

**TOYO TIRES**

*driven to perform*

# CSR Report 2016

Web Version



## Editorial Policy

Toyo Tires Group has been promoting CSR activities in accordance with the seven priority themes as defined in our CSR Policy.

In this website "ACTION FOR CSR," CSR activities undertaken by the Group in FY2015 are comprehensively introduced in line with their themes.

In the sections "Site Reports", more detailed environmental information and data of our production sites in Japan and overseas are introduced.

For activities in which stakeholders have high interest and which we consider important, in addition to information during the period covered (indicated below), the most recent information is presented.

### Companies covered

The Toyo Tires Group (Toyo Tire & Rubber Co., Ltd. and subsidiaries and affiliates in Japan and overseas)

\* Information on Toyo Tire & Rubber alone and information that covers only domestic business sites are included.

### Period covered

January 2015 to December 2015

\* Some information is from outside this period. (From January 2016 to July 2016)

### Referenced guidelines

\* Sustainability Reporting Guidelines (Version 4) of the Global Reporting Initiative (GRI); Environmental Reporting Guidelines 2012 of the Ministry of the Environment, Japan

### Inquiries

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## CSR Policy

**We will further strengthen our CSR management in accordance with the CSR policy.**

In its Vision 2020, which was formulated in 2011, the Toyo Tires Group explicitly states as one of its goals to become "a company which is trusted in society and in which each employee is keen to fulfill its corporate social responsibility." To achieve the goals of Vision 2020, we established the CSR Policy (basic policy and priority themes) in May 2014, in accordance with which we are promoting CSR management.

### Basic policy

(Established in May 2014)

The basic policy has been redefined based on our long-held belief that every single employee is an active CSR player and a point of contact with society, where "connections" are made, and on our view that the core values of CSR are "responsibility," "trust," and "integrity."

**The Toyo Tires Group seeks to remain a company admired by individuals and society, each member keenly aware of their "connection" with society.**

The core values of CSR: "responsibility," "trust," and "integrity."

We, each one of us, act with integrity, fulfill our corporate responsibilities, and win our stakeholders' trust.



### Priority themes

(Established in May 2014)

To promote CSR activities in accordance with the basic policy, we have identified particularly important CSR issues that we need to address, which we have categorized into seven priority themes. For each of the priority themes, our ideal status, or goal, to be achieved by 2020 is clearly defined.

These goals represent what a "company which is trusted in society, and in which each employee is keen to fulfill its corporate social responsibility" should look like.

The below diagram shows the relationship between each of the seven priority themes and stakeholders, in other words, the degree of impact activities of each priority theme will have on stakeholder groups (i.e., degree of importance to stakeholder groups).

## Relationship between each priority theme and stakeholders

Degree of relationship: **Strong** Medium

Priority theme	Ideal status in 2020	Relationship with stakeholders
1. Product and service reliability and innovation	Providing eco-friendly products and services founded on high quality and safety	
2. Contribution to the global environment	Promoting environmental management on a Group-wide basis	
3. Respect for human rights and diversity	Diverse employees actively working in an environment with a global sense of human rights	
4. Collaboration with business partners	Entire supply chain engaging in CSR activities	
5. Harmony with local communities	Contributing to local community development while responding to stakeholders' voices	
6. Creation of safe and healthy workplaces	With priority given to safety, promoting the creation of workplaces that ensure well-being and security	
7. Reinforcement of corporate governance and compliance	Engaging in business activities with integrity while constantly improving management transparency	We are working to reinforce corporate governance/compliance as the foundation of CSR management, while paying close attention to all stakeholders.



Customers



Environment



Employees



Business Partners



Local Communities



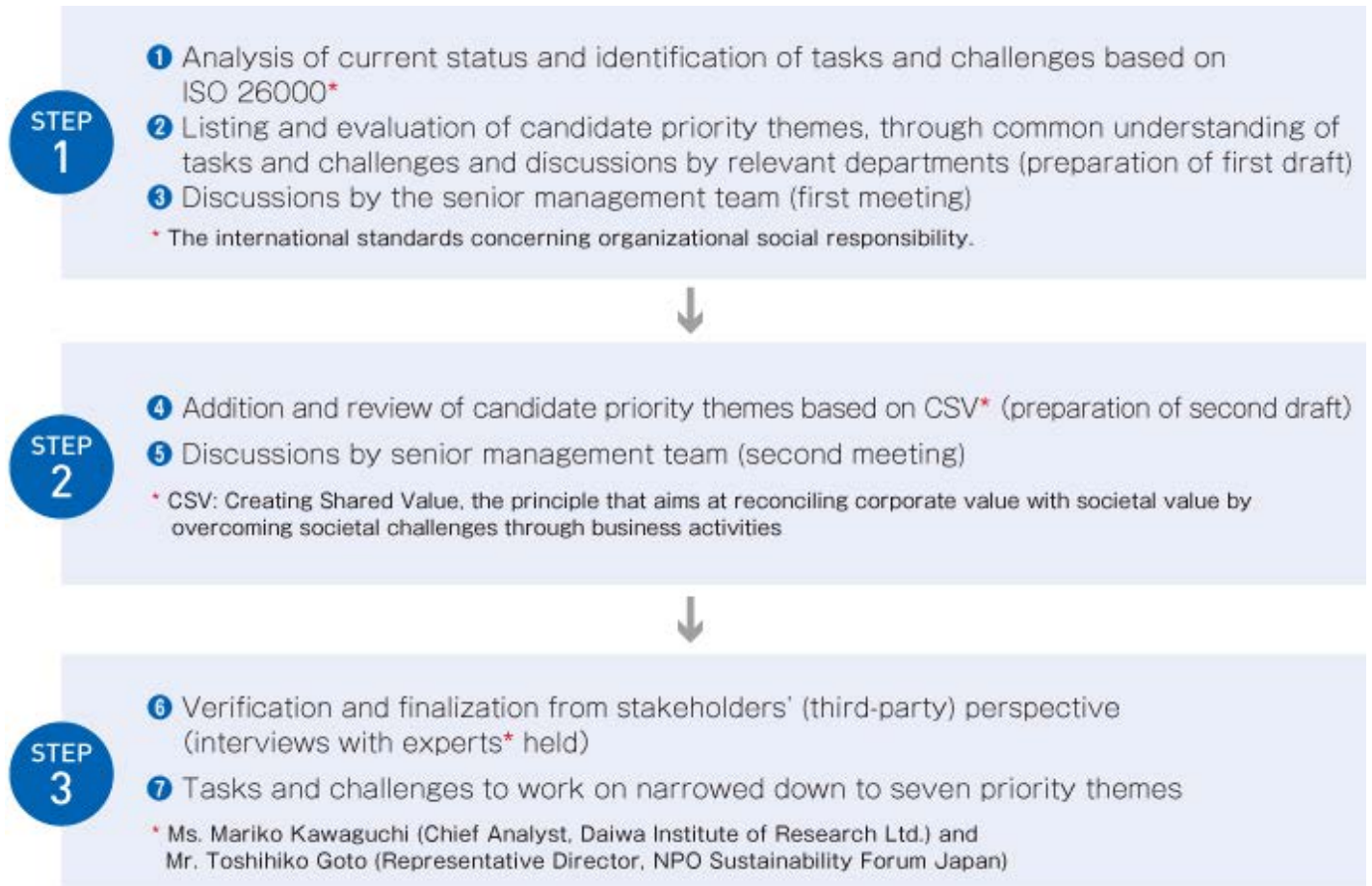
Shareholders and Investors



## Identification process of priority themes

We have identified, from a wide range of CSR issues, those that need to be addressed as a high priority, based on the materiality of each issue to the Group and its stakeholders. In May 2014 we consolidated those issues into seven priority themes.

The process of identifying the priority themes are shown below.



**To win back our stakeholders' trust, each one of us in the Group will practice CSR vigorously .**

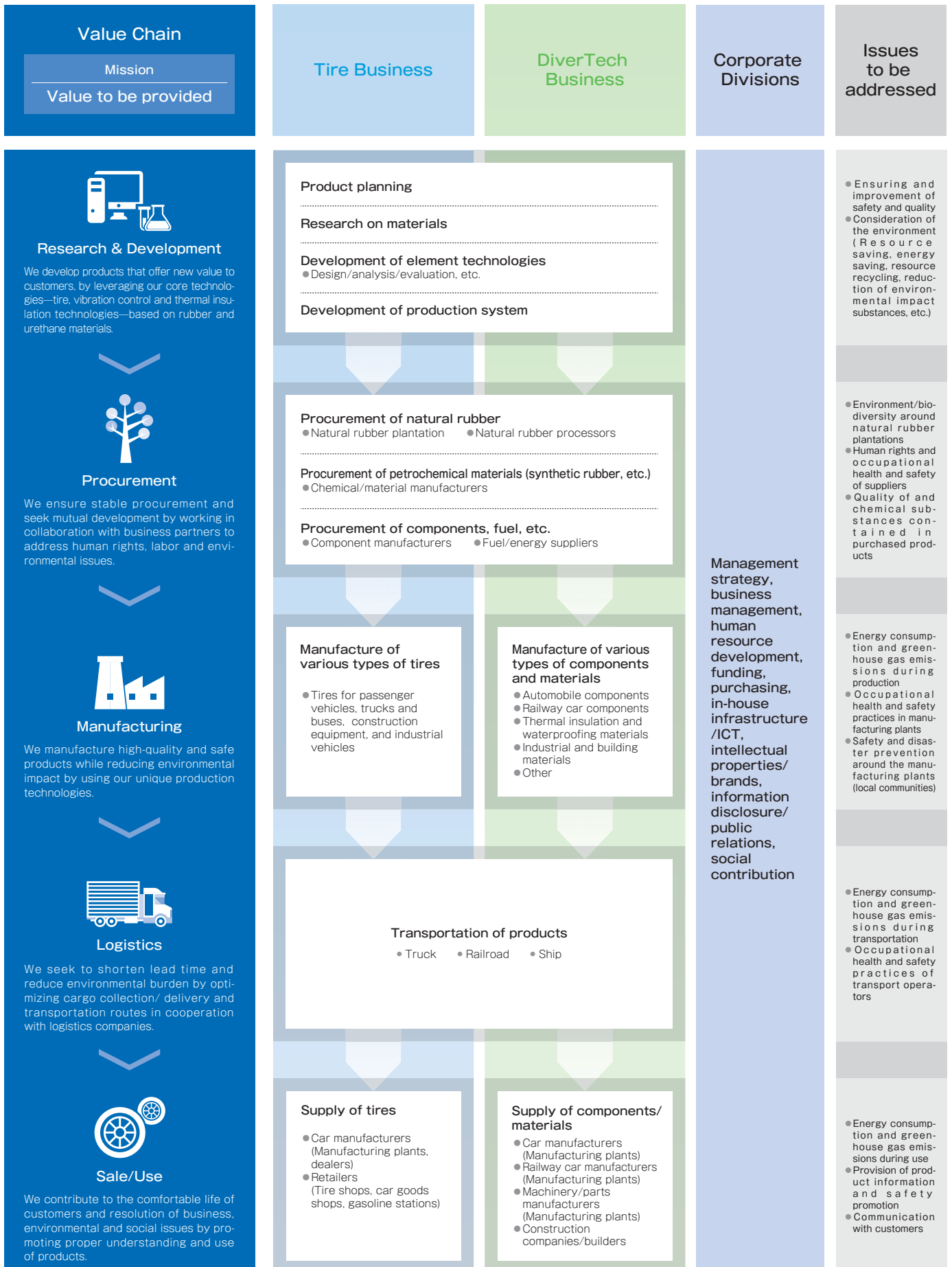
The Toyo Tires Group is striving hard to prevent the recurrence of seismic isolation rubber and industrial anti-vibration rubber issues, which were disclosed in 2015. As part of such efforts, we are working to restore a corporate culture that we should have to remain a company admired by society. It is not an easy task, but our Group has a guideline to follow, i.e., the "CSR Policy." While working to ensure that all directors, officers and employees fully understand this policy, we will develop and implement specific action plans to reach the "ideal status in 2020" defined for each of the seven CSR priority themes. I believe that during the course of these efforts, our Group will be able to be reborn as a corporate group admired by society.



Ikuo Ohno  
Corporate Officer  
General Manager,  
Administrative Division  
TOYO TIRE & RUBBER  
CO., LTD.

# The Value Chain of the Toyo Tires Group

The below diagram illustrates how the Toyo Tires Group's CSR activities are related to the value and issues of stakeholders throughout the value chain.



## Product and Service Reliability and Innovation

### Basic Approach

The Toyo Tires Group sets out as its manufacturing principle that we will "strive for the highest levels of quality, safety, and societal benefits in our products and services." All directors, officers and employees of the Group are expected to put this principle into practice. We seek to contribute to resolving environmental and social issues while proposing new value to customers. We believe this will lead to greater trust in our Group, thereby helping us achieve sustainable development.

## Contributing to Environmental Protection via Products

### Contributing to environmental protection via products

In countries and regions all over the world, institutional instruments and regulations have been introduced to encourage environmentally responsible performance features of automobiles, such as high fuel efficiency and low CO<sub>2</sub> emissions.

The Toyo Tires Group has launched a range of products featuring enhanced fuel efficiency, not only the NANOENERGY series, our flagship fuel-efficient tire brand, but also other tires for passenger vehicles, trucks, and buses.

In fiscal 2015, in Japan, in addition to new NANOENERGY series tires, new fuel-efficient tires for passenger cars that meet the performance standards specified under the Japanese tire labeling system were launched in the PROXES series, our global flagship brand for ultra-high performance (UHP) tires. "PROXES CF2," one of the PROXES series tires released in Japan in fiscal 2015, has, since its release in 2012, been highly evaluated in Europe, where a tire labeling system similar to Japan's is in force.

In the field of commercial vehicles, with an increase in hybrid trucks, there has been an increasing demand for tire with higher fuel efficiency and increased abrasion resistance. In fiscal 2016, we released new NANOENERGY series tires for light trucks and for trucks and buses in Japan. In North America, we are selling tires for trucks and buses certified under the SmartWay Program\* of the United States Environmental Protection Agency (USEPA).

We intend to further improve our range of products featuring excellent eco-friendly performance so as to actively contribute to environmental initiatives in countries and regions around the world.



Major tire fuel efficiency-related system/regulation in each country/region

Japan	The Labeling System	The Japan Automobile Tyre Manufacturers Association Inc. is implementing the industry specific rules to label on tyres based on tyre grading system for both tyre rolling resistance and wet grip performance. The tyres with above certain grading for rolling resistance performance and for wet grip performance are defined as "Fuel Efficient Tyres"
EU	The Labeling System	The EU Tyre Labeling Regulation requires tyres to be labelled with information (grading) on external rolling noise performance, in addition to rolling resistance and wet grip performance.
The United States	The SmartWay Program	Truck/bus tires that fulfill the rolling resistance coefficient criteria set by the USEPA can be certified as "SmartWay products." In the state of California, trucks pulling 53-foot or longer trailers are required to be fitted with certified SmartWay tires.



**NANOENERGY3 PLUS**



NANOENERGY3 Plus has improved the wet grip performance rating from "c" to "b" while retaining an "A" rating for rolling resistance performance of the existing NANOENERGY3.



**PROXES CF2 SUV PROXES CF2**



Fuel efficient tires with a grading of "A" for rolling resistance performance and grading "b" for wet grip performance PROXES CF2 SUV\* is the Company's first fuel-efficient tire for SUVs, which comes in all sizes.

\* Sport Utility Vehicle

About labeling (display) on tires based on tire grading system

According to a demonstration experiment conducted by the Tire Fair Trade Council, there is about one percent difference in fuel efficiency between each grade. This means that the fuel efficiency of a tire with AAA-grade rolling resistance is 4% better than that of a C-grade rolling resistance tire. (The actual fuel efficiency improvement depends on the vehicle you drive and how you drive it.)



**NANOENERGY**  
**M134E**



**NANOENERGY**  
**M136**



**NANOENERGY**  
**M166**

Tires of NANOENERGY series for light truck, truck and bus

Topic:

The Good Design Award received for four consecutive years

In 2015, "PROXES CF2" series and "TOYO V02e" won the Award

Two of our Company's products—PROXES CF2 SUV/CF2 (for passenger cars) and TOYO V02e (for commercial vehicles)—won the 2015 Good Design Award, sponsored by the Japan Institute of Design Promotion. This means we have won the Good Design Award for four years in a row. The Good Design Award evaluates designs not only on their aesthetic quality but also on their efficacy and utility, from the perspective of whether they are likely to enrich people's lives and society. The Award was given to our products in recognition of their utility and development concept of pursuing improved fuel efficiency/abrasion resistance and ride comfort.



## R&D and Technological Development

### R&D and technological development

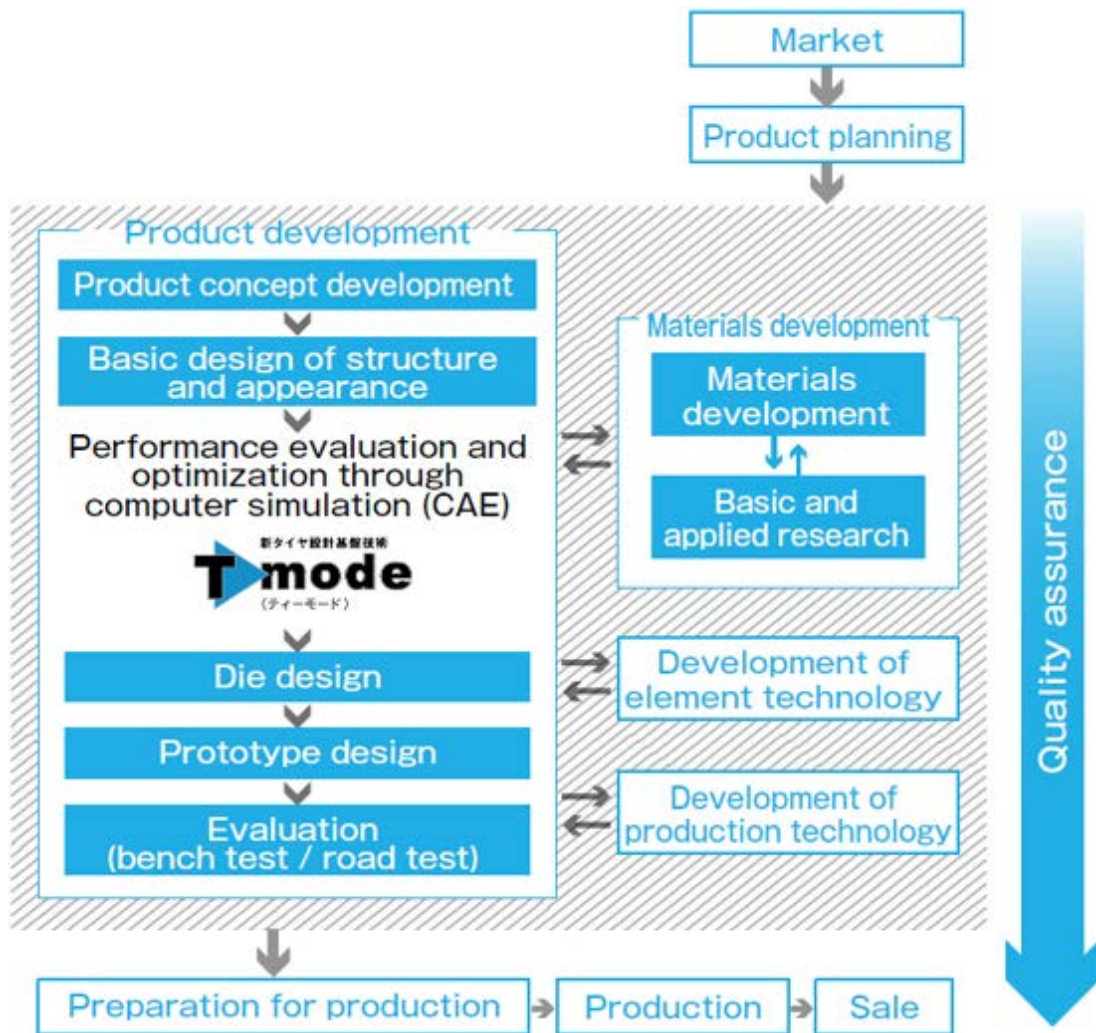
The Toyo Tires Group develops products that offer new value to customers, by leveraging our core technologies—tire, vibration control and thermal insulation technologies—based on rubber and urethane materials.

### Tire technologies

We are working to develop innovative products and elevate the quality of products ever higher by maximizing our tire technologies; "Nano Balance Technology," which controls rubber material design at the molecular level; "T-mode," our proprietary design platform technology that combines analysis of tire behavior and construction with driving simulation; "e-balance," our proprietary truck & bus tire technology platform that enables improved fuel efficiency and endurance; and "A.T.O.M." (Advanced Tire Operation Module), our proprietary tire production system.

Furthermore, we are also striving to develop next-generation tire technologies. To this end, in order to reduce environmental impact, improve performance and develop new systems, we are conducting research and development in close cooperation with universities and public research institutes, focusing on the areas of structural design, material design, analytical technology and manufacturing technology.

## Flow of tire development



## Vibration control technologies

Utilizing our original technologies, structures and manufacturing methods, we develop anti-vibration products focusing on automotive anti-vibration rubber parts that control car engine vibration and body vibration, to achieve both safety and comfort at an even higher level. We are also working to develop new products by combining individual technologies developed through production of tires and automotive components.

## Thermal insulation technologies

As a leading manufacturer of rigid urethane foam that has a wide range of applications, from the freezing and refrigeration fields to the architecture and building materials fields, we are taking the lead in reducing chlorofluorocarbons by leveraging our proprietary technologies. We are working not only to improve thermal insulation performance but also to improve the environmental and safety performance of our products.

## Technological research bases

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The Tire Technical Center is where we address the challenge of improvement in tire performance refining our proprietary knowledge and cutting-edge technology and evaluate the results. Also, we have two tire proving grounds in Japan to perform actual vehicle testing



Tire Technical Center (Hyogo)



Tire Proving Grounds (Miyazaki)



Tire Proving Grounds (Hokkaido)

At the Automotive Parts Technical Center, we tackle gathering information on new technology in the ever-evolving automobile industry, establishing new technologies in order to achieve the performance requirements of car makers, and developing high-value-added products, which are the keys to our DiverTech Business.

The Corporate Technology Center develops the seeds of proprietary technology in each business unit, which in turn leads to individual manufacturing technology. Our production technology functions are also harnessed there to create a synergistic effect. Furthermore, the Center is also working on research with an aim of developing technologies of the future.



Automotive Parts Technical Center  
(Aichi)



Corporate Technology Center  
(Hyogo)

## Development of human resources with technical expertise

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To further activate research and development activities, in fiscal 2014 a new training program titled "Development of Human Resources with Technical Expertise Who Create New Value" was launched mainly for young researchers.

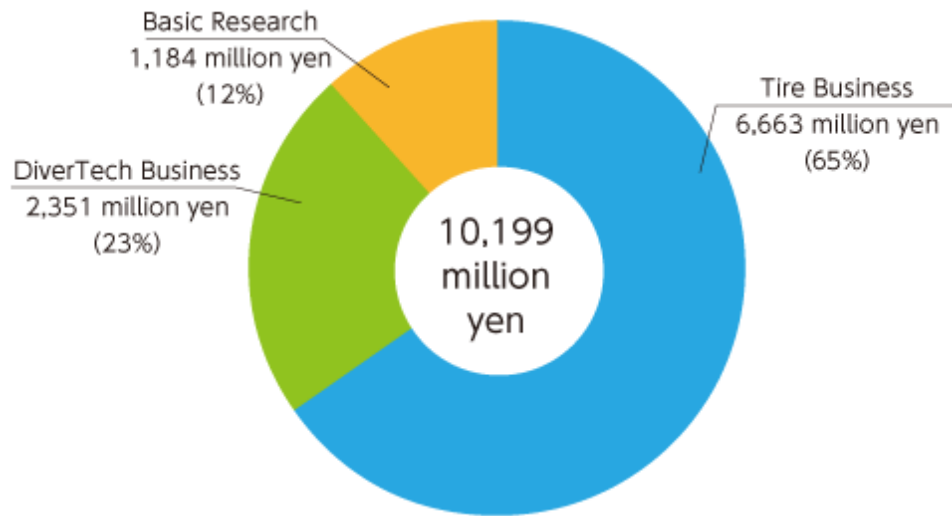


## R&D expenditures

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Total R&D expenditures was 10,199 millions of yen.

### Breakdown by business segment



## Quality Assurance Efforts

### TOYO Product Safety Charter

In its Charter of Corporate Behavior, the Toyo Tires Group states as its manufacturing principle that we will "strive for the highest levels of quality, safety, and societal benefits in our products and services." We have also established the Toyo Product Safety Charter to clearly define the fundamental philosophy and action guidelines regarding product safety. To translate these philosophy and guidelines into practice, we have developed a concrete action plan and are implementing it.

#### 1. Fundamental Philosophy

Throughout our corporate efforts to provide better movement and greater comfort, we provide even safer products to customers, consumers, and society, and contribute to the creation of a wealthy and abundant society.

#### 2. Action Guidelines

1. As an environment-creating corporation that seeks to make even more symbiotic relationships between people and the earth, Toyo Tire & Rubber provides customers, consumers, and society with products and services that are trusted and safe.
2. To assure the safety of products, Toyo Tire & Rubber complies with the necessary internal rules and external laws, regulations, standards and guidelines, and based on conformity with them, seeks even higher product safety.
3. Toyo Tire & Rubber considers product safety from the stages of product planning, development and design, through to production, sales, and even after the end of use.
4. Toyo Tire & Rubber conducts education and awareness-raising concerning product safety for every employee layer and seeks to raise product safety consciousness.
5. At Toyo Tire & Rubber, in addition to informing and educating customers and consumers about methods of suitable use for products and misuse prevention, we listen earnestly to their opinions and desires and reflect them in our products as we pursue thorough product safety.

### Quality assurance system

In July 2015, the Quality Assurance Division was established by upgrading the former Quality Assurance Department, and efforts have since been made to rebuild the quality assurance and management system. Also, the quality assurance department at each production site was placed under the Quality Assurance Division to enhance the independence of quality assurance departments from other departments and to strengthen cooperation among quality assurance departments. Furthermore, the Standards Management Department has also been established as a dedicated organization to review and manage applications for external certifications.

In cooperation with external agencies, the Quality Assurance Division is working to reform not only the quality management system at the production stage but also the quality planning and quality design systems at the design and production preparation stages.

## Quality Assurance System



## Quality management system certification status

We are implementing quality management systems based on ISO 9001 and ISO/TS 16949 standards.

As of the end of December 2015, in the Tire Business, 10 bases including all production bases (8 bases) in Japan and overseas have acquired ISO 9001 certification. Efforts to obtain ISO/TS 16949 certification are also ongoing at our domestic and overseas bases, resulting in 6 domestic and overseas plants receiving ISO/TS 16949 certification as of the end of December 2015.

In the DiverTech Business, 12 bases have acquired ISO 9001 certification and 2 bases of those also have acquired ISO/TS 16949 certification in Japan and overseas.

## Quality Management System (ISO 9001/TS16949) Certification Status

Business site	Year/Month certified	
	ISO9001	ISO/TS16949
Sendai Plant	1995/ 7	2006/11
Kuwana Plant, Tire Business Group Headquarters	1995/12	2006/11
Kuwana Plant, DT Business Group Headquarters	2001/ 6	-
Toyo Soflan Co., Ltd.		-
Hyogo Manufacturing Complex	2000/ 1	-
Ayabe Toyo Rubber Co., Ltd.	2003/ 1	-

Business site	Year/Month certified	
	ISO9001	ISO/TS16949
Fukushima Rubber Co., Ltd.	1997/ 3	2010/11
Soflan Wiz Co., Ltd. Iwaki Plant	2004/ 2	-
Toyo Advanced Technology Incorporated.	2005/ 8	-
Toyo Tyre and Rubber Australia Ltd.	1994/ 3	2009/ 1
Toyo Tire Europe GmbH	1995/11	-
Toyo Tire U.S.A. Corp.	1997/11	-
Toyo Tire North America Manufacturing Inc.	2008/ 7	2014/ 9
Silverstone Berhad	2010/ 5	2010/ 5
Toyo Automotive Parts (USA), Inc.	2004/ 2	-
New Pacific Industry Co., Ltd.	1998/ 1	2007/ 4
Toyo Automotive Parts (Guangzhou) Co., Ltd.	2007/ 5	-
Toyo Tire (Zhucheng) Co., Ltd.	2008/10	-
Toyo Tire Zhangjiagang Co., Ltd.	2013/ 2	-
Toyo Tyre Malaysia Sdn Bhd	2013/10	2014/11
Wuxi Toyo-Meifeng Rubber Products Co., Ltd.	2014/ 3	-
Toyo Rubber Chemical Products (Thailand) Ltd.	2014/ 4	-

## Responding to the quality standards of each country

In the Tire Business, to fully comply with the increasingly complex quality-related laws and regulations in each country, we collect information from around the world on a daily basis, in close cooperation with persons in charge at overseas Group sales companies/dealers and production bases, as well as industrial organizations. We also visit overseas regulatory authorities to exchange opinions. Furthermore, a briefing session on quality-related laws and regulations is held at all our domestic and overseas production bases regularly every year. We are exerting group-wide efforts to strengthen responding to the quality standards by promoting the sharing of knowledge on relevant national and international laws/regulations among the Group companies, regardless of location.

In the DiverTech business, we also carry out measures to ensure the quality meeting the requirements of customers as well as quality standards in each country.

## Promoting QC circle activities

As part of quality management efforts, the Toyo Tires Group has been promoting workplace-based QC circle activities.

In fiscal 2015, which marked the 50th anniversary of our QC circle activities, the number of QC circles totaled 272. QC circle activities have also evolved in terms of themes: currently QC circles are working not only on the improvement of quality and productivity but also on safety measures. The Group-wide QC Circle Conference has been held to provide an opportunity for QC circle members within the Group to share their activities and achievements and to learn from other circles. In fiscal 2015, eight circles that won in the competition at each plant and the Eastern and Western regional competitions presented their theme activities. Meanwhile, as part of efforts to improve quality management on a global scale, we have vigorously promoted the introduction of QC tools at overseas production bases. Thanks to such efforts, representative circles from two production bases in China participated for the first time in the 2015 Group-wide QC Conference.



QC circle member from China presenting at the Group-wide QC Circle Conference



## Responding to Customer Inquiries and Complaints

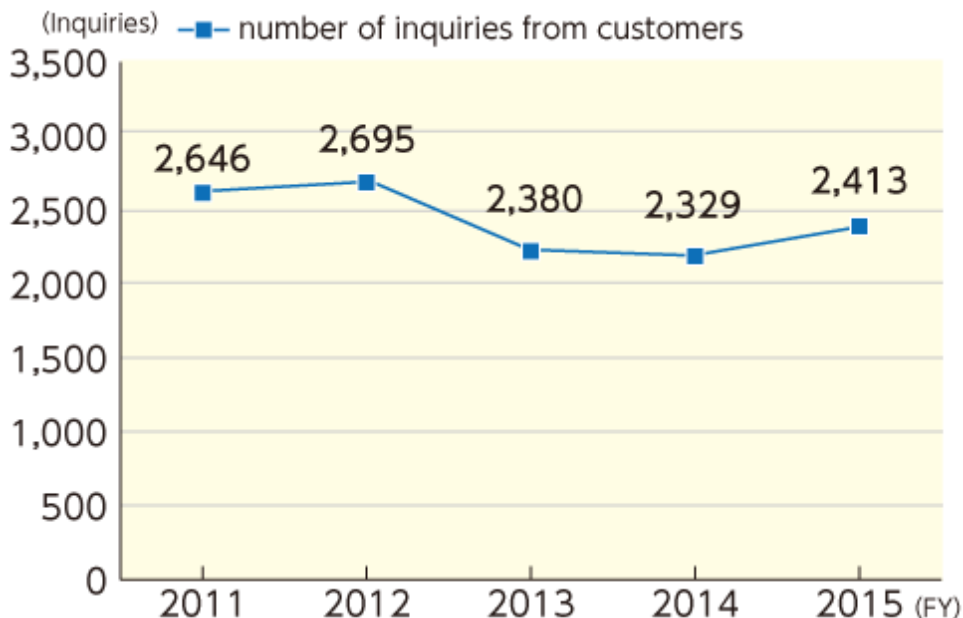
### Responding to customer inquiries and complaints

For inquiries and requests received via toll-free number and website, the Customer Relations Department staff provide clear and accurate explanations so that customers can gain a full understanding of the issue.

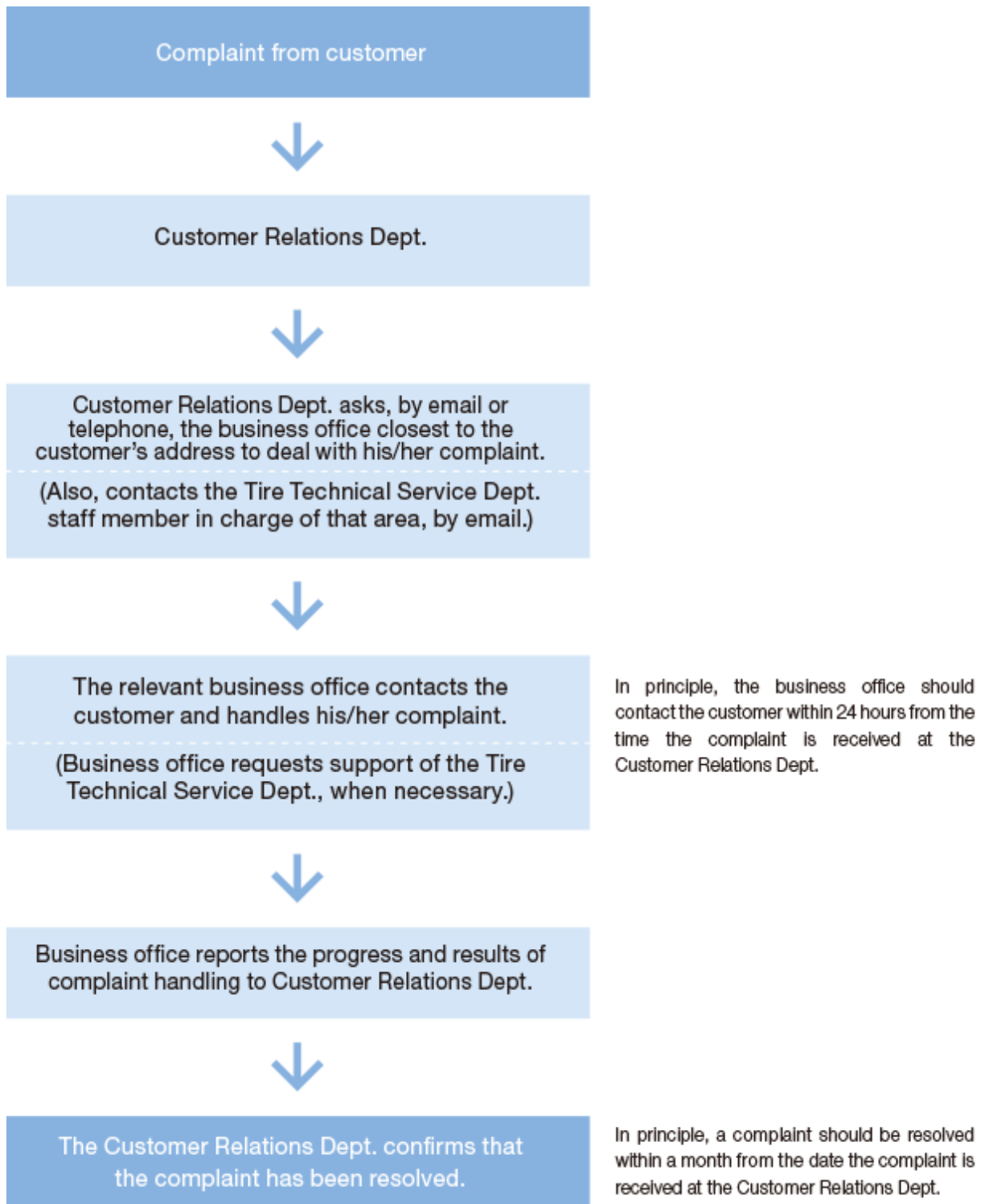
To customers who submitted inquiries via email, questionnaires are sent to obtain feedback on their level of satisfaction with the way their inquiries were handled (response content, response time, etc.). Based on the questionnaire results, the Customer Relations Department staff work to improve their response to customer inquiries. Efforts are also being made to maintain and improve the level of customer satisfaction with inquiry response, by setting numerical targets for customer satisfaction ratings and inquiry response times. In fiscal 2014, we achieved all the set targets.

As for products about which we received many inquiries and requests, the contents of the inquiries and requests are communicated to the relevant departments, which will then make the relevant improvements, such as adding explanations concerning those products on the company website and product catalogues. For any complaints received from customers, the Customer Relations Department staff work sincerely, in cooperation with the relevant business offices and the Technical Service Department, to resolve problems and complaints quickly and satisfactorily, so as to build and maintain good relationships with our customers.

### Changes in the number of inquiries from customers



## System for responding to customer complaints



## Contribution to the Global Environment

### Basic Approach

In keeping with its commitment to helping realize a sustainable society, the Toyo Tires Group has been promoting environmentally responsible business activities, offering eco-friendly products and services, and supporting environmental protection activities. To address issues such as climate change and resource circulation on a global scale, it is essential to further strengthen the environmental management of the entire Group.

## Environmental Management

### Toyot Global Environmental Charter

The Toyo Tires Group carries out its business activities with a commitment to being environmentally aware and providing high-quality products and services. In 1992 we established the Toyo Global Environmental Charter, which sets forth our fundamental philosophy and action guidelines in promoting environmentally conscious behavior and activities. Based on the action guidelines, specific action items and medium- and long-term targets are set out in the Toyo Global Environmental Action Plan.

#### 1. Fundamental Philosophy

Through corporate activities that offer the means to provide joy in movement and comfort in daily living, we protect the planet that is our home and contribute to the creation of a wealthy and abundant society.

#### 2. Action Guidelines

##### 1) Compliance with laws and regulations

We comply with laws and regulations related to the environment and work to protect it.

##### 2) Reduction of environmental impacts

We strive to generate fewer waste materials in our business activities and suppress the consumption of energy and harmful chemical substances as much as possible to reduce the negative impact on the environment. Moreover, we preserve and effectively use resources through recycling and other efforts.

##### 3) Development of environment-friendly products

At the product planning stage, we consider every step, from production to post-use, and strive to develop new products and new technologies that are friendly to the earth. Moreover, we continue to develop and provide products, technologies and services that are useful for global environmental protection, including through energy conservation and pollution prevention.

##### 4) Harmony with society

As a member of both global and local communities, we strive to realize even better living environments through use of the Toyo Tires Group Environmental Protection Fund and dialogues with different sectors in society.

##### 5) Internal and external awareness raising and public relations activities

We implement clear and comprehensive education and awareness-raising activities about all aspects of the environment for every employee level. We also endeavor with public relations activities for our customers, society, and local residents.

##### 6) Expansion of efforts overseas

We comply with local environmental laws and regulations in all countries and regions we conduct our business and establish environmental management systems there to build harmonious relationships with local communities.

##### 7) Response to emergencies

To prevent environmental disasters, we conduct thorough management and maintain and improve our equipment. At times of emergency, we immediately carry out investigations, take countermeasures, and strive to prevent any recurrence.

#### 3. Maintaining/Improving Management Systems

We appoint officers and staff members responsible for safety and environment and advance the improvement of management systems, while ensuring that the enforcement divisions clarify our action plans and work to realize an even better environment. Moreover, we conduct annual auditing to confirm the results of our environmental protection activities, evaluate them, and implement new measures.

Correspondence with the Toyo Global Environmental Charter		Medium/Long-Term Targets (Japan)	
Action Guidelines	1) Compliance with laws and regulations	Protect the environment by complying with environmental laws and regulations and agreements with local residents.	
	2) Reduction of environmental impacts	Global warming control	Reduce CO <sub>2</sub> emissions per unit of production by 15% compared to fiscal 2005 by the end of fiscal 2020.
		Energy conservation	Reduce energy consumption per unit of production by an average of at least 1% per year on a medium- to long-term basis.
		Waste reduction	Achieve a 100% recycling rate by the end of fiscal 2020 and maintain it thereafter.
		Reduction of harmful chemicals substance use	Reduce VOC (volatile organic compound) emissions by 50% compared to fiscal 2000 and maintain it.
			Eliminate SOC (substances of concern) use.
		Green procurement	Promote preferential purchase of environment-friendly raw materials and development of environment-friendly technologies.
	3) Development of environment friendly products	Environmental consideration at development stage	Minimize the use of environmentally hazardous substances in products at the development stage.
		Development and provision of products and technologies that reduce environmental impacts	Promote tire weight and noise reduction and fuel efficiency improvement, and develop energy-conserving products.



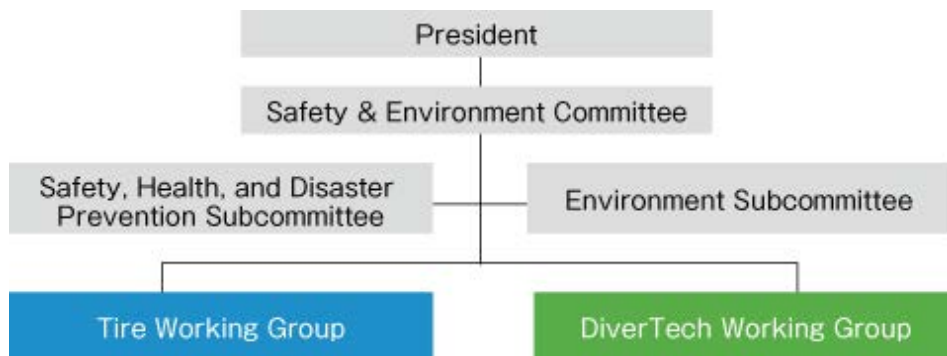
Correspondence with the Toyo Global Environmental Charter			Medium/Long-Term Targets (Japan)
Action Guidelines	4) Harmony with society	Toyo Tires Group Environmental Protection Fund	Contribute to environmental protection and the creation of a sustainable society by providing financial assistance to non-profit organizations involved in biodiversity and environmental conservation in Japan and overseas.
		Interaction with local communities	Participate in and cooperate with regional events (cultural festivals, cleaning, etc.)
			Support employees' voluntary social contribution activities.
	5) Internal and external awareness-raising and public relations activities		Raise employees' environmental awareness and disclose information on the Group's environmental activities to customers and the general public through CSR reports, etc.
			Provide environmental education and training suitable for employee's positions/duties.
	6) Expansion of efforts overseas	Management systems	Understand and comply with local laws and regulations.
		Harmony with local communities	Respect the culture and customs of each country/region and endeavor to harmonize with local communities.
	7) Response to emergencies	Prevention of environmental disasters and accidents	Execute thorough management of environmental conservation facilities, and measure and control pollution loads.
		Review and improvement of emergency response and other related manuals	Conduct emergency response drills.

Correspondence with the Toyo Global Environmental Charter		Medium/Long-Term Targets (Japan)
Reforming management systems	Management systems	Develop and improve a concrete action plan for each plant/business office in line with the Toyo Global Environmental Action Plan.
		Conduct business activities in accordance with ISO 14001 guidelines.
	Environmental accounting	Conduct environmental accounting in accordance with the Ministry of the Environment's Environmental Accounting Guidelines.
	Environmental auditing	Execute internal and external auditing.

## Environmental management system

The Toyo Tires Group established the Corporate Environment Improvement Committee (present Safety & Environment Committee) in 1972 and the environmental department, ahead of competitors in the industry. The Environment Subcommittee of the Safety & Environment Committee develops a policy and prioritized measures each year. We promote environmental management by ensuring that the working groups, which are formed for each of the business segments (Tire and DiverTech) take the lead in implementing those measures while following the PDCA cycle.

## Environmental management system



## Environment subcommittee policy for FY 2015

- I . Improve environmental compliance
- II . Promote activities to reduce environmental impacts
- III . Promote activities to preserve biodiversity
- IV . Other (responding to revised Industrial Safety and Health Act)

In accordance with the 2015 Policy, for Item I, on-site inspections of waste management service providers (one of the priority measures) were completed as planned at the beginning of the year. For Item II, we focused our efforts on reducing CO<sub>2</sub> emissions per unit of production, promoting energy-saving activities, promoting waste reduction and recycling, and reducing VOC emissions. For Item III, with the aim of developing forests, which offer habitats for animals and plants, we supported the Millennium Hope Hills Project near the Sendai Plant, and "TOYO TIRES Midori-no Tsunagari, Mie"—a project to develop a corporate forest in the area around the Kuwana Plant. Employees from the plants and their families participated in tree-planting, thinning and other activities as volunteers. For Item IV, in cooperation with the Safety, Health and Disaster Prevention Subcommittee, we are working on preparations for chemical substance risk assessment.

## Environmental management system (ISO 14001) certification acquisition status

In fiscal 2015, Toyo Tyre Malaysia Sdn Bhd acquired ISO 14001 certification.

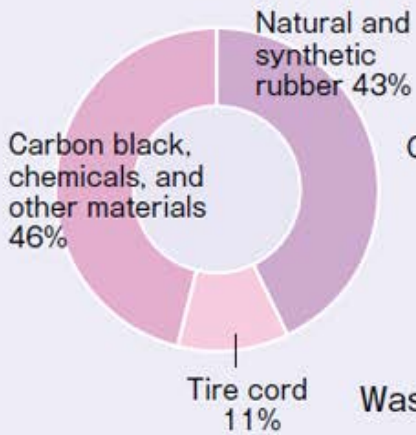
Domestic business site	Year/Month certified
Sendai Plant	1998/6
Kuwana Plant	1999/12
Toyo Soflan Co., Ltd. Miyoshi Plant Atsugi Plant	1999/3 (2008/3: integrated)
Hyogo Manufacturing Complex Ayabe Toyo Rubber Co., Ltd. Toyo Advanced Technology Inc.	1998/6 (2007/6: integrated)
Fukushima Rubber Co., Ltd. Soflan Wiz Co., Ltd. Iwaki Plant F.C.C. Co., Ltd.	2000/2 (2006/2: integrated)

Oversea business site	Country	Year/Month certified
New Pacific Industry Co., Ltd.	Taiwan	2000/8
Silverstone Berhad	Malaysia	2002/10
Toyo Automotive Parts (USA),Inc.	U.S.A	2004/9
Toyo Automotive Parts (Guangzhou) Co., Ltd.	China	2008/11
Toyo Tyre & Rubber Australia Ltd.	Australia	2013/1
Toyo Tire North America Manufacturing Inc.	U.S.A	2013/11
Wuxi Toyo Meifeng Rubber Products Manufacturing Co., Ltd.	China	2014/3
Toyo Tyre Malaysia Sdn Bhd	Malaysia	2015/11

## INPUT Input of energy and resources

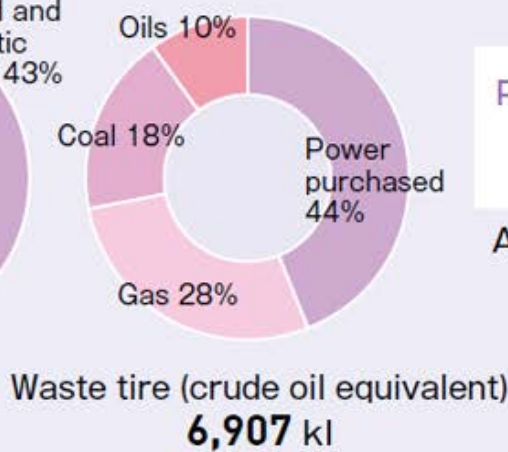
### Raw materials

Amount used  
**347,000 t**



### Energy\*

Amount used  
(crude oil equivalent)  
**145,000 kl**



### Water resources

Amount used  
**3.1 million t**

PRTR-designated  
chemical  
substances

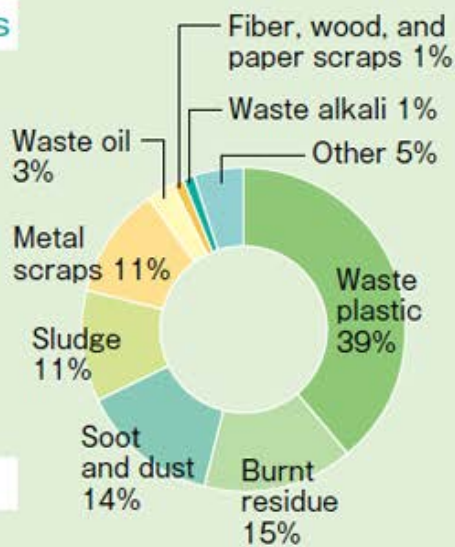
Amount handled  
**6,437 t**

## OUTPUT Emissions and waste from our business activities

### Waste materials

Total output  
**18,900 t**

Final disposal  
(as landfill)  
**3 t (0.02%)**



### Atmospheric emissions

CO<sub>2</sub> emissions  
**281,700 t-CO<sub>2</sub>**

\* Calculated based on the "Greenhouse Gas Calculation and Reporting Manual of Ministries of the Environment and of Economy, Trade and Industry (Ver.3.4) for Rubber Business Operators," published by the Japan Rubber Manufacturers Association.

NO <sub>x</sub> emissions	SO <sub>x</sub> emissions
<b>355 t</b>	<b>19 t</b>

PRTR-designated  
chemical substances

Atmospheric emissions **227 t**  
Amount transferred **107 t**

### Waste water

Atmospheric emissions  
**1.9 million t**

\* Starting from fiscal 2013, the amount of energy used is calculated using the latest unit heat-of-combustion coefficient according to law. The amount of waste tires is reported separately since it concerns a form of energy of a non-energy origin.

## Preventing Global Warming

### Reducing CO<sub>2</sub> emissions

#### Status of Scope 1 and Scope 2

Since fiscal 2013, the Toyo Tires Group has been working toward the target of reducing Scope 1 and Scope 2\* CO<sub>2</sub> emissions per unit of production at its production sites in Japan by 15% from fiscal 2005 levels by the end of fiscal 2020.

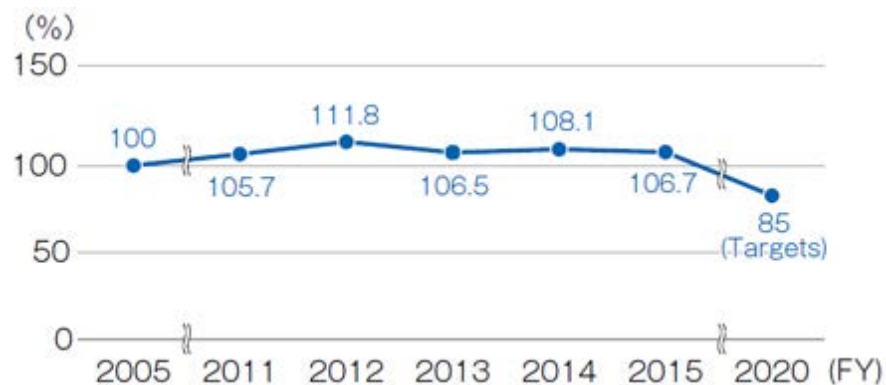
In fiscal 2015, CO<sub>2</sub> emissions decreased by 1.3% from the previous year, but increased by 6.7% compared to fiscal 2005. Despite various measures taken, including converting the fuel for the existing boilers from heavy oil to town gas, this increase was due mainly to a decrease in production volume in Japan compared to fiscal 2005 and to a limit in the amount of energy input that could be controlled by the existing equipment depending on the production volume.

From fiscal 2016 we will implement new fuel conversion measures to achieve our target by fiscal 2020.

\* Scope 1: Direct emissions from business operations (e.g. fuel use in plants)

Scope 2: Indirect emissions from energy consumption (e.g. use of purchased electricity)

#### CO<sub>2</sub> emissions per unit of production (Scope 1 and 2) (in Japan)



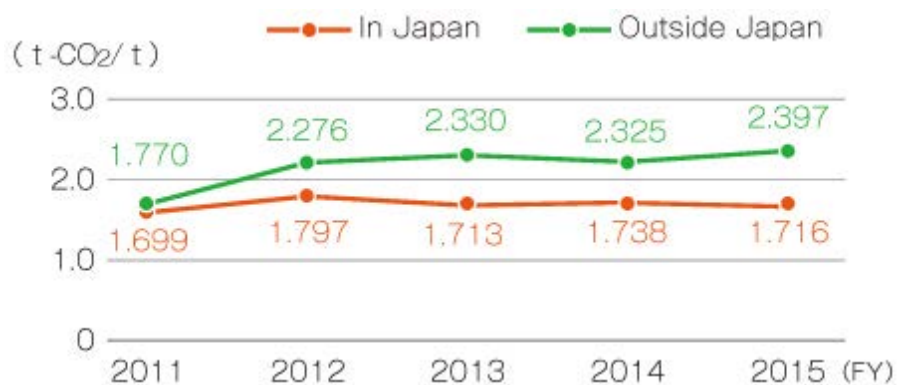
\* CO<sub>2</sub> emissions calculated by the thermal power unit of production method in accordance with the "Greenhouse Gas Emissions Calculation and Reporting Manual of the Ministries of the Environment and of Economy, Trade and Industry for Rubber Business Operators," published by the Japan Rubber Manufacturers Association.

\* As the electricity emission factor, the actual receiving-end emission factor for fiscal 2005 was used; as the denominator, the combined value of new rubber consumption and the amount of materials converted to new rubber at our production bases was used.

\* Data collection period for each fiscal year was from April 1 to March 31 for fiscal 2011 and before, and from January 1 to December 31 for fiscal 2012 and thereafter.



## Changes in CO<sub>2</sub> emissions per unit of production (Scope 1 and 2) (in/outside Japan)



\* Data collection period for each fiscal year was from January 1 to December 31.

## Responding to Scope 3 emission control requirements

Since fiscal 2013, We have been calculating Scope 3 CO<sub>2</sub> emissions\* from our tire business towards the goal of reducing CO<sub>2</sub> emissions throughout the entire value chain, from the procurement of raw materials to the disposal of products. In fiscal 2015, Scope 1 and 2 CO<sub>2</sub> emissions accounted for 3.5% of our total emissions, and Scope 3, 96.5%. The area with the most CO<sub>2</sub> emissions was Category 11 of Scope 3 (use of products), accounting for 86% of all scopes.

We will focus in particular on the reduction of CO<sub>2</sub> emissions from product use, through further popularization and performance upgrading of fuel-efficient tires while working on the improvement of data collection and management accuracy.

\* Scope 3: Indirect emissions from other activities (e.g. transportation and use of products, employee commuting, and business trips)

## Life cycle assessment of tires

LCA (lifecycle assessment) is a method of quantitatively calculating, analyzing and evaluating impacts on the environment throughout a commercial product or service's entire lifecycle, from procurement of raw materials to discarding and recycling.

To calculate CO<sub>2</sub> emissions in the lifecycle of tires, the Environment Subcommittee, Technical Committee, of the Japan Automobile Tyre Manufacturers Association, Inc. in April 2012 published "Tyre LCCO<sub>2</sub> Calculation Guidelines Ver. 2.0". These Guidelines have been developed based on the Tyre LCA Calculation Method, which has a track record for use in the Japanese tire and rubber industry, and by referring to standards and systems related to LCA in Japan and abroad (ISO 14044, the Japanese Carbon Footprint system, PAS2050, BPX30-323, and GHG protocol).

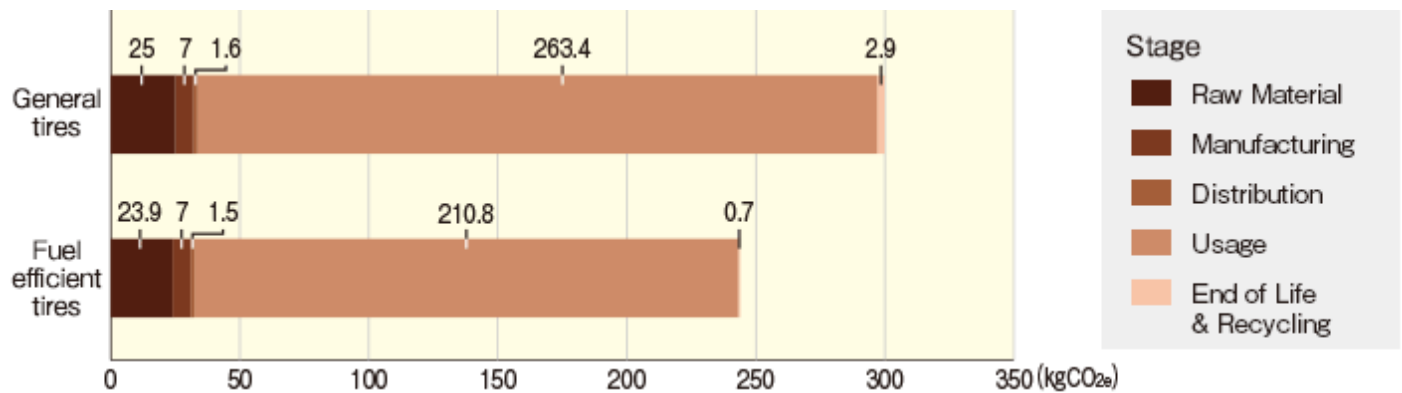
Tire CO<sub>2</sub> emissions calculated in accordance with these Guidelines are as follows.

## Greenhouse gas (GHG) emissions (converted to CO<sub>2</sub>) over the lifecycle of one tire

[PCR (Tires for passenger vehicles)]\* Calculation was performed using the volume retail tire size (195/65R15) as a model.

General tires (per tire): 300.6 kgCO<sub>2e</sub>

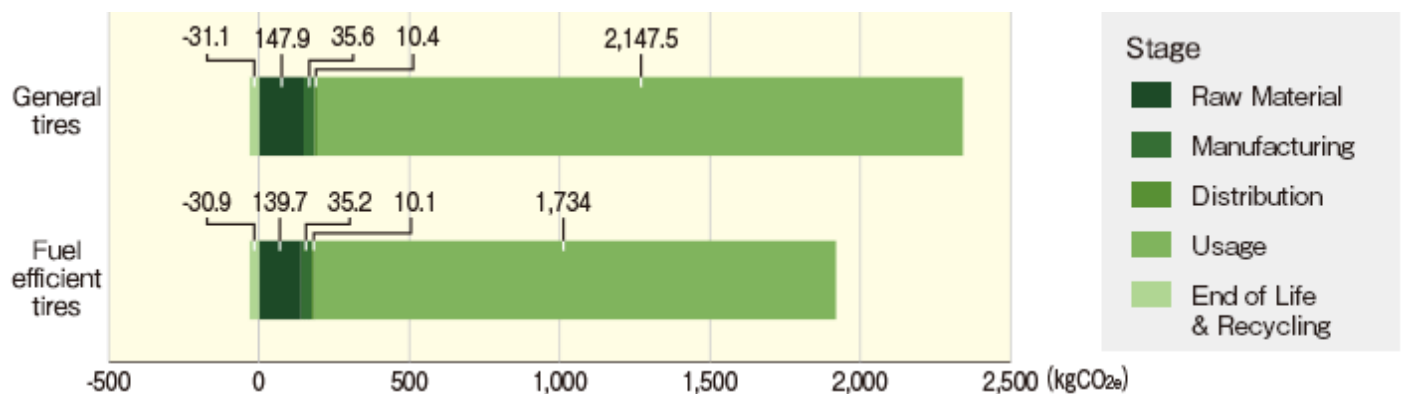
Fuel efficient tires (per tire): 243.9 kgCO<sub>2e</sub>



[TBR (Tires for trucks and buses)]\* Calculation was performed using the volume retail tire size (275/80R22.5) as a model.

General tires (per tire): 2,330.3 kgCO<sub>2e</sub>

Fuel efficient tires (per tire): 1,888.1 kgCO<sub>2e</sub>



\* Regarding GHG emissions at the end of life & recycling stage

- For PCR, calculation was performed taking into account the emission reduction effects of thermal use (thermal recycling).
- For TBR, as a result of calculation taking into account the emission reduction effects of thermal use (thermal recycling), product reuse (retreading), and material reuse (material recycling), net GHG emissions became negative.

\* Source: The Japan Automobile Tyre Manufacturers Association, Inc.

## Promoting energy-saving activities

We are pursuing Group-wide concerted energy-saving efforts to achieve the target of reducing energy consumption per unit of production by an average of at least 1% per year, from the medium- and long-term perspective. In fiscal 2015, as in previous years, we implemented various energy-saving measures, including conversion to LED lights, replacement with high-efficiency equipment, and reduction of energy losses from steam and air leaks at manufacturing sites, as well as the use of renewable energy generated through solar power generating systems at business sites. Not only production plants, but also business offices vigorously worked on power-saving initiatives, such as a cool summer campaign (in conjunction with the Cool Biz campaign) and Warm Biz campaign. As a result, the entire Group succeeded in reducing energy consumption per-unit of production by 0.47% from the previous year.



monitoring information on electric energy by a solar power generation system (Tire Technical Center; Itami City, Hyogo Prefecture)

In fiscal 2016 and onward, we will further promote Group-wide energy-saving activities, involving all members, by further strengthening cooperation between business sites.

### Major energy-saving and power-saving activities at production sites

- Introducing a demand monitor to visualize power consumption
- Replacing mercury and fluorescent lights with LED lights
- Replacing high-efficiency transformers
- Reducing energy losses from steam, air and nitrogen gas leaks
- Reviewing and replacing heat-insulating materials for heating equipment
- Improving the motor control of the hydraulic vulcanizing units
- Improving energy efficiency by installing new boilers

### Major energy-saving and power-saving activities at R&D and administrative sites

- Introducing solar power generation systems
- Setting upper and lower temperature limits for air conditioning; turning off air conditioners where unnecessary
- Removing lights where unnecessary, turning off lights (including during lunch breaks)
- Frequently turning off office equipment and lowering the brightness of PC monitors
- Implementing Cool Biz and Warm Biz activities
- Introducing circulators
- Encouraging the use of stairs instead of elevators
- Thorough implementation of No Overtime Day

We have been promoting energy-saving activities in logistics with the goal of reducing transportation energy consumption per unit of weight transported by an average of at least 1% per year, from the medium- and long-term perspective.

In fiscal 2015, as a result of implementing various energy-saving measures, including a modal shift from truck to rail and ship, the entire Group's transportation energy consumption per unit of weight transported dropped by 10.1% from the previous year. This means we have been in a state of continuous reduction since fiscal 2013.

CO<sub>2</sub> emissions from transportation also decreased by 17.6% from the previous year. In fiscal 2016 and onward, we will continue our efforts to improve our logistics and making them even more environment-friendly.

### Major energy-saving activities in logistics

Promoting a modal shift from truck to ship and rail container transportation

Gradual expansion of the use of 45 HC containers\*

For the transportation of shipments from overseas, reducing the overland travel distance within Japan by sending goods to ports nearest their respective destinations

Reducing the transportation distance by delivering products directly to customers instead of passing through a warehouse

Joint transportation through the use of trucks on return journeys from customers

Improving the loading efficiency of long-distance truck transportation by using relay points

Promotion of energy saving through the use of fuel-efficient tires

\* 12.5% improvement in load efficiency compared to conventional 40 HC containers

## Reducing Environmental Impacts

### Waste reduction

The Toyo Tires Group is striving to achieve the goal of realizing a waste recycling rate of 100% by the end of fiscal 2020.

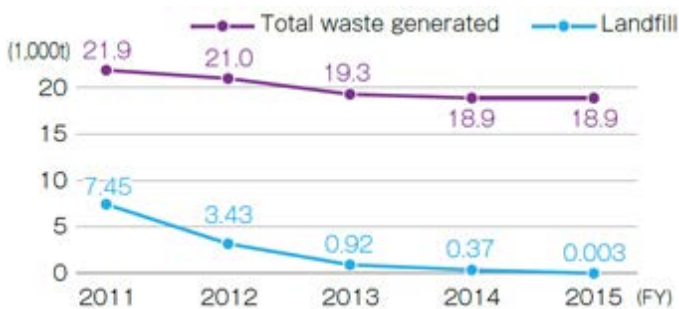
In fiscal 2011, due to suspended operations of some industrial waste disposal operators affected by the Great East Japan Earthquake, some of the generated waste could not be recycled, resulting in an increase in our total landfill volume. However, since then, the landfill waste volume has continued to decrease. In fiscal 2015, the total amount of waste generated was 18,881 tons, down 0.3% from the previous year, and the amount of landfill waste was 3 tons, down 99% from the previous year. Both figures were below pre-earthquake levels.

Our recycling rate also steadily improved to 97.5% in fiscal 2015.

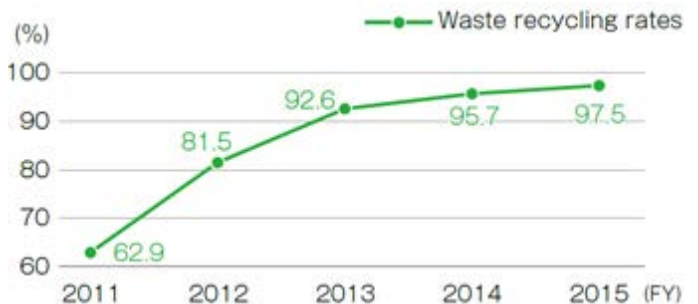
Moreover, we conducted on-site inspections of operators commissioned with industrial waste collection, transportation and disposal and confirmed the absence of problems with regard to environmental compliance.

In fiscal 2016 and onward, we will continue our efforts to further improve waste recycling rates at all our business sites in Japan, while ensuring thorough compliance with environment-related laws and regulations.

Total amount of waste generated and landfill (in Japan)



Changes in waste recycling rates (in Japan)



Total amount of waste generated and landfill per unit of production (in/outside Japan)



## Recycling of used tires

Under the leadership of the Japan Automobile Tyre Manufactures Association (JATMA), the tire industry as a whole is striving to promote the recycling of used tires. In 1990, ahead of other companies in the industry, the Toyo Tires Group introduced into the Sendai Plant a cogeneration system that uses scrap tires as a source of fuel. Through establishing such thermal recycling, we have been vigorously promoting the reduction of fossil fuel use and effective use of resources.

## Spreading use of retreaded (reused) tires

Retreading tires involves replacing the tread (the part of a tire that comes into contact with the road surface) on worn tires to make them serviceable again. Since retreading reuses all the remaining part of the tire, it naturally saves resources and even emits less CO<sub>2</sub> than in manufacturing new tires. Applied and managed in combination with fuel-efficient tires, retreading can bring about even greater energy-saving results. For these environmentally positive traits, in April 2002, retreaded tires were designated as a specified procured item under the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities ("Green Procurement Law") of Japan.

By further spreading the use of retreaded tires, the Toyo Tires Group intends to continue contributing to reducing environmental impact due to transportation.

## Retreading processes



Remolding



Pre-curing

Remolding: Raw rubber is applied to the tire casing; it is then placed in a mold so that rubber is vulcanized and the tread is formed.

Pre-curing: Prepared tread strip is applied to the tire casing; rubber is vulcanized in a dedicated case.



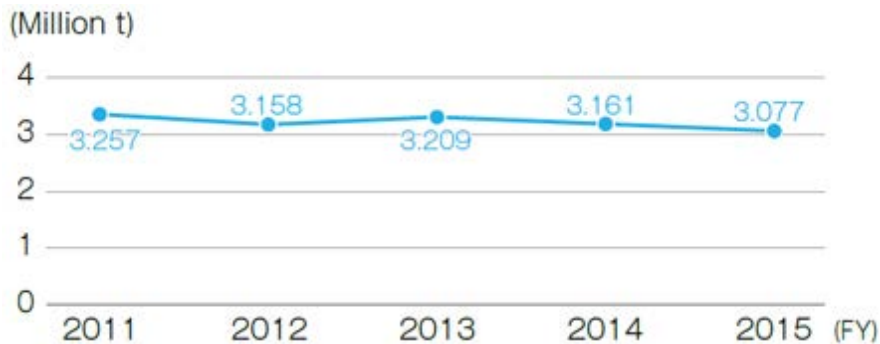
## Preventing Environmental Pollution

### Water resource conservation

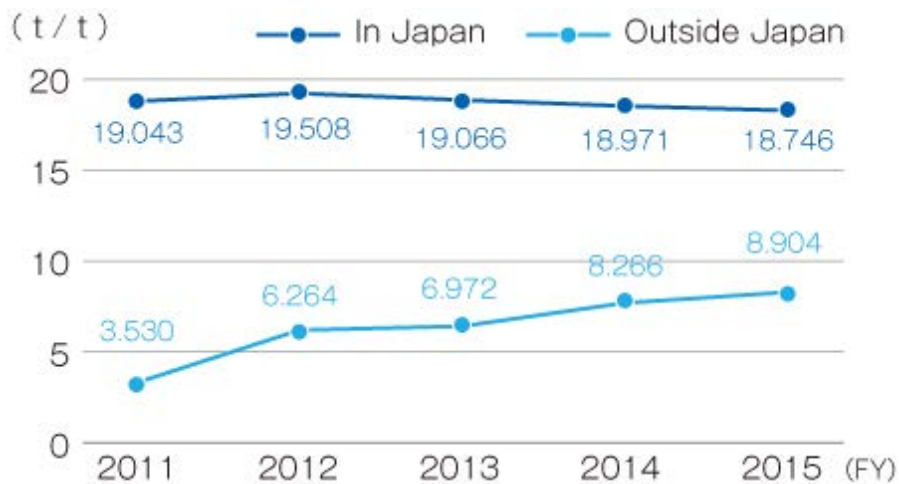
The Toyo Tires Group uses large amounts of water for boilers, parts processing equipment, cooling equipment for products, cooling towers, etc. We are striving to make effective use of water resources by circulating and reusing cooling water.

To regulate and manage our water consumption and waste water quantities, respective business bases set up their own voluntary targets that vary according to their operational scale and the products handled.

#### Amount of water used (in Japan)



#### Changes in the amount of water used per unit of production (in/outside Japan)



In fiscal 2015, the Toyo Tires Group used a total of 31 PRTR-designated chemical substances, of which industrial operators are required to report the amount released into, and transferred in, the environment under the PRTR Law (Law Concerning Pollutant Release and Transfer Register).

Despite ongoing efforts to reduce the use of PRTR-designated substances, including a change in composition of products containing the said substances and the adoption of alternatives, the amount of PRTR-designated substances handled in fiscal 2015 totaled 6,437 tons, up 20.4% from the previous year, due to development of new products and other reasons.

We will continue to promote PRTR-designated chemical substance management to further optimize our environmentally responsible product development.

### Changes in the amounts of PRTR-designated chemical substances handled, emitted and transferred (in Japan)



### Changes in the amounts of PRTR-designated chemical substances handled, emitted and transferred per unit of production (in Japan)

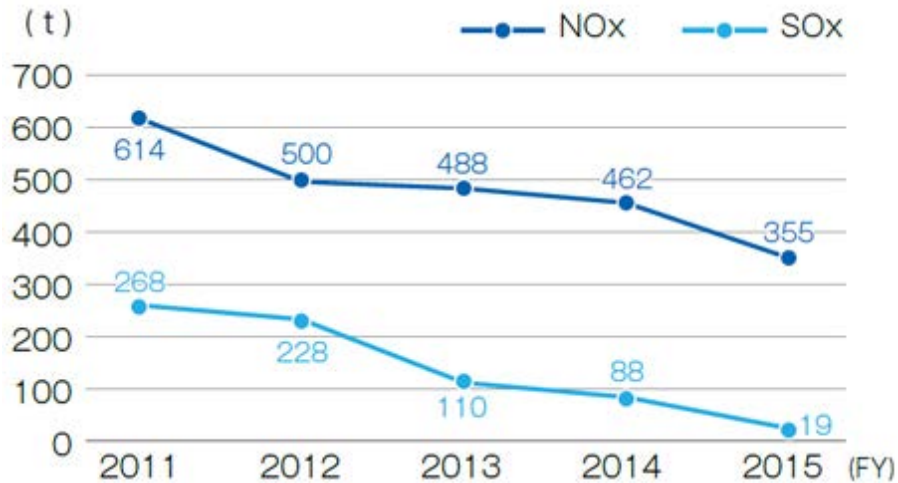


## Preventing air pollution

NOx (nitrogen oxide) and SOx (sulfur oxide) emissions have been steadily declining, through such measures as the introduction of cogeneration systems and a fuel shift from heavy oil to natural gas at the Kuwana Plant. In fiscal 2015, stopping of use of Type-C heavy oil with a high nitrogen and sulfur content resulted in a decrease in SOx emissions to 19 tons or by 78% from the previous year, as well as NOx emissions of 355 tons or a 23% decrease from the previous year.

In the future, we will continue regular emission monitoring and reduction efforts at our business sites.

### NOx/SOx emissions (in Japan)



## Reducing VOC emissions

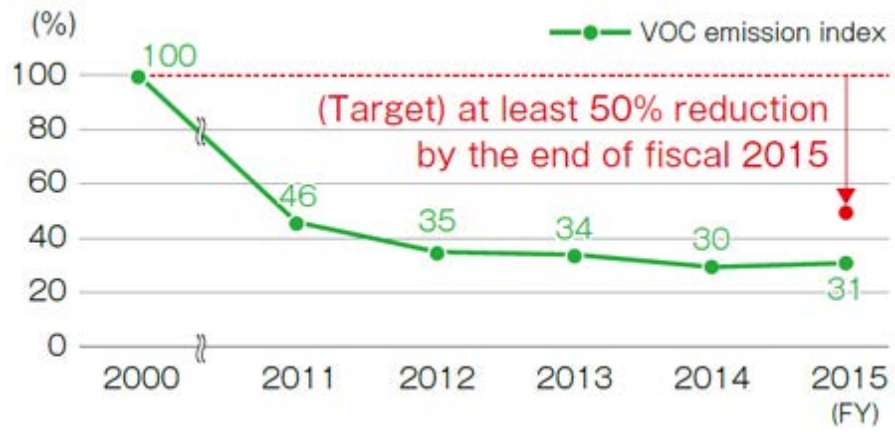
VOCs\*, released into the atmosphere, cause a photochemical reaction and hence air pollution, and their emissions are regulated under the law. The Toyo Tires Group, which uses VOCs in some steps of the tire manufacturing process, has been striving to reduce VOC emissions.

As a result of our vigorous efforts to improve production methods and processes, such as reduction of the use of tire surface treatment liquid, toward the goal of reducing VOC emissions by at least 50% from the fiscal 2000 levels by the end of fiscal 2015, in fiscal 2015 VOC emissions decreased by 69% from fiscal 2000, resulting in the continuous achievement of the set targets since fiscal 2010.

We are determined to do our utmost to contain VOC emissions at the fiscal 2015 level by making our production methods and processes even more environmentally responsible.

\* VOCs, which stands for "volatile organic compounds," is a collective term for organic chemical compounds that easily volatilize in the air and evaporate at normal temperatures and under normal pressure.

Changes in VOC emission index (with fiscal 2000 as 100) (in Japan)



## Environmental Accounting

Range of data collection:	Toyo Tire & Rubber Co., Ltd. Headquarters, Sendai Plant, Kuwana Plant, Hyogo Manufacturing Complex, Corporate Technology Center, Tire Technical Center, Automotive Parts Technical Center; Fukushima Rubber Co., Ltd.; Soflan Wiz Co., Ltd.; Toyo Soflan Co., Ltd. Miyoshi Plant; Ayabe Toyo Rubber Co., Ltd.; Toyo Seiki Co., Ltd.
Period covered:	January 2015 – December 2015

### Environmental protection costs

Environmental accounting review for fiscal 2015:

For the Toyo Tires Group overall, in comparison with the previous fiscal year, the amount of investment decreased while the amount of costs increased.

Costs of air pollution preventive measures and wastewater treatment facilities improvement (within business area costs) accounted for the largest portion of the total environment-related expenses. A large amount of money is spent on R&D on a continuous basis.

(Unit: million yen)

Category	Major activities	Investment		Cost	
		FY2014	FY2015	FY2014	FY2015
1. Business area costs		318	146	957	1,671
Pollution prevention costs	Air pollution preventive measures and wastewater treatment facilities improvement, etc.	156	59	243	810
Global environment protection costs	Energy-saving measures, greenhouse gas emissions control measures, etc.	156	85	278	306

Category	Major activities	Investment		Cost	
		FY2014	FY2015	FY2014	FY2015
Resource recycling costs	Processing and recycling of industrial waste, etc.	6	2	436	556
2. Upstream/ downstream costs	Purchasing of eco-friendly products, pulverization of waste tires, etc.	0	0	33	37
3. Administration costs	Operation of environmental management systems, environmental impact monitoring activities, etc.	6	7	79	81
4. R&D costs	Development of alternative materials, research and development of fuel-efficient tires, etc.	17	5	499	514
5. Social activities costs	Tree-planting activities, contributions to the Environmental Protection Fund, etc.	0	0	34	30
6. Environmental remediation costs	Payments of levies related to pollution burdens, etc.	0	0	9	6
Total		341	158	1,611	2,339

Calculations conform to the Environmental Accounting Guidelines (2005 edition) published by the Ministry of the Environment.

Depreciation of investments is included in cost.

For costs spanning more than one category, only the costs related to environmental protection were included.



In cases where environmental protection costs cannot be clearly separated, a proportional calculation was made using the "environmental ratio" considering the degree of reference to the environmental protection efforts. R&D costs include the costs of efforts to develop eco-friendly products and use alternative materials. Personnel expenses were calculated by man-hours and average wages.

## Economic effects of environmental protection measures

The economic effects of environmental protection measures amounted to 256 million yen, mainly from cogeneration, fuel switch, energy-saving activities and profits from recycling and the sale of waste.

(Unit: million yen)

Category	Major activities	Amount	
		FY2014	FY2015
I. Cost reduction through energy saving	Cogeneration	207	177
	Energy-saving activities	58	68
II. Profits from recycling and sale of waste	Recycling and sale of waste materials	15	11
Total		280	256

## Environmental protection effects (quantitative effects)

Category	Environmental performance indicators	Unit	FY2014	FY2015	In comparison with the previous year
Effects related to resources input in business activities	Total energy input	1,000 giga-J	5,851	5,875	24
	Electricity	1,000 giga-J	2,406	2,486	80
	Heavy oil and kerosene	1,000 giga-J	719	535	-184

Category	Environmental performance indicators	Unit	FY2014	FY2015	In comparison with the previous year
	Gas (city gas and LPG)	1,000 giga-J	1,393	1,547	154
	Other (coal and waste tires)	1,000 giga-J	1,322	1,297	-25
	Water resource input	Million m <sup>3</sup>	3.16	3.08	-0.08
Effects related to environmental impacts and waste generated by business activities	CO <sub>2</sub> emissions	1,000 t-CO <sub>2</sub>	289	282	-7
	Emissions of PRTR-designated chemical substances	t	208	227	19
	Transfer of PRTR-designated chemical substances	t	94	102	8
	Total emissions of waste materials	1,000 t	18.9	18.9	0
	Waste materials sent to landfills	1,000 t	0.4	0.003	-0.397
	Total wastewater	Million m <sup>3</sup>	2.0	1.9	-0.1
	Water quality BOD	t	6	6	0
	Water quality COD	t	11	10	-1
	NOx emissions	t	462	355	-107

Category	Environmental performance indicators	Unit	FY2014	FY2015	In comparison with the previous year
	SOx emissions	t	88	19	-69
Effects related to goods and services produced by business activities	Volume of tires collected	t	6,688	6,972	284

\* Pursuant to the revision of the unit calorific value and carbon emission factor of city gas, CO<sub>2</sub> emissions in fiscal 2014 were recalculated using the revised values. Therefore, the value of CO<sub>2</sub> emissions in fiscal 2014 presented here is different from that reported last fiscal year.

## Respect for Human Rights and Diversity

### Basic Approach

With the global expansion of its business operations, the Group's employee composition has become increasingly diverse. In order for our Group to grow in a sustainable manner, it is essential to instill a global human rights mindset throughout the Group and ensure that all employees can grow and contribute their best by taking advantage of individual differences, such as gender, nationality and values.

## Respect for Human Rights

### Basic policy on human rights

As clearly stated in the Toyo Tires Group Charter of Corporate Behavior and the Toyo Tires Group Code of Conduct, we fully respect basic human rights and strive to create and maintain a sound workplace that is free from discrimination and harassment. Also, we are against the use of forced labor and the employment of children under legal working age.

### Human rights education

Based on these ideas, human rights education is provided in grade-specific training. Our human rights education is conducted on various themes, such as "personal information and privacy," "sexual harassment," "power harassment," "pregnancy discrimination," "social discrimination," and "human rights of children, elderly, and disabled people." As part of our efforts to promote understanding and elimination of social discrimination, we actively participate in local activities in the areas where our business sites are located.

## Diversity of Human Resources

### Employment situation

To respond to global business expansion and an increasing demand for specialized skills, the Toyo Tires Group endeavors to secure the necessary human resources through various methods—not only new graduate and mid-career recruiting, but also the reemployment of retired employees. We also actively employ foreign nationals, through participation in job-hunting events for international students. As for employment of new graduates, we set an employment rate target for females, foreign nationals and returnees/students who returned from study abroad of 30%.

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

### Number of employees and percentage by region



\* Figures are as of December 31, each year.

## Number of employees and average length of service by gender (non-consolidated)



\* Figures are as of December 31, each year.

## Number of new graduates hired (non-consolidated)

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Sales/technical/ administration, etc.	male	36	24	20	23	33
	female	2	7	2	7	10
Manufacturing	male	40	29	32	57	41
	female	11	3	1	8	3

### Promoting empowerment of women

In addition to the establishment of various personnel systems to create an easy-to-work-in environment, we promote the empowerment of female employees through various initiatives, including individual career interviews, development of career development plans, and awareness-raising seminars.

As a result of analyzing the data on female employees of the Company, such as the male to female employee ratio, age distribution and job-rank distribution of female employees, it has been found that although the percentage of female employees is still low, the number of female employees who are candidates for managerial personnel is growing steadily due to active hiring of women in recent years. From interviews with female employees conducted jointly by labor and management, it has been revealed that instead of initiatives limited to women, they expect more efforts to be made: to create a workplace where all employees, whether male or female, can take on new challenges; to provide career development support, taking into consideration diverse values and lifestyles; and to activate workplace communication.



Study session of the Labor Union Women's Committee

In accordance with the Women's Workplace Participation Promotion Act,\* our Company has formulated a general employer action plan, in which we set a target of doubling the percentage of female managers compared to the end of December 2010. To this end, we are promoting systematic recruitment and development activities, and appointment/promotion based on fair performance evaluation, while working at the same time to develop and implement personnel measures to encourage employees, regardless of whether they are male or female, to play more active roles in the workplace.

\*The Act of Promotion of Women's Participation and Advancement in the Workplace, which went into effect on April 1, 2016

### Promoting reemployment of older employees

In line with the enforcement of the revised Act on Stabilization of Employment of Elderly Persons on April 1, 2013, we have introduced the Senior Employee System (post-retirement reemployment system) to enable employees wishing to be reemployed after their retirement at the age of 60 to work at least until they reach pension age.

Against the backdrop of a decrease in the working population due to a declining birthrate and aging population, the role of senior employees has become even more important in our Company. To help senior employees maintain high levels of motivation and engage in their work enthusiastically, in January 2016 we introduced the senior employee evaluation system. Under this new system, in addition to passing on their long-accumulated knowledge and professional skills to younger workers, senior employees are encouraged to set their individual goals for the theme that they want to work on to cap off their company life (career self-reliance), and their performance is evaluated.



## Promoting employment of disabled persons

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With the aim of becoming a company where people with and without disabilities can work together in a supportive environment, we are implementing various initiatives to promote the employment of disabled persons, mainly at Showa Estate Co., Ltd., a special subsidiary established for the employment of people with disabilities. While receiving advice from job coaches of the Employment Support Centers for People with Disabilities regarding various matters, including identification of jobs suitable for disabled persons and improvement of the work environment, each business office is also making efforts to expand the employment of disabled persons, by creating working opportunities in the areas of clerical and technical work, and light work such as cleaning and management of company housing and premises. As of the end of December 2015, our company's employment rate of disabled persons was 2.13%, exceeding the legal requirement of 2.0%.

## Promoting work-life balance

### Support for child-rearing and nursing care

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As part of efforts to support employees with family responsibilities, we have established childcare and family-care leave systems, which enable employees to concentrate on raising their children (up to the age of two) or caring for family members (for a maximum of one year).

In April 2015, to respond more precisely to the unique work-life needs of each employee, we introduced a new personnel measure, changing the minimum increments for the use of annual paid leave from half-day to two hours to allow employees to take a very short leave to take care of personal or family matters such as a doctor's visit, and picking up/dropping off children (this new measure has not yet been introduced to some workplaces for staffing reasons).

We have special working systems to allow employees with children and those who need to care for family members to be exempted from overtime/holiday work, and to work flexible and with reduced hours. To meet the demands from employees with children in the higher grades of elementary school who cannot attend after-school childcare programs, we have expanded eligibility for the special working systems, from employees with children "in the third grade or younger" to employees with children "in the sixth grade or younger."

One of the challenges in the operation of the childcare leave system is how to encourage male employees to take childcare leave. As part of such efforts, we have made changes to the childcare leave system, so that the first five business days of childcare leave is paid leave. As a result of our encouragement to take childcare leave even for a short period of time, within one year after the revision of the system, four male employees took childcare leave. We will continue to work to create an environment where employees find it easier to take childcare leave.

Furthermore, we have also introduced a system to restore expired annual leave (annual leave restoration system), to allow employees to use their unused paid leave granted in the year before last. In the past, allowable reasons for the use of the annual leave restoration system were illness/injury, childcare, family nursing care, and volunteer activities, but hospital visits and hospitalization for infertility treatment have been added to the list, enabling employees to use their expired annual leave to accompany their spouses for infertility treatment.

We are striving to further promote the improvement of operational efficiency and to establish flexible work systems, so that individual employees can realize the working style they desire and live a fulfilling life.

## Status of use of childcare/nursing care support systems

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Childcare leave	male	0	0	0	2	2
	female	1	1	4	6	6
Nursing care leave	male	0	0	1	0	0
	female	0	1	0	0	0
Short-time working for childcare	male	0	0	0	0	0
	female	2	2	0	1	1
Short-time working for nursing care	male	0	0	1	0	0
	female	0	0	0	0	0

## Introduction of reemployment system

In April 2013, we introduced a reemployment system to rehire former employees who left the company for reasons such as marriage, childbirth, child-rearing, family-care, or spouse's or fiancé/fiancée's transfer, under certain conditions.

## Current situation of labor-management relations

The Toyo Rubber Labor Union has 2,822 members (as of the end of December 2015). All employees of the Company join the labor union except managers and executives. The Company and its labor union maintain a good relationship that has been built based on long-term mutual understanding and trust. The company and the labor union hold many meetings to discuss a wide variety of issues, covering management issues and problems at each workplace, and work collaboratively on improvements and reforms.



Central Labor-Management Conference

## Major labor-management conference

Headquarters Human Resources Dept. – Union HQ	Central Labor-Management Conference (twice a year) Labor-Management Conference on Business Management Measures of each Business Group (twice a year for each Business Group) Labor-Management Conference on Business Management Measures of Corporate Division (once a year) Labor-Management Regular Meetings (monthly)
Business Site – Union Branch	Plant/Office Labor-Management Conference (monthly) Safety & Health Committee Meeting (monthly) Workplace Labor-Management Conference (monthly)

## Improvement of education and training programs

We are working to enhance our education and training programs, to bring out the potential of all our employees, to provide them with career development opportunities, and to increase their motivation. To enable employees to acquire the education and skill training needed to advance on their career path, we have established a training system that comprises various training programs, including grade-specific training, training for selected personnel, and department-specific training.

The group training is designed to include not only lectures but also workshops to enable trainees to learn practical skills and apply them in their daily work activities. In addition, the opportunity is also provided for trainees to talk directly with senior management. The basic business training course, where participants learn the basic knowledge and skills required of a business person, is delivered online (e-learning), to allow employees (other than those required to take this course) to take this course as a self-study resource.

In the future, we will work to develop training programs for young employees to enable them to work independently without supervision as early as possible, and global training programs that enable employees from different countries and regions to learn from each other while enjoying interacting and communicating together.



In-house training

## Education and training system

Target	Grade-specific training		Training for selected personnel	Departmental specialized training			Common & selective training	Global training
	Domestic	Overseas		Manufacturing depts	Technology depts	Sales depts		
General Managers & representatives	Training for newly-appointed GMs and representatives	Global executive training	Director candidates training		MOT Advanced level		Good life design seminar	
Managers	Group executive development training	Manager -class training	Training for GM candidates		MOT Intermediate level (External Training)		Global education program	Global communication education/ examination preparation support
Mid-level employees	Career design training Assistant manager candidate training		Training for next leaders candidates	Training for newly appointed chiefs		MOT Intermediate level		
Young employees	Brush-up training Training for employees hired mid-career		Training for newly-appointed chiefs/group leaders	Individual training Manufacturing leader training Tire technology I & II TE college TWI (Training Within Industry)	Sales training	Individual training	Overseas trainee system	Overseas trainee system (short-term)
New employees	Follow-up training for new employees New employee training			Basic knowledge/skills course	New employee training			

## Development of global human resources

The Toyo Tires Group has been accelerating global expansion in both the Tire and DiverTech businesses. Accordingly, our employee composition has substantially changed, and since fiscal 2014, overseas employees have accounted for more than half of the Group's total workforce. To support such a rapid global expansion, we are working vigorously to develop global human resources, i.e. individuals with the foreign language skills required to communicate globally and the ability to understand and accept diversity.

In Japan, we have introduced various courses in grade-specific training programs, including a course designed to promote the understanding of different cultures and a course featuring discussions in foreign languages. We also provide learning support for employees who are self-studying foreign languages and who are preparing for certificate exams. Furthermore, foreign language skills have been added to the criteria for promotion to managerial positions, and to the elements for which bonus points are awarded in work performance evaluation. We are using



Seminar held in China, aiming to develop global human resources

various strategies to develop our employees into globally competitive individuals. We also have an overseas training program, under which employees are dispatched to overseas bases for in-service training for a certain period to nurture a global mindset and broad perspective.

At our overseas bases, training seminars are held for locally hired executives and executive candidates, to encourage them to share the history and values, management vision and business strategies of the Group. Furthermore, to globally share lessons learned from a series of issues that occurred in Japan, we are providing education to overseas employees to instill a compliance mindset in them and so that they can understand the aspects of corporate culture that should be passed on to younger generations and the aspects of corporate culture that need to be reformed.

In future, we will strengthen our efforts to develop global human resources by creating opportunities for next-generation Group executives to gain the necessary experience and skills.

## Support for career development

To support the medium- and long-term development of employees, we have established and are operating the Individualized Human Resources Development System. Under the system, career interviews are conducted in which employees are encouraged to discuss their career plans with their supervisors. In conjunction, the Human Resources Development Committee has been established to ensure that each department develops and implements the medium- and long-term development plans for individual employees (including career development, assignments, and transfers).

We are implementing various initiatives to promote the growth of individuals and the organization, with the aims of "building a strong organization that promotes and stimulates the growth of people" and of "ensuring that each individual with diverse strengths and skills is assigned to an appropriate workplace so that he or she can realize their potential to the fullest extent."

We also offer Career Design Training for employees who reach 40 years old to provide them an opportunity to think about their own professional and personal career path.

## Collaboration with Business Partners

### Basic Approach

In line with its commitment to open and fair purchasing activities, the Toyo Tires Group has been striving to ensure stable procurement of quality raw materials at a fair price. Since, in recent years, it has been increasingly required to address various social issues throughout the entire supply chain, we promote CSR initiatives in close cooperation with our business partners.

## Promotion of Fair and Transparent Transactions

### Toyo Tires Group Basic Purchasing Policies

1. Compliance  
Comply with applicable laws, regulations, and social norms and strictly maintain confidentiality in all purchasing activities.
2. Partnership  
Build and maintain an honest, healthy, and cooperative relationship with suppliers as equal partners.  
Aim for mutual growth and development through enhanced communication and stronger bonds of mutual trust.
3. Transparent and fair trade  
When selecting suppliers, assess them from a comprehensive standpoint that takes into account their willingness to share and collaborate on CSR initiatives as well as on quality, price, delivery, and sustainable supply capacity.
4. Environmental responsibility  
Promote purchasing activities that also aim to reduce impact to the global environment.

### Promotion of fair and transparent transactions

#### Thorough compliance

Since we conduct our business with the cooperation of numerous business partners, we believe it is our clear responsibility to comply with all applicable laws/regulations, including the Subcontract Act, and social norms, and protect confidential information.

In fiscal 2015, we conducted e-learning training on the Subcontract Act for staff members in the relevant departments within our Group, such as departments conducting transactions with subcontractors and compliance/legal affairs departments. About 470 people received Subcontract Act training. This training was designed to help participants gain basic knowledge of the Subcontract Act and learn about familiar subcontracting-related problems through case studies. At the end of the training, a test was conducted to evaluate the participant's understanding of the topics covered in the training. This e-learning training was conducted with the aim of

improving employees' understanding of the Subcontract Act and ability to apply their knowledge to actual situations.

We will strive to further enhance our education and awareness-raising activities to ensure full compliance in purchasing activities.

## **Promotion of fair and transparent transactions**

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### **Use of electronic bidding system**

To improve fairness and transparency in the selection of suppliers, we have introduced and have been operating an electronic bidding system at major domestic and overseas purchasing bases since fiscal 2003.

### **Consideration for both quality and the environment**

To ensure that all parts and materials procured from our suppliers meet the required quality and environmental standards, we visit our suppliers to perform quality audits and chemical substance inspections (in which we inspect procured parts and materials to determine whether they contain any regulated substances). For suppliers required to be ISO 9001-certified, we investigate whether they have acquired or properly renewed certification.



## Partnership with Business Partners

### Promotion of CSR procurement

In recent years, it has been increasingly required to fulfill social responsibility throughout the entire supply chain. The Toyo Tires Group aims to grow and develop together with our business partners, by building and maintaining sincere and sound relationships and by cooperatively addressing human rights, labor, and environmental issues.

### Rolling out the CSR Procurement Guidelines

The Toyo Tires Group established the Toyo Tires Group CSR Procurement Guidelines (Ver.1) in 2010, and we were engaged in CSR procurement activities while seeking cooperation from business partners. After that, however, various social issues in the supply chain came to light and it became necessary to respond to a broader range of procurement-related issues. Against the backdrop of these circumstances, we further revised the Guidelines from a global perspective and published the second version (in Japanese, English and Chinese) in November 2014. Specifically, some new sections were added, such as thorough compliance and responsible material procurement.

To share the Guidelines with our business partners in and outside Japan and to promote CSR procurement throughout the supply chain, we held briefing sessions on the Guidelines for our business partners in and outside Japan.



Briefing session on the CSR Procurement Guidelines, held in Japan



Briefing session on the CSR Procurement Guidelines, held in Malaysia

### Implementation of the CSR Self-Assessment Checklist

Since fiscal 2015, to check our business partners' compliance with the Guidelines, we have distributed the CSR Self-Assessment Checklist to business partners in Japan and asked them to conduct self-assessment using the checklist. We compile and analyze the responses and provide feedback to these business partners. We also conduct individual interviews on an as-needed basis with business partners to discuss problems associated with procurement activities and exchange ideas for improvement.

We will strengthen CSR procurement efforts across the entire supply chain by having our business partners evaluate their procurement performance using the CSR Self-Assessment Checklist, on a regular and continuous basis.

## In-house training session

To promote CSR procurement, it is also important for the Group's purchasing personnel to perform purchasing tasks based on a full understanding of the objectives and content of the Guidelines. So, prior to rolling out the Guidelines to our business partners, we held training sessions on the second version of the Guidelines for purchasing staff members of domestic and overseas.



Training session for purchasing staff members of DiverTech Business Group Headquarters

## Response to the conflict minerals issues

Conflict minerals refer to tin, tantalum, tungsten, and gold which are produced in and around the Democratic Republic of the Congo and sales from which are believed to finance the local armed forces that propagate conflicts and violations of human rights. We conduct thorough investigations by tracing all the way back along the supply chain to refining companies to determine whether the materials or products supplied to us contain conflict minerals from the relevant countries, in cooperation with our customers and suppliers.

## Participation in Sustainable Natural Rubber Initiatives (SNR-i)

Stable procurement of natural rubber is a top priority for rubber product manufacturers. The International Rubber Study Group (IRSG), an inter-governmental organization composed of rubber producing and consuming stakeholders, is promoting the Sustainable Natural Rubber Initiatives (SNR-i\*), which aims to establish a sustainable natural rubber economy in harmony with the three pillars of economy, environment, and society. In June 2016, the Toyo Tires Group voluntarily declared its support of the objectives of the SNR-i and participation in the initiative. We will strive to contribute to the sustainable development of the natural rubber industry in cooperation with the industry organizations and administrative agencies in relevant countries, while working to strengthen our CSR activities across the entire supply chain through collaboration with business partners.

### SNR-i Criteria

- Criterion 1: Support improvement of productivity
- Criterion 2: Enhance natural rubber quality
- Criterion 3: Support forest sustainability
- Criterion 4: Water management
- Criterion 5: Respect human & labour rights

\*SNR-i: Sustainable Natural Rubber Initiatives

## Harmony with Local Communities

### Basic Approach

In order for the Toyo Tires Group to conduct business activities, it is essential to gain the understanding and trust of local communities. Based upon this belief, we will strive to contribute to the development of local communities and to the resolution of social issues through effective use of the Group's resources and collaboration with various stakeholders while listening to the opinions of local residents.

## Local Community Contribution Activities

### Support for the Saroma Grand Harvest Festival

On a day in October 2015, we opened the grounds of the Saroma Tire Proving Ground (Saroma town, Tokorogun, Hokkaido) for the "Saroma Grand Harvest Festival," organized by the Saroma Town Tourism and Products Association. The Saroma Grand Harvest Festival is an annual thanksgiving festival to celebrate the agricultural, forest, and marine harvest of the year, featuring the sale of a wide variety of local produce and specialties. The festival is a very popular event, attracting about 10,000 visitors from the surrounding areas each year. The Toyo Tires Group has offered part of the Saroma Tire Proving Ground for use as a venue since the 6th festival. During the festival, we set up a Toyo Tires booth and held a tire safety awareness event to remind visitors of the importance of maintaining proper tire pressure and of conducting daily tire checks and maintenance.



Liveliness of Saroma Grand Harvest Festival

## Holding the Fureai Community Fair 2015

In November 2015, the Sendai Plant held its annual "Fureai Community Fair" on its premises to deepen ties between employees, local residents and employees' family members. This event is held in cooperation with Group companies, with employees from Group companies participating in the operation of the event. The 2015 fair—the 23rd in the series— attracted about 1,300 visitors. In addition to regular attractions such as food and game stalls, the 2015 fair featured sales of local agricultural products (held under the sponsorship of JA Natori Iwanuma) to expand regional cooperation. We also conduct plant tours to enable participants to gain a deeper understanding of the business activities of the Toyo Tires Group.



Plant tour conducted during the Fureai Community Fair 2015

### MADE IN MIYAGI (Japanese only)

## Tire safety awareness-raising activities

The Toyo Tires Group implements various tire safety awareness-raising activities. At commercial facilities and event venues located near our business sites, we hold events to educate drivers about the importance of appropriate use of tires and daily tire checks and maintenance. In conjunction with the annual campaign conducted on Tire Day (April 8)\* by a tire industry organization to raise driver awareness of the proper use of tires, in April 2016 our Group held tire checkup events at seven service and parking areas across Japan. At the event venues, in addition to performing tire wear checks and air pressure checks, we explained to visitors that correct tire inflation pressure improves not only comfort and safety but also fuel efficiency. Many favorable comments were received from drivers, such as "I had the air pressure of my vehicle's tires checked. It gave me peace of mind."

\*Tire Day was designated to contribute to traffic safety by raising driver awareness of the proper use of tires. The date, April 8, was selected because April is the month in which the spring national traffic safety campaign is conducted and the number eight looks like two rings of tires.



Tire pressure check at a service area



Employees participating in tire checkup events

## Participating in community cleanup activities

Our plants and business offices actively participate in cleanup activities in their respective communities, to contribute to creating a pleasant environment for local residents.

Recognizing these activities as opportunities to convey our gratitude to local residents for their understanding and support for our business, we will continue actively participating in community cleanup activities.



Around Ayabe Toyo Rubber Co., Ltd.

## Support for Meals on Wheels America's 14th Annual March for Meals

Toyo Tire U.S.A. Corp., a Toyo Tires Group company and a local tire seller, helped fight hunger and isolation among America's seniors by supporting Meals on Wheels America\* and their 14th Annual March for Meals campaign. The local Toyo Tires company was a gold sponsor of the month-long campaign which strives to increase awareness, funding and volunteerism. Meals on Wheels America has a network across the United States of America that, along with more than two million staff and volunteers, delivers nutritious meals, friendly visits and safety checks that enable seniors to remain in their homes and independent. This was the second time that Toyo Tire U.S.A. Corp. had supported the organization; the first was in fall of 2015.

\* National organization supporting the more than 5,000 community-based programs across the U.S.A. that are dedicated to addressing senior isolation and hunger



UFC® Featherweight Chac Mendes helped Toyo Tires fight senior hunger by volunteering in his hometown of Sacramento, California.



## Education scholarship programs (Malaysia)

In 2014, Toyo Tyre Malaysia Sdn Bhd, a Group company that manufactures and sells tires in Malaysia, began a program of presenting scholarships to highly motivated students who do not enjoy a favorable learning environment due to financial constraints in the state of Perak, where it is located. The project includes the Undergraduate Scholarship Program for university students, and the Student Education Assistance Program for elementary school students. Through these programs, the company is supporting the education of Malaysia's next generation leaders and contributing to regional development.



Scholarship program information session to the relevant local residents



Attendees at the 2016 scholarship presentation ceremony

## WBCSD activities

The World Business Council for Sustainable Development (WBCSD) is an international non-profit organization representing about 200 companies around the world, which seeks to address important environmental and social issues and develop proposals to promote sustainable development worldwide.



The Toyo Tires Group participates in the WBCSD, and actively works as a member of the Tire Industry Project. With the aim of turning the tire industry into a sustainable industry, this project conducts a range of activities including a study to identify and address the potential health and environmental impacts of materials associated with tire making and use.

## The Toyo Tires Group Environmental Protection Fund

### The Toyo Tires Group Environmental Protection Fund

The Toyo Tires Group established the Toyo Tires Group Environmental Protection Fund in 1992 to provide financial assistance to non-profit organizations involved in environmental protection activities. In line with the company's intention to support employees' commitment to environmental protection, the Fund adopts a gift matching system, under which the company donates the same amount of money as donated by employees. Donation to the Fund has taken root throughout the Group, with the participation rate of employees reaching about 90%.

Donations have been managed as a foundation fund of the Osaka Community Foundation since fiscal 1993. As of fiscal 2016, the fund has provided financial aid of 426 million yen to a total of 767 organizations.

In fiscal 2013, we launched an In-House Fund (direct donation to organizations selected independently by our company) to support a wider range of activities, including humanitarian assistance (volunteering by employees.) The In-House Fund Secretariat visits the subsidized organizations regularly each year to check and evaluate their activity status, and to exchange opinions about problems with activities.

#### Major activities supported by In-House Fund

Tree planting and management of forests around our business sites, in which Group employees participate as volunteers

Biodiversity conservation activities

Activities to help build a sustainable society through agroforestry



## Beneficiaries of In-House Fund in fiscal 2015

Organization/Activity Name	Location	Activity Outline
Millennium Hope Hills	Iwanuma City, Miyagi Pref.	Activities to build hills using rubble and debris from the earthquake, and planting trees on them to form a breakwater to reduce and disperse the power of a future tsunami, while at the same time developing the area as an evacuation site and a biodiversity conservation center (employees participate in the activities as volunteers)
TOYO TIRES Midori-no Tsunagari (Green Connection), Mie	Inabe-gun, Mie Pref.	Activities to turn a thickly wooded area into a healthy forest so as to preserve biodiversity as well as to create a place where residents can relax (employees participate in the activities as volunteers)
Osaka Prefecture Greenery Fund (Wood education fund)	Osaka Pref.	Activities to create rooms with wooden floors and walls in childcare facilities, including nursery schools, in Osaka Prefecture, using timber produced in Osaka Prefecture ("Osaka timber"), aiming to promote the healthy growth of children and to grow and maintain forests in Osaka in a sustainable way
Society for Shinaimotsugo Conservation (NPO)	Osaki City, Miyagi Pref.	Activities to conserve the rich nature of the area through conservation and reproduction of endangered species such as Shinaimotsugo ( <i>Pseudorasbora pumila pumila</i> )
Niranjana Sewa Sanga (NPO)	Osaka City, Osaka Pref.	Activities to plant trees and fruit trees in devastated lands in Bihar State, India and develop and promote agroforestry in the region to prevent desertification and floods as well as to restore biodiversity and eradicate famine in the region

Organization/Activity Name	Location	Activity Outline
The Environment Network of Forest & Rivers in Hokkaido (NPO)	Hakodate City, Hokkaido	Activities to restore riparian forests along the Ninnikuzawa River in Hokkaido by planting deciduous broad-leaved trees in areas with no trees on both sides of the middle reaches of the river, thereby creating a good river ecosystem and expanding the biodiversity conservation area
Buna-wo Uerukai (Society for planting beech trees)	Kobe City, Hyogo Pref.	Activities to develop forests with a rich biodiversity and high water holding capacity in Hyogo Prefecture by planting and cultivating beech and deciduous broad-leaved trees
Sennen Sango to Ikiru Machizukuri Kyogikai (Council for Revitalizing the Town with Thousand-year Coral)	Anan City, Tokushima Pref.	Activities to protect a huge <i>Porites lutea</i> coral—one of the largest in the world—found in a cove of Mugi-Oshima island in Tokushima Prefecture, by removing coral-eating creatures

## Participating in the Millennium Hope Hills Project

The Toyo Tires Group supports the Millennium Hope Hills Project, launched by Iwanuma City, Miyagi Prefecture, where the Group's Sendai Plant is located, as part of the City's efforts to recover and rebuild after the devastation caused by the Great East Japan Earthquake. The Millennium Hope Hills Project involves building hills along the shoreline, (where there used to be a tide-water control forest consisting of Japanese black pine trees) using rubble and debris resulting from the earthquake, and planting some 300,000 trees there to form a green breakwater, while at the same time developing it as an evacuation site and biodiversity conservation center. The Toyo Tires Group has been cooperating in this project since 2013, with Sendai Plant and local sales company employees and their families participating in tree-planting. We also conduct volunteer activities in cooperation with the City, such as weeding to promote the growth of the planted seedlings.



Tree-planting

## Corporate forest "TOYO TIRES Midori-no Tsunagari Mie"

Since 2014 Toyo Tire & Rubber Co., Ltd. has been engaged in the five-year project "TOYO TIRES Midori-no Tsunagari, Mie" to turn a thickly wooded area in Toin-cho, Inabe-gun, Mie Prefecture, where the Kuwana Plant is located, into a healthy forest. With cooperation from an NPO called Mori-no Kaze, we conduct improvement cutting\* in a wooded area of about 5.27 hectares (large enough for Tokyo Dome to fit inside) to develop a Satoyama forest where local residents can meet and relax. We also collect and dispose of illegally dumped waste found during forest maintenance activities. Employees of the Kuwana Plant and their families voluntarily participate in these activities.

\*Cutting and removing trees other than those that are to be retained



Employees and their families participating in forest maintenance activities



Cleaning of illegally dumped waste

## Niranjana Sewa Sanga (NPO)

### Voice

#### To regain a life in harmony with forests

Bihar State, located in the northeast of India, has a rainy season which supports the growth of trees. However, due to excessive deforestation, irrigation farming, and the effects of climate change, the groundwater level is decreasing year by year and areas of arid wasteland are increasing there.

We are working on a project to convert barren lands in Bihar State into green lands with high water retention capacity by promoting agroforestry, so as to prevent desertification and floods and to restore biodiversity. We also aim to make the project financially self-sustainable by selling fruit grown there as a source of income.

We provide education to local children on a continuous basis to help them understand the importance of tree planting and environmental protection. Recently, local wheat farmers have begun to show interest in fruit trees. So we plan to distribute seedlings and to provide education on tree planting to them.



Ms. Midori Kakihana, Representative Director (Left)  
Mr. Hideaki Matsumura, Vice Representative Director (Right)  
Mr. Siddhartha Kumar, Local Manager (Center)

Since 2012 when we started the project, we have received funds from the Toyo Tires Group Environmental Protection Fund. We were able to achieve nearly 70% of our initial target by 2015. We want to restore this area back to what it used to be decades ago—a place where people coexisted in harmony with forests.



Before the project

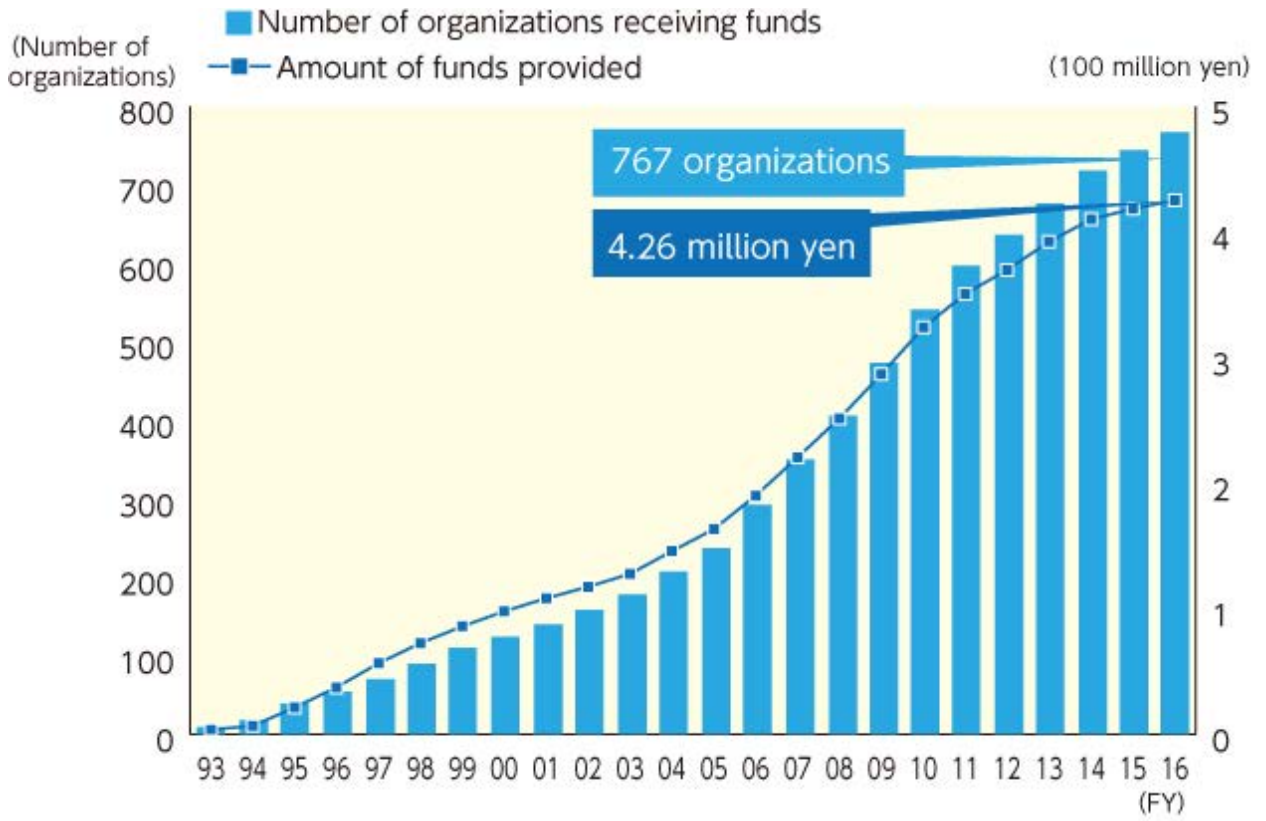


As of March 2016

Foundation Fund: Areas of activities of the organizations to which funds were provided (fiscal 2016)



Foundation Fund: Financial assistance made in the past (cumulative total)





## Creation of Safe and Healthy Workplaces

### Basic Approach

The Toyo Tires Group believes that its manufacturing activities are only possible when all employees can work in a safe working environment and in a physically and mentally healthy state. We also believe that securing safety is our obligation to the local communities in which we operate. At our Group, both labor and management are working together in safety, health, and disaster prevention activities, with senior management and those in charge at each business site taking leading roles.

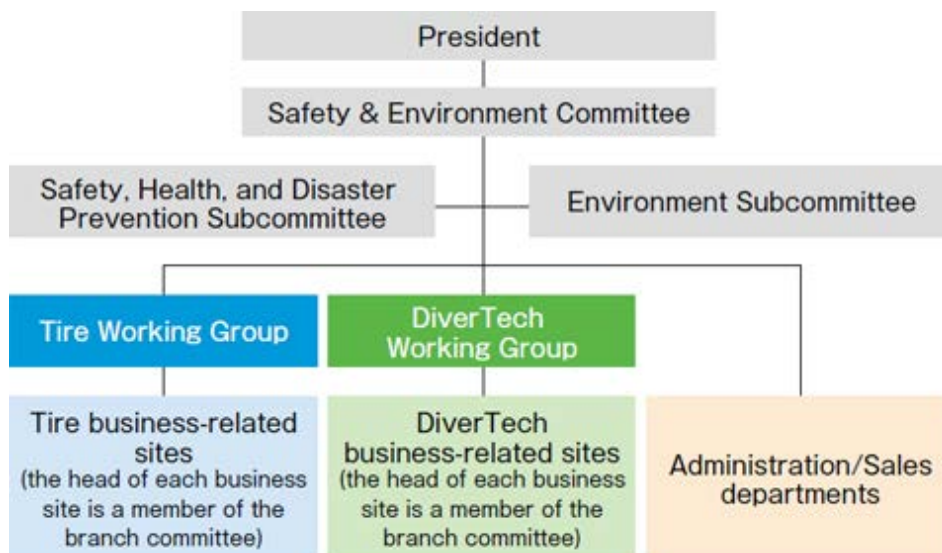
## Safety, Health, and Disaster Prevention Activities

### Safety, health, and disaster prevention management system

At the Toyo Tires Group, the Safety, Health and Disaster Prevention Subcommittee of the Safety and Environment Committee discusses and formulates a mid-term plan and annual policy for safety, health and disaster prevention, and defines priority measures based on them. The mid-term plan, annual policy and priority measures are disseminated throughout the Group via the working group for each business segment. The Committee, Subcommittee and the working groups include labor union members to ensure that both labor and management work together in safety, health, and disaster prevention activities.

The Subcommittee conducts its activities every two months, including checking of the implementation status of the policy at each the working group and business site, follow-ups of accident recurrence prevention activities, and checking of improvement activities. The top management and senior officers of the labor union visit all business sites each year to inspect the implementation status of the policy and measures first-hand.

### Safety, health, and disaster prevention management system



Theme	Policy	Target	Results
Overall policy	Achieve zero accidents	Steady reduction of work-related accidents	No. of lost-time accidents: 11 No. of non-lost time accidents: 13 No. of minor accidents: 18
Safety management	Take thorough measures to prevent recurrence of major accidents*	Frequency rate: 0.5 or below	Frequency rate: 1.77 Major accident: zero
Health management	Reduce number of employees on sick leave	Sick leave rate: 0.5% or below	Sick leave rate: 0.71%
Disaster prevention management	Enhance disaster prevention management, and improve disaster preparedness and disaster response training		Improved evacuation areas to be used in the event of a disaster, and conducted nighttime evaluation drills
Traffic safety management	Improve driving manners to reduce traffic accidents, while taking into account social responsibility		Implemented safety education using information recorded on the event data recorders installed in company-owned cars

\* Major accident: Accident resulting in death or disability (disability grade 7 or above)

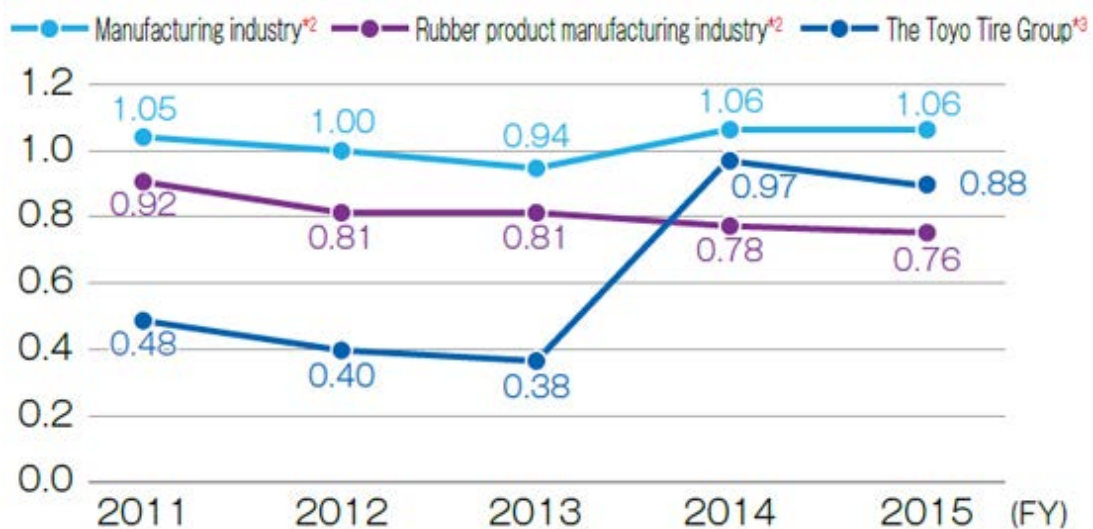


We are working to create safe workplaces from the three perspectives of "equipment," "personnel," and "management system development."

In fiscal 2015, as in the previous year, we achieved zero major accidents. The lost-time accident rate improved a little from the previous year, but the safety management target of reducing the frequency rate to 0.5% or below was not achieved. As a result of a trend analysis of accidents, it has been found that accidents involving employee with work experience of less than two years accounted for 39% of the total, that accidents occurred in a wide range of age groups, that the number of accidents caused by equipment failures was halved from the previous fiscal year, and that an increased number of accidents occurred in offices of the sales companies. We concluded that the major causes for these trends were the following: 1) employees' lack of understanding and failure to use various safety management methods effectively, which have been introduced based on examples from other companies, and 2) a decrease in employee awareness of observing the basic rules: "stop, call and wait" and "stop and fix."

Based on these reflections, in fiscal 2016 we will narrow down and determine priority action items, focusing on personnel aspects, and strive to further raise safety awareness in each individual employee.

Lost-time accident rate\*1



\*1 Lost-time accident rate: Number of lost-time accidents per million hours worked.

\*2 Manufacturing industry, rubber product manufacturing industry: Data based on the Survey on Industrial Accidents (preliminary data) by the Ministry of Health, Labour and Welfare.

\*3 The Toyo Tires Group: Data for 16 business sites, including affiliated companies (for fiscal 2012, data from April to December).

## Enhancement of safety training program

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In addition to "stop, call and wait" activities and point & call checks, we are vigorously promoting hazard prediction (KY) activities so that they will take root throughout the organization as small group-based voluntary initiatives.

Each of our business sites conducts safety training, in line with the grade-specific safety education system. Our safety training focuses on hazard prediction training and hands-on experience. A Safety Hazard Prediction Training Hall was opened at the Kuwana Plant in May 2013. Since then, Training Halls have been opened sequentially in Japan—at the Sendai Plant, Fukushima Rubber Co., Ltd. and Hyogo Manufacturing Complex. In fiscal 2015, the first overseas Safety Hazard Prediction Training Hall was established in Malaysia to provide hazard prediction training for local employees. In fiscal 2016, we plan to establish a training hall at a plant in China.

From fiscal 2016, we will work to enhance safety education programs. Specific planned activities include the following: analyzing the trends in accidents at each business site based on the data of past accidents and minor incidents; developing and implementing effective measures and training programs; and re-educating certified troubleshooters. For equipment planning and design departments, we will start a safety assessor\* training program to develop certified safety assessors.

\* Experts with comprehensive capability to perform validation, and with the knowledge and ability needed to evaluate the safety of machinery

## Efforts to ensure thorough observance of the basic rules

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In fiscal 2016, to raise employee awareness of observance of the basic rules, we will implement various activities, including having production workers identify tasks that may lead to nonobservance of the rules and develop improvement measures, and educating them, through OJT, about possible consequences arising from rule violation.

## Continuous improvement through the implementation of the safety management system

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Since fiscal 2013, our business sites have been working to obtain OSHMS\*<sup>1</sup> certification or to be registered as a "Good Safety Company."\*<sup>2</sup> The implementation of the safety management system has been launched at our major production bases. In fiscal 2016, we will work to improve employee awareness of safety management and create a safe working environment by ensuring proper implementation of the safety management system throughout the Group and by activating continuous improvement activities to reduce risks in the workplace.

\*<sup>1</sup> Safety and Health Management System certification, accredited by the Japan Industrial Safety & Health Association

\*<sup>2</sup> Safety and health performance evaluation services offered by the Japan Industrial Safety & Health Association for enterprises with less than 300 employees

Target	Business site		Achievement time
Acquisition of JISHA OSHMS standards certification	Sendai Plant		November 2013
	Kuwana Plant		January 2016
	Fukushima Rubber Co., Ltd.		November 2014
	Hyogo Manufacturing Complex	Akashi Plant	June 2015
	Toyo Soflan Co., Ltd.		Under considering the acquisition of ISO45001 certification instead of JISHA OSHMS.
Acquisition of "JISHA Good Safety Company" certification	Ayabe Toyo Rubber Co., Ltd.		March 2015
	Soflan Wiz Co., Ltd.	Iwaki Plant	March 2015
		Atsugi Plant	October 2015
		Akashi Plant	February 2016
	Orient Machinery Co., Ltd.	Itami Plant	December 2014
		Kuwana Plant	December 2014
		Sendai Plant	March 2015

\* Toyo Soflan Co., Ltd. is considering the acquisition of ISO45001 certification (to be published in September 2016 instead of JISHA OSHMS).

## Traffic safety efforts

In fiscal 2014, with the aim of improving traffic safety and encouraging safe driving manners, we started introduction/management of event data recorders in company-owned cars.

Company-owned cars other than sales cars have a 100% installation rate of event data recorders. As for sales cars, an event data recorder is installed in about 27% of sales cars, including cars driven by new drivers (new employees with less than one year of service), for which installation of an event data recorder is required.

From fiscal 2015, we have managed accident rates of company-owned cars. In addition to this, we have strengthened traffic safety measures by providing safe driving and hazard prediction training, training for improving driving manners through the use of images of accidents recorded by event data recorders, and accident prevention education. As a result, in fiscal 2015 the number of accidents involving sales cars decreased by 15% from fiscal 2014, and the accident rate (calculated by dividing the number of accidents by the number of company-owned cars) fell from 9.2% to 5.8%, the lowest level in the industry. In fiscal 2016, to achieve zero traffic accidents, we will continue to implement practical safe driving training and driving manners improvement activities at each business site, through the use of information recorded on the event data recorders.

## Creating healthy and comfortable workplaces

### Mental health care promotion

Mental health problems are one of the major causes of long-term sickness absence. The Toyo Tires Group has held mental health care seminars for all employees from managers and supervisors to general staff.

In fiscal 2015, as part of efforts to prevent workplace mental health problems, stress check events were held at all business sites and subsidiaries in Japan, and a total of 3,280 people received stress checks. And, based on the check results of each organization, mental health care seminars were held at each business site.



Mental health seminar held at a business site

Furthermore, we work to reduce long-term sickness absences by promoting early detection and intervention through individual guidance and consultation in cooperation with industrial health staff and Employee Assistance Program (EAP) companies. We also provide support for employees on long-term sickness absence to ensure a smooth return to work. We plan to review our return-to-work support measures so that we can provide appropriate support for each employee according to their physical and mental condition.

### Implementation of the stress check program

Under the revised Industrial Safety and Health Law, which went into effect in December 2015, our Group holds stress check events at business sites with 50 employees or more, and provides guidance and consultation based on the check results.

By understanding their own mental health condition through stress checks, employees can take care of themselves in order not to let too much stress build up. If an employee is found to have high stress levels, he/she can request to consult a doctor to receive advice. Stress checks also enable our Group to take prompt measures for employee with high stress levels, such as reducing their workload and improving their working conditions and environment. We will work to prevent the development of mental health problems among employees by making use of the stress check program.

## Measures against metabolic syndrome

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Since fiscal 2008, to help prevent metabolic syndrome, we have conducted specific health examinations and specific health guidance. In fiscal 2015, the percentage of those assessed as requiring health guidance decreased slightly by 0.6% from the previous year. However, the rate of receiving health guidance among employees assessed as needing such guidance remains low.

The Company and the Health Insurance Society will work in collaboration to further increase health awareness among employees subject to specific health guidance and provide support to help them change their lifestyles and improve their health.

## Collaboration with the Health Insurance Society

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Collaboration with the Health Insurance Society is essential to implementing employee health management/improvement activities effectively and efficiently. In conjunction with the Data Health Plan,\* formulated by the Health Insurance Society, we will promote data-driven health activities. Specifically, we will analyze the data on disease and health status of our Group employees by region and by business site, and compare such data with those of other companies in the same industry to identify the characteristics and problems of our Group. Based on the findings, we will develop measures to improve employees' health.

\* Plan for health activities to maintain and improve the health of society members, formulated on the basis of analysis of various data, including itemized statements of medical expenses

## First-aid and life-saving training

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We distribute to all business sites DVD recordings of a first-aid and life-saving training session held at the Kuwana Plant representing our major manufacturing sites, to ensure that all of our employees acquire basic first-aid and life-saving knowledge and skills.

The installation of automatic external defibrillators (AEDs) has been completed at all business sites of the Toyo Tires Group in Japan. We also inform local residents that AEDs installed at our plants are available for their use.



DVDs of a first-aid and life-saving training session

## Chemical risk assessment

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Under the revised Industrial Safety and Health Law, from June 1, 2016 companies manufacturing or handling the specified chemical substances are obliged to perform risk assessments for the 640 chemical substances which have been confirmed as having a certain degree of hazardousness and/or toxicity.

All of the Group's business sites completed risk assessments in our Group by the end of May 2016. Based on the results of the risk assessments, we will develop and implement risk reduction measures so as to protect employee from danger and prevent them from developing health problems.

### Fire prevention efforts

Since fiscal 2014, voluntary inspections have been carried out using thermography to prevent fires caused by electrical facilities/equipment or wiring.

The plan for fiscal 2016 is to further strengthen preventive management against fire risks. Specifically, we will work to reduce or eliminate not only tangible fire risks, but also potential fire risks, by using the Voluntary Fire Prevention Inspection Guidelines (in the format of a checklist), which outlines the key points for the inspection of electrical facilities/equipment and wiring, etc. To this end, we have classified fire risks in the plants and research facilities and identified places with fire hazards.

1. Risks by area (including work areas, equipment and facilities) within the plant and research facility
2. Risks inherent in the work performed by humans
3. Risks in places where combustible vapor/gas accumulates
4. Risks in places where the above three conditions overlap

### Earthquake and disaster drills

In Japan, huge earthquakes are expected to occur in the near future, such as a Nankai Trough earthquake and an earthquake directly under the Tokyo metropolitan area. In preparation for large earthquakes, we have installed earthquake early-warning systems at all business sites and subsidiaries in Japan. Other preparedness activities include stockpiling emergency foods and supplies, conducting evacuation drills, and devising measures for employees who cannot return home (routes to return home on foot, etc.).

In fiscal 2015, to reinforce our commitment to protecting human life and safety, we held nighttime emergency drills at all business sites and subsidiaries in preparation for a major earthquake occurring at night. At the Kuwana Plant 20 temporary shelters are installed in the event of tire racks toppling over in the distribution warehouse.

In fiscal 2016, to provide more practical training, we plan to conduct blind-type disaster drills at some business sites. Unlike ordinary drills in which scenarios are communicated to participants beforehand, in a blind-type disaster drill, participants are required to cope with the situation on the spot.



In-house fire brigade (Fundamental Technology Center)



Drill on handling leaks of hazardous substances (F.C.C Co., Ltd. [Fukushima Plant])



Temporary shelter for use in the event of an earthquake (Kuwana Distribution Warehouse)

## Safety confirmation training in the event of a disaster

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The Toyo Tires Group has introduced an external safety confirmation system that covers all business sites and employees, and holds a Group-wide simultaneous disaster simulation drill four times a year based on a scenario in which a special emergency warning has been issued. Training on telephone safety confirmation procedures (in accordance with the contact network prepared by each department) is also conducted to ensure that the safety of employees is checked, not only by the safety confirmation system, but also by actually telephoning each other.

## Response to asbestos issues

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At the Toyo Tires Group, one employee has thus far been recognized as suffering from a work-related illness associated with asbestos. At present, seven people have been issued with personal health records (Kenko Kanri Techo). We will continue to conduct special health examinations for people who may have come into contact with asbestos in the past.



## Reinforcement of Corporate Governance and Compliance

### Basic Approach

To meet the expectations and demands of its stakeholders, the Toyo Tires Group seeks to establish and maintain an appropriate management system while pursuing transparency and efficiency in its management. We strive to reinforce corporate governance, internal control systems and compliance, as well as to promote CSR management.

## Corporate Governance

### Corporate governance structure

The Toyo Tires Group has established an effective corporate governance structure, comprising the "Board of Directors," which is responsible for managerial decision-making and supervision, the "Executive Committee," which serves as the supreme decision-making body for business execution, the "Strategic Managing Committee," which discusses medium- to long-term strategies, investment activities and other important matters, "Special Committees," which act as deliberative and consultative bodies for their respective areas, and the "Audit & Supervisory Board," which audits the performance of the Board of Directors and overall business execution. Our corporate governance structure allows these organs to effectively fulfill their respective functions and responsibilities.

The Board of Directors, which comprises seven members (including three outside directors [one female director]), makes decisions on important matters, such as management policies, goals, and strategies, and supervises the execution of duties by the directors.

The Executive Committee comprises 20 members (including four corporate officers concurrently serving as directors). As the supreme decision-making body for business execution, the committee discusses and decides upon important matters. It also receives reports on the status of business execution and on the decisions made by the Board of Directors. Of the matters presented to the Executive Committee, the matters requiring consideration by the Board of Directors will be referred to the Board.

The Strategic Managing Committee comprises the heads of the Administrative Divisions, the Quality Assurance Division and the planning departments of each Business Group Headquarters. Under the chairmanship of the head of the Corporate Planning Division, the Committee discusses medium- to long-term strategies, investment activities and other important matters of the Company and its Group companies. The matters referred to the Strategic Managing Committee will be discussed by the Committee and then submitted, together with the discussion contents, to the Executive Committee for deliberation.

There are six Special Committees: Compliance Committee, Quality Assurance Committee, Safety & Environment Committee, R&D Committee, Financial Risk Management Committee, and Human Resources Committee. Each

Committee meets regularly, or as needed, to deliberate and decide on matters that have been delegated by the Board of Directors.

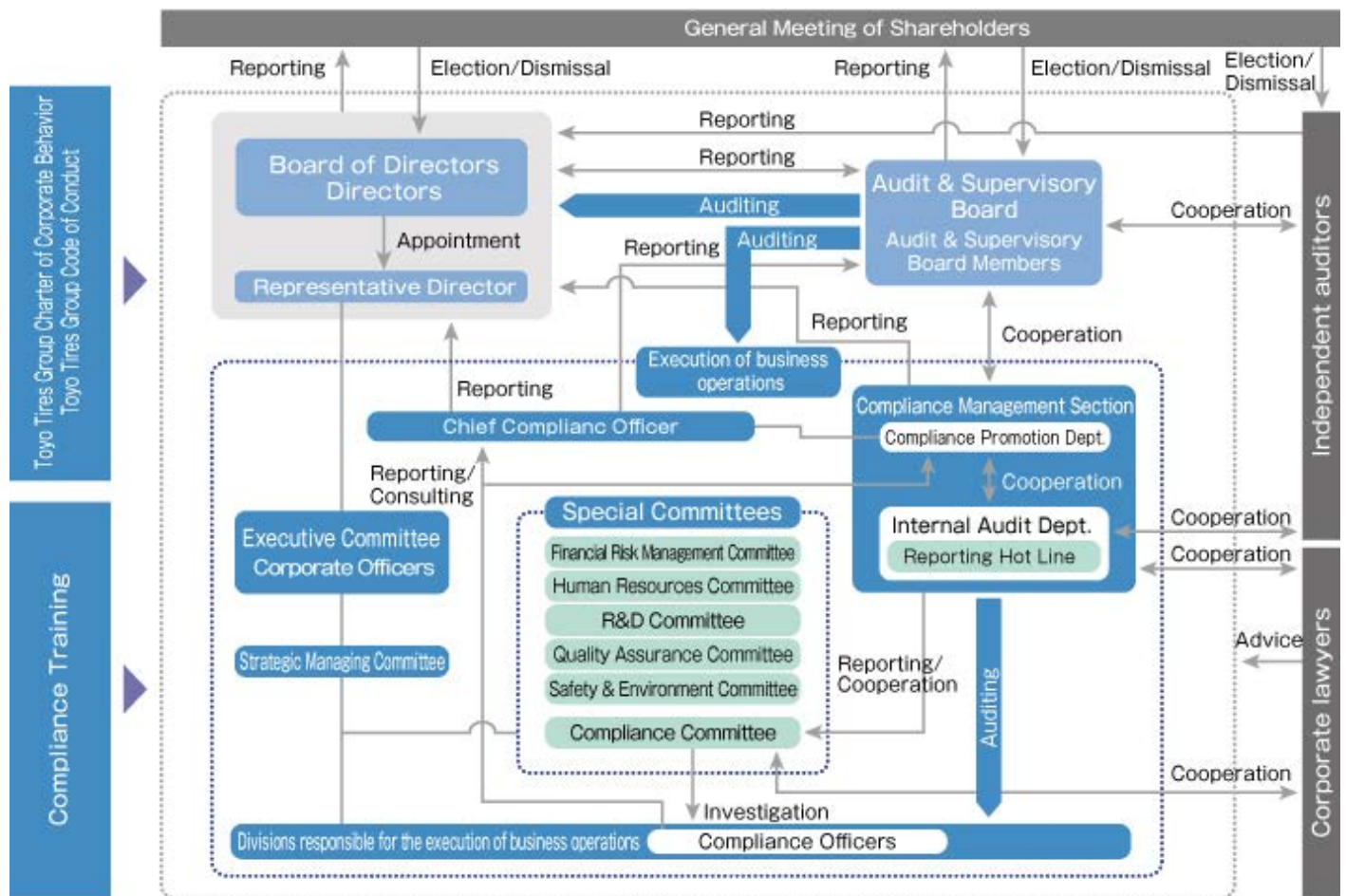
The Audit & Supervisory Board, which comprises four members, three of whom are outside auditors, reports, discusses and decides on important matters concerning audits, checks whether business is executed appropriately and works to improve the effectiveness of audits.

The outside directors and outside auditors make proposals from an objective and knowledgeable perspective, thereby fulfilling their supervisory and checking functions from an external standpoint.

To further promote business expansion and global business development, it is increasingly important to enhance our corporate governance. We will strive to further strengthen our Group governance, in cooperation with the Group companies in Japan and overseas.

(All the numbers of people indicated above are as of July 1, 2016)

**Corporate governance structure (as of April 1, 2016)**



**Establishment and improvement of the internal control system**

The Toyo Tires Group has established the Toyo Tires Group Charter of Corporate Behavior and the Toyo Tires Group Code of Conduct as principles of action to ensure that all Group members act in accordance with applicable laws and regulations, the Articles of Incorporation, and ethical standards. We also provide compliance training and education to all directors, officers, auditors and employees to ensure their full understanding and compliance with the Charter and Code of Conduct.

We have also introduced a compliance officer system, under which the Chief Compliance Officer (CCO) is responsible for overseeing all compliance-related matters for the Group and developing and implementing various compliance programs. To establish an effective compliance promotion system, the Compliance Committee has been established as an advisory body to CCO. In addition, Compliance Officers (COs) have been appointed to each organization, and Compliance Leaders (CLs) have been appointed to handle compliance-related matters under instructions from the CO.

We have also reviewed "Reporting Hot Lines," which have been set up and operated to enable employees to directly report and consult on compliance matters, and made some improvements, including securing multiple reporting routes, to facilitate reporting of compliance-related issues and concerns.

Based on the Companies Act, the basic policy on the development of internal control system has been resolved by the Board of Directors, and in accordance with the basic policy, an internal control system has been established and continuously improved. The basic policy is reviewed each year to reflect changes in the management environment and to ensure that our internal control system remains effective. In August 2015, we reviewed our internal control system in accordance with the partial amendment of the Ordinance for Enforcement of the Companies Act and to reflect recurrence prevention measures of non-compliant seismic isolation rubber issues.

Furthermore, following the publication of the industrial anti-vibration rubber issues, in December 2015 we examined the content of the basic policy and confirmed that it has no deficiencies.

## Dialogue with shareholders and investors

The Company holds financial results briefing sessions for institutional investors and securities analysts twice a year—at the time of releasing the second-quarter and full-year financial reports. In the briefing sessions, our top executives communicate detailed business information, including financial results, the future business outlook, the business environment, and market trends. In fiscal 2015, in response to high interest in our response to the seismic isolation rubber and industrial anti-vibration rubber issues and their impact on business results, we held a briefing session at every quarterly settlement and provided an in-depth explanation as to what could be disclosed at that time.



Financial results briefing session

In addition, at the end of each quarter, we hold individual interview sessions (as communication opportunities) for institutional investors and securities analysts, in which our IR staff answer questions from them to help deepen the understanding of our Group's business activities and management. With the increase in the foreign investor shareholding ratio, we receive an increased number of requests from foreign institutional investors. To respond to such requests, we also hold individual interview sessions for foreign institutional investors.

The opinions and requests obtained through these activities are communicated to senior management and relevant departments within the company to enable them to understand stakeholders' viewpoints and improve communication activities.

## Participation in IR seminars for individual investors, organized by securities companies

To increase its recognition in the stock market, Toyo Tire & Rubber Co., Ltd. participated in IR seminar for individual investors organized by securities companies in January 2015. We explained our Group's business strategies and management policies to about 70 individual investors attended. Following the explanation session,

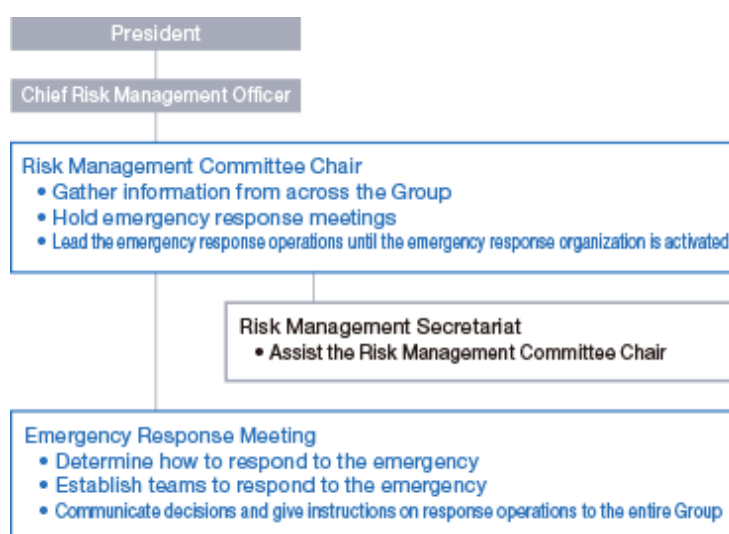
we answered various questions from them in a Q&A session. We are actively considering the participation in IR events to increase individual investors' understanding and interest in our Group.

## Strengthening of the risk management system

In addition to appointing a Chief Risk Management Officer to oversee the risk management of the entire Group, the Toyo Tires Group has established the Risk Management Committee, under which subcommittees and special committees are organized to respond to each specific area of risk.

We have also established the Risk/Crisis Management Rules, in which the scope of crisis events that the Group should manage is clearly specified as those that are major. In accordance with the Risk/Crisis Management Manual, we are working to develop manuals for individual major crisis events, describing measures and action to be taken in ordinary times and during an emergency.

### Emergency response system (for Group-wide emergency situations)



### BCP development and BCM training

The Toyo Tires Group promotes the development of business continuity plans (BCPs) and conducts business continuity management (BCM) training sessions in a systematic and comprehensive manner.

In fiscal 2014, the development of BCPs was completed for 17 operations bases, including all production bases, and from fiscal 2015 BCM training sessions have been conducted to verify the effectiveness of BCPs. The Kuwana Plant conducted a BCM training session based on a scenario in which a huge Nankai Trough earthquake occurs during the daytime on a weekday, causing human suffering, collapse of plant buildings, and damage to equipment. In the training session, on the assumption that damage information kept coming in from the worksites in rapid succession, each team practiced the emergency response procedures. Specifically, after receiving information, each team discussed, involving all members, how to respond, and reported to the Emergency Headquarters for instructions.

In future, we will hold BCP training regularly at each business base. By incorporating the problems and issues that have been identified through training sessions into the procedure manuals and checklists, we will strive to improve the effectiveness of BCPs and to strengthen our capability to respond to emergency situations.



BCM training at Kuwana Plant

## Information security efforts

In accordance with our information security policy and information security management regulations, we implement various measures to prevent information leakage, computer virus infections that can lead to computer system failure, and other information security incidents. We continually strive to raise employee awareness, to develop a system for preventing information leakage, and to ensure compliance with information security guidelines and automatic application of security update programs, in order to maintain and continuously improve the level of information security so as to effectively respond to changes in the environment.

As part of internal awareness-raising programs, we provide e-learning training to raise employee awareness of information security.



## Promoting Compliance

### Dissemination of the Charter of Corporate Behavior and the Code of Conduct

The Toyo Tires Group has established the Charter of Corporate Behavior as corporate action principles applied uniformly across the Group, and the Code of Conduct as the rules of conduct for each individual to follow in order to put the Charter into practice. As part of efforts to disseminate the Charter and the Code of Conduct throughout the Group, we published the Code of Conduct Handbook (third edition), which provides concrete guidance for Group members on the day-to-day conduct. We have also created pamphlets, posters and other education and awareness-raising materials in multiple languages, and have distributed them to Group companies both in Japan and abroad. Based on serious reflections on a series of issues, in fiscal 2016 we will revise the Code of Conduct Handbook and work to ensure full compliance by all directors and employees.



Toyo Tires Group Code of Conduct Handbook (Fourth edition)

### Compliance system

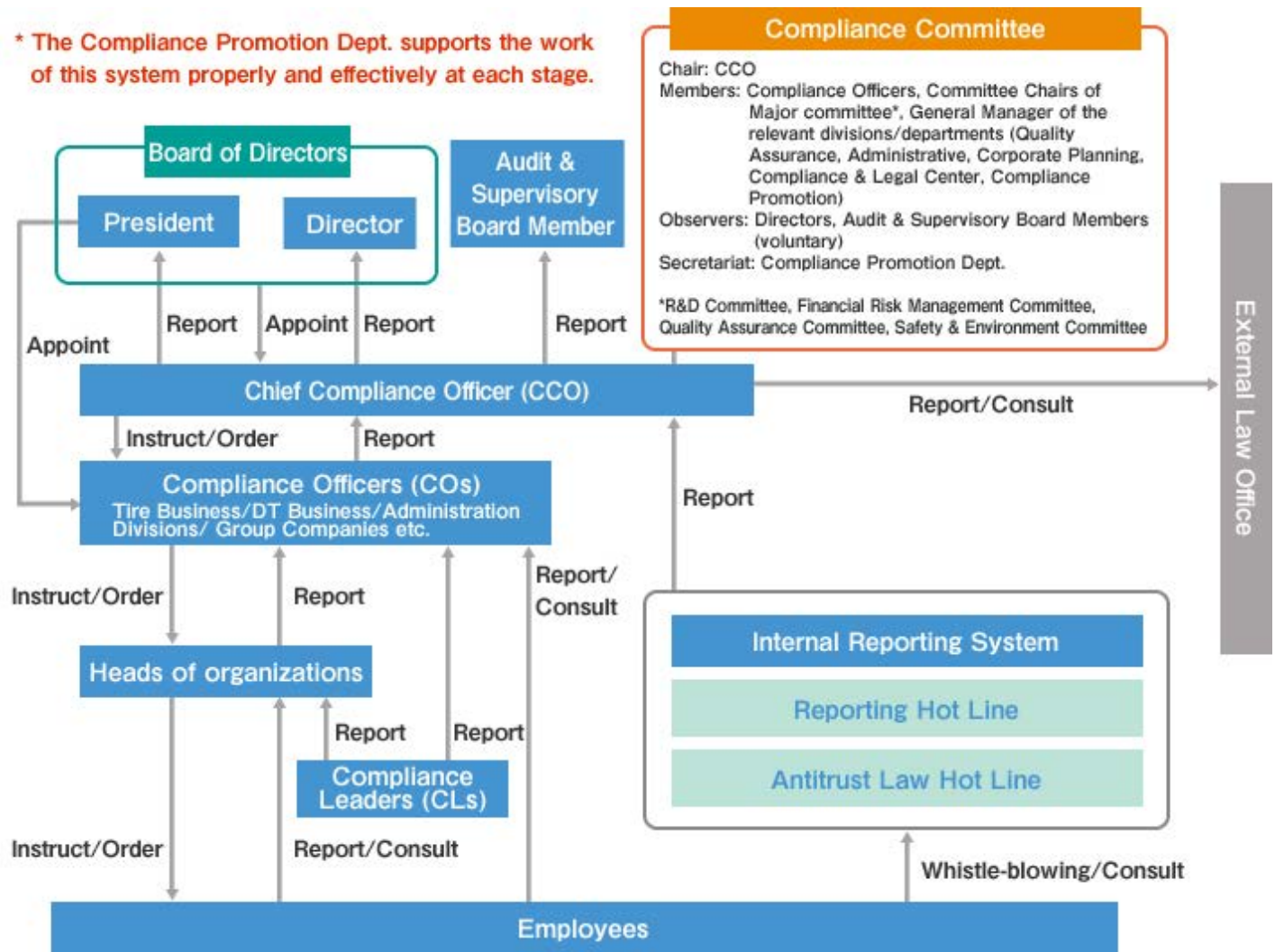
On July 1, 2015, we introduced a compliance officer system, in which the Chief Compliance Officer (CCO), Compliance Officers (COs) and Compliance Leaders (CLs) play a leading role in promoting compliance throughout the Group.

The CCO and COs have the authority to investigate, direct (including suspension of business operations and shipping) and propose compliance-related matters for the entire Group, and for their respective departments, respectively. We have also established a system whereby if a compliance problem occurs, the CCO reports it and consults with an external professional organization. The CL is responsible for assisting the CO in implementing various activities in their workplace. CLs are also required to report to their supervisors if they become aware of or suspect non-compliance.

The Compliance Committee has also been established as a consultative and deliberative body (one of the special committees) for promoting compliance.

## Compliance reporting system

\* The Compliance Promotion Dept. supports the work of this system properly and effectively at each stage.



## Enhancement of compliance education

To raise the compliance awareness and sensitivity of each individual, compliance education is provided in grade-specific training for all levels of employees—from new employees to managers. Compliance education is based mainly on group discussions and case studies.

Our business sites and subsidiaries conduct their own unique compliance education and awareness-raising activities, under the leadership of their respective Compliance Officers.

In February 2016, a compliance training session was held at Toyo Tire Japan Co., Ltd., one of our tire sales subsidiaries in Japan, by gathering Compliance Leaders from each region. In the training session, participants were encouraged to reconsider their roles and to consider the ideal state of compliance in Toyo Tire Japan Co., Ltd. through group discussions and other activities. In March 2016, a compliance slogan contest was launched to solicit slogan ideas.



Compliance Leader training at Toyo Tire Japan Co., Ltd.

We will continue group-wide efforts to enhance compliance education and awareness-raising activities.



## Implementation of Compliance Promotion Month

Since fiscal 2008, November has been designated as Compliance Promotion Month, in which various awareness-raising activities are implemented in the entire group.

Activities undertaken in fiscal 2015 include read-out sessions in which employees jointly read out the Toyo Tires Group Code of Conduct Handbook, acquisition of written covenants, and posting of awareness-raising posters.

Workplace-based group discussions are also held to identify immediate compliance risks and prevent compliance violations.

In the future, we will continue to implement the Compliance Promotion Month programs to provide an opportunity for all Group members to recognize anew the importance of compliance.



Workplace discussion at the Fundamental Technology Center



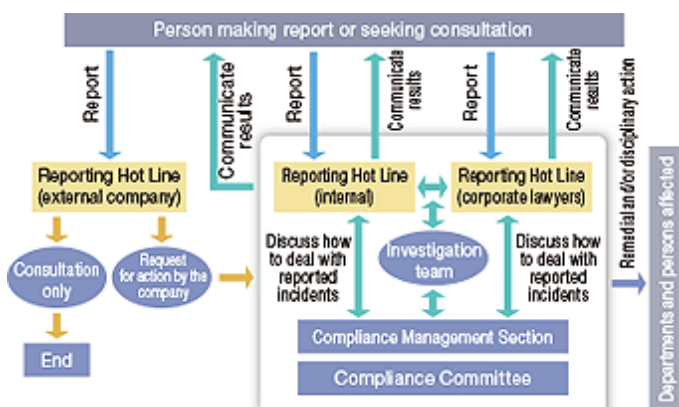
Poster for Compliance Promotion Month

## Internal reporting system

With the aim of proactive prevention and early detection of compliance violations, we have been operating an internal reporting system since fiscal 2006. Reporting Hot Lines have been established both inside and outside the company, to enable not only our employees but also our business partners to report compliance incidents or concerns. Anonymous reports are also accepted.

Thanks to our efforts to promote the use of the internal reporting system through distribution of portable cards and putting up posters, the number of incidents reported has been on the rise in recent years. In fiscal 2015, a total of 28 whistleblowing reports were received, all of which were handled appropriately.

### Flow of internal reporting



## Respecting and utilizing intellectual property

The Intellectual Property Department is responsible for the protection and management of intellectual property.

We respect the intellectual property rights of others by conducting thorough prior-art searches. Also, by applying for and obtaining patents for newly developed technologies, we protect our own proprietary technologies and design, which we actively incorporate into our products and seek to raise brand value.

We also educate our employees to fully understand the importance of intellectual property rights, through the following training programs by hierarchical level and job type.

### Training programs

Job level/Occupation	Contents
New employee training	Types of intellectual property, importance of protecting the company's proprietary technologies, etc.
Technical staff training	For junior-, middle- and leader-level technical staff; Importance of using patents and design rights, etc.
Sales staff training	Importance of trademark rights and brand protection, etc.
Seminars for executives	Recent trends, etc.

## Violation of United States Antitrust Laws

In November 2013, Toyo Tires & Rubber Co., Ltd. entered into a plea agreement with the United States Department of Justice, agreeing to pay a fine of US\$120 million based on charges that it had violated U.S. Antitrust Laws in connection with sales of automotive anti-vibration rubber products and constant-velocity-joint boot products.

As part of recurrence prevention measures, we established the "Guideline on Compliance with the Competition Law" as of January 1, 2014, and set up an internal reporting desk dedicated to antitrust-related matters, "Antitrust Law Hot Line."

We also provide antitrust compliance training for sales personnel both in Japan and overseas, and acquire written covenants regarding compliance with antitrust laws from them each year. In fiscal 2015, self-inspections and special audits were conducted in the relevant departments to confirm the compliance status of the Guideline.

We will continue education/awareness-raising activities and monitoring to prevent recurrence of antitrust violations.

## Fraudulent acquisition of fireproofing certification for some of our rigid polyurethane thermal insulation panels

In November 2007, fraudulent acquisition of fireproofing certification was discovered for some of our rigid polyurethane thermal insulation panels.

As of the end of June 2016, 97.5% of the replacement work (158 objects of all 162 objects) was completed. We will continue efforts to complete replacement work as soon as possible.

## Toyo Tires Group Charter of Corporate Behavior

At the Toyo Tires Group, we have a commitment to creating new value through innovation in advanced, proprietary technologies so that we continue to be a company admired by individuals and society. To realize this goal, we pledge to act with integrity by observing the following 10 principles.

### Integrity

1. Comply with all laws, regulations, standards and internal rules.
2. Conduct business activities in conformance with the principles of free competition and fair trade.
3. Conduct ourselves with the highest ethical standards in our relations with the government.

### Manufacturing

4. Strive for the highest levels of quality, safety and societal benefits in our products and services.

### Human

5. Ensure a safe and healthy work environment for all of our employees.
6. Promote workplace diversity and inclusion of each employee.

### Environment

7. Engage in sound, sustainable environmental practices.

### Society

8. Communicate with stakeholders in an open and fair manner.
9. Contribute to the growth of the local economy and community.
10. Conduct business with respect for human rights, local cultures, and customs.

## Toyo Tires Group Code of Conduct

The "Toyo Tires Group Code of Conduct" sets forth 15 rules of conduct for each individual to follow in order to put the Charter into practice, and it also functions as a guideline for each group company to formulate its own individual code of conduct.

### Integrity

#### 1. Compliance

We shall comply with laws and internal rules in all aspects of our business activities and shall conduct ourselves according to the highest ethical standards.

#### 2. Accounting Procedures

We shall ensure proper accounting in accordance with laws and internal rules for financial reporting, accounting, tax and internal controls.

#### 3. Company Assets

We shall properly manage and utilize tangible and intangible company assets, including intellectual property rights.

#### 4. Information Security

We shall properly manage and protect both internal and external confidential and personal information.

#### 5. Free Competition and Fair Trade

We shall conduct business in an open and fair manner in accordance with all applicable laws and regulations in each country and region.

#### 6. Gifts and Entertainment

We shall not accept or provide gifts or entertainment in contravention of applicable laws and regulations or social practices in each country and region.

#### 7. Relationships with Politicians and Public Officials

We shall not provide inappropriate money, goods or entertainment to politicians or public officials.

### Manufacturing

#### 8. Provision of Products and Services

We shall give top priority to safety and provide eco-friendly, high quality products and services in order to win public confidence.

## Human

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### 9. Safe and Healthy Workplace

We shall strive to improve safety, health, the environment and disaster prevention at our workplace.

### 10. Respect for Diversity

We shall respect each other and strive to create a dynamic workplace that is free of discrimination and harassment.

## Environment

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### 11. Eco-friendly Activities

We shall strive to promote eco-friendly activities in accordance with all applicable environmental laws and regulations.

## Society

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### 12. Interactive Communication

We shall build good relationships with stakeholders through appropriate disclosure and interactive communication.

### 13. Prohibition of Insider Trading

We shall never buy or sell stocks and other securities using non-public information about the Toyo Tires Group or other companies.

### 14. Social Contribution Activities

As members of the local community, we shall take an interest in social issues and strive to cooperate in addressing them.

### 15. Human Rights and Local Communities

We shall respect the human rights of people engaged in our business activities, local cultures, and customs.



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