while ensuring safety	■Natural rubber supply chain traceability: 95% or higher at the regional level ■Percentage of sustainable suppliers*3: 80% or more *3 Based on our supplier evaluation criteria ■Reduced truck stand-by times and improved cargo handling efficiency
7	Ensure the fundamentals of manufacturing: quality and safety	●Contribute throughout the entire product lifecycle to improving the safety and security of mobility in society	■Continuous quality management system improvement ISO 9001 certification: 100% retention IATF 16949 certification rate: 75% or higher Continuous third-party factory audits (JMAC): At least two bases per business segment per year ■Production of RFID products compliant with the European Ecodesign for Sustainable Products Regulation ■Systematic implementation of safety awareness campaigns in collaboration with stakeholders ■Skills improvement in tire service technicians (training opportunities provided)