

# CSR Report 2017



# Toyo Tires Group Philosophy (Established in January 2017)

In January 2017, Toyo Tire & Rubber established a new “Philosophy”.

Under this new “Philosophy” all employees and the officers of the company will improve our corporate culture as one team.

## Company Philosophy

We will endeavor to continuously improve our products, and create value for everyone who we work with.

## Our Mission

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

## Our Vision

- Stays one step ahead of the future through constant technological innovation;
- Drives entrepreneurial and creative spirit through a progressive culture ; and
- Shares in the enjoyment felt by everyone involved in our activities.

## Our Fundamental Values: “The TOYO WAY”

Fairness	Be fair and selfless in one’s actions to benefit society.
Pride	Take pride in one’s self, work and company, and to persevere.
Initiative	Show initiative in all matters, and take ownership of one’s actions.
Appreciation	Demonstrate sincere compassion and appreciation for people and society.
Solidarity	Continuously advance creativity and innovation by working together to mobilize our corporate knowledge and capabilities.





## Editorial Policy

This report was created for Toyo Tires Group to communicate the status of its CSR activities to our stakeholders in a way that is easy to understand.

The 2017 edition features our business strategies that are described in the New Business Plan "Mid-Term '17". In this report, CSR activities are organized into Seven Priority Themes based on our CSR Policy.

We included the most up-to-date information on the activities that we believe to be important and highly relevant to our stakeholders (Please see Time Frame Covered in this Report below). Additional information is available on the "ACTION FOR CSR" page on the company website.

### ■Scope of the Report:

Toyo Tires Group (Toyo Tire & Rubber Co., Ltd. and its subsidiaries and affiliated companies in and outside of Japan)

\* Unless otherwise specified.

### ■Time Frame Covered in this Report:

From January 2016 to December 2016

\* More recent information (up to July 2017) is included in some parts of the report.

### ■Reference Guidelines:

・Sustainability Reporting Guidelines (Version 4) - Global Reporting Initiative (GRI)

・Environmental Reporting Guidelines (2012 Edition) - The Ministry of the Environment, Japan

### ■Publishing date: September 2017\*

\* It is Japanese version published.

English version was published in November 2017.

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## Message from the President

**We are committed to working as one team with all of us becoming more aware and involved in our CSR management efforts.**

### Creating New History with Continuous Reform

In 2016, we faced a series of challenges. We made a commitment to the society to reform our organization and make a new start. We addressed the problems and implemented measures, never to allow these problems to happen again. In 2017, we are making the leap to accelerate our effort to change. We are all working as one team to tackle our challenges.

In January 2017, Toyo Tire & Rubber established a new "Philosophy". We agreed to look to this "Philosophy" in every work we do in order to improve our corporate culture. In addition, we are working to enhance our company value by changing our structure from being organized by business (Tires and Divertech) to being organized by function (engineering, manufacturing, sales, and corporate). We believe that this change will allow us to maximize the ability of each department.

In March, we released our new Medium-Term Business Plan "Mid-term '17" for the next four years. This business plan spells out our company's mid-term goals to support continuous growth beyond 2020.

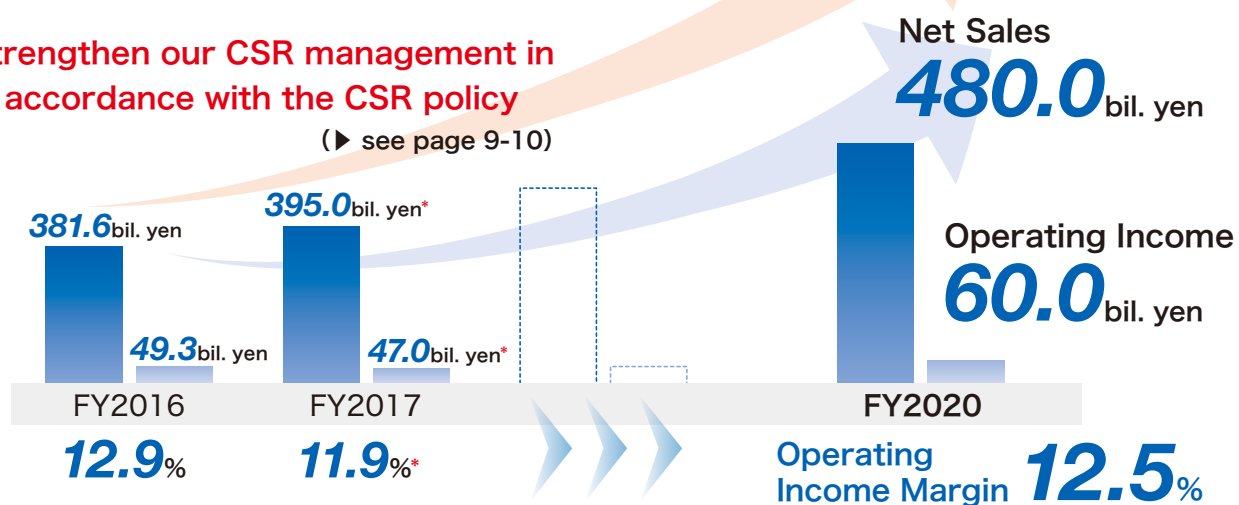
In May, our corporate headquarters were relocated to Itami, Hyogo. With this move, we brought various functions to one location in order to allow tighter cooperation and cohesion and swifter decision-making. Itami is where we used to produce most of our tires in the early days of our company. We want to go back to where we came from and start making new history from there.

**Strengthen our CSR management in accordance with the CSR policy**

(▶ see page 9-10)

**Achieve our goals of the CSR policy "Ideal Status in 2020"**

(▶ see page 10)



\*The planned value as of March 10, 2017 when we announced Mid-Term '17

#### Mid-Term '17

- Dedicate efforts to strengthen business functions and management foundation to enable sustained growth
- Maintain and expand operating income margin, and aim for solid growth in key target areas

[Actual exchange rate]  
1US\$=110Yen/1€=121Yen

[Exchange rate used in Mid-Term '17]  
1US\$=110Yen/1€=115Yen



## Enriching our Company and the Society through our CSR Management

Our company's position has been steadily improving as a result of the changes we are making. I believe that our company is a member of the society at large and we must fulfil the responsibility as its member. All employees and the officers of the company must respond to the changing needs of the society and be actively involved in CSR management.

The Sustainable Development Goals (SDGs) revealed global priorities as we look ahead to year 2030 and asked all organizations to be creative and innovative in solving global problems. In our "Mid-Term '17" Business Plan, Toyo Tires Group focused on our mobility business and addressed its growth and challenges associated with it. We are currently working on innovations to create products that are much safer and greener. We are also making our production facilities highly efficient to reduce the burden on the environment. In addition, we are working on making our compliance, quality, and environment & safety departments more robust, improving our human resources department and labor conditions, establishing crisis management procedures, and maximizing our employees' potential in various ways. We believe that these are all vital for our continued growth.

Furthermore, we believe that working with our stakeholders is extremely important. We plan to work with our suppliers to promote CSR procurement. To be consistent with our "CSR policy", we hope to create shared value between the organization and the society by working more with our stakeholders. Being involved in the Tire Industry Project with World Business Council for Sustainable Development (WBCSD) is one example.

Toyo Tire & Rubber is committed to enriching our society by creating excitement and surprise that exceed stakeholders' expectations.

Thank you for your continued support and encouragement.

September 2017



## Takashi Shimizu

Representative Director and President  
Toyo Tire & Rubber Co., Ltd.



# 1 Developing and Delivering Products by Quickly Responding to Our Customers

## Demand for Large Tires Increases in the North American Market

In recent years, the US automobile sales have been shifting to more SUVs, CUVs, and large vehicles such as pickup trucks. Economic stability and lower fuel prices have contributed to this trend. Driving long distances on vast land also remains the root of the American car culture.

The perceived value of a car is different depending on the person, country, or locality. Because of that, desirable design and performance characteristics and the level of satisfaction would vary, too.

The drivers of pickup trucks, SUVs, and CUVs in North America are looking for certain qualities in their tires. Toyo Tires Group is developing a process to capture those needs and deliver the products that they want quickly, using our unique design and simulation techniques and production methods.

## Developing an Innovative “Aggressive Design Process”

For drivers, design is one of the important characteristics. Especially for pickup trucks, SUVs, and CUVs in the US, unique and aggressive tire design is an important criterion. A high level of customizability (wider rims and more height) is also very important.

When universal design is the mainstream, it is difficult to set valuation criteria for designing products catered to those who value individuality. We need valuation criteria for design “FAVORABILITY” which is difficult to measure.

Our company first establishes valuation criteria (verbal and visual design concept) for every product we develop based on the “3C Analysis”\*. Based on these criteria, we start designing a new product. Then, the design goes through multiple changes as we incorporate ideas based on the market data and market trend provided by the marketing manager in the US. This is how we are able to design a product that meets the customers’ exact needs.

**TOYOTIRES**  
**OPEN COUNTRY R/T**



**NITTO**  
**RIDGE GRAPPLER**

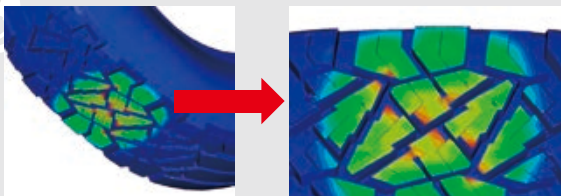


When we make a product that is so creative in design, however, it becomes difficult to balance with performance (longevity, noise control, etc.).

During the tread pattern design process, we make the tire on the computer based on the initial design. We can then perform various analysis and simulations to determine the surface contact and movement of the tire so that we can continue to fine tune the design as well as predict its performance. After this process, the product finally becomes more complete with a tread pattern that maximizes performance without compromising creativity.

We strive to meet our customers' needs at a higher level using this kind of "Aggressive Design Process" that combines various technologies and cross-functional cooperation.

\*An analysis of marketing environment that includes customer (customers and markets), competitors, and company (Toyo Tires Group).



Tread Pattern Design Simulation

## "A.T.O.M." Delivers Precision, Quality, and Unique Design

Our proprietary production system, Advanced Tire Operation Module "A.T.O.M." makes it possible for us to produce tires with superior precision, quality, and unique design needed for large tires. This system was implemented at Toyo Tire North America Manufacturing Inc. (TNA) in 2005. Since then, it has been implemented at more locations all over the world with further improvements.

Using "A.T.O.M.", a thin strip of rubber is extruded onto a rotating building drum to directly form circular treads. Compared to the conventional manufacturing method where a flat rubber piece is folded and glued into a cylinder, tires made with "A.T.O.M." do not have a large joint portion that weighs more. Therefore, "A.T.O.M." was extremely useful in manufacturing large tires where uniformity was more difficult to achieve. This reduced uneven wear that causes shorter product life and inferior handling.

Since "A.T.O.M." also allows us to modify sidewall thickness, we are able to produce tires with aggressive designs on sidewalls. This unique design is our strength that sets us apart.



A.T.O.M.'s molding drum (left) and sidewall design produced with A.T.O.M. (right)

## Supply Structure that Caters to Customer Needs

TNA which uses "A.T.O.M." was our company's first production facility outside of Japan and has been in operation since 2005. It has ramped up its production capacity four times to meet the sharply increasing demand in North American markets. At the end of 2016, TNA became the largest tire production facility in Toyo Tires Group with an annual capacity to produce 11.5 million tires (calculated for passenger car tires).

During this expansive growth, TNA's focus has been on improving quality and customer satisfaction and the protecting the environment. TNA established its quality and environmental management systems and obtained ISO9001, ISO/TS16949, and ISO14001 certifications.

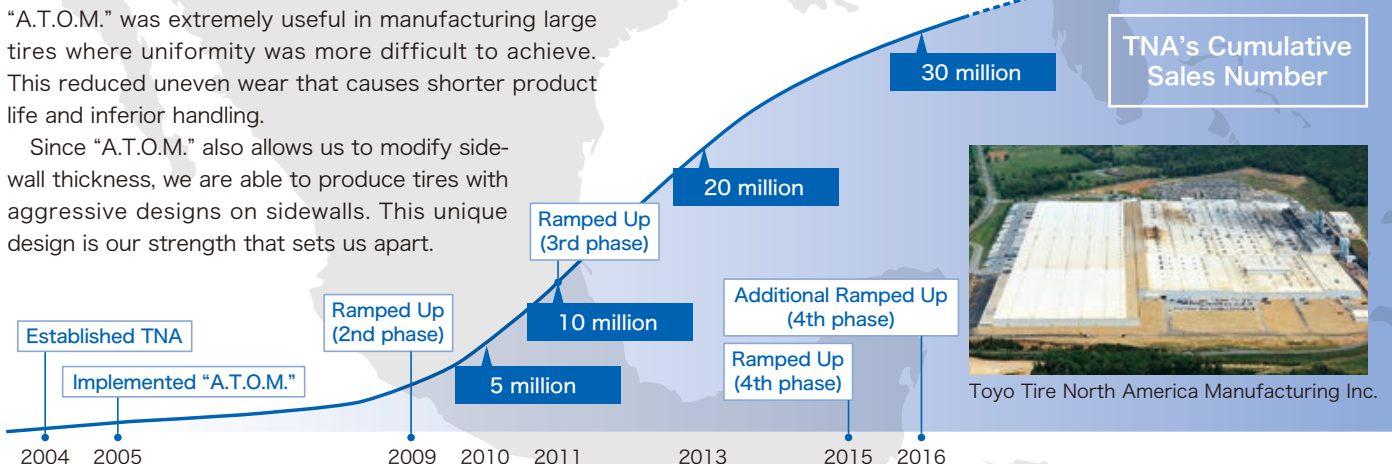
Additionally, as of the end of 2016, the number of employees has grown ten-fold since its establishment in 2004. TNA was recognized by the state of Georgia in 2009 and 2016 for creating more jobs and contributing to the continued growth of the automotive industry.

In the future, Toyo Tires Group plans to develop products locally and quickly for the North American market. This requires us to precisely understand the local needs first hand. To make this possible, we will increase the size of TNA's R&D department by hiring more people and strengthen its design capabilities.

We are committed to enriching our society by creating excitement and surprise with our products that exceed customer expectations.



TNA employees







## 2 Developing High Performance Tires with Advanced “Nano Balance Technology”

### Toyo Tires Group to Use its Proprietary Technology to Meet the World’s Most Stringent Requirements in Europe

More and more countries and regions are introducing new laws and systems requiring better fuel efficiency and reduction of CO<sub>2</sub> emissions from automobiles in the midst of changing climate, population increase in developing countries, and a need for more mobility resulting from economic expansion.

The role of tires is also becoming more important in improving fuel efficiency. Reducing the friction (rolling resistance) between tires and road surface will allow tires to roll easier so that vehicles can run further with same amount of fuel. Less friction means better fuel efficiency, but this generally means a weaker grip, lowering the tires’ ability to stop. This makes a big difference especially on wet roads. When designing fuel efficient tires, we must maintain good wet grip while

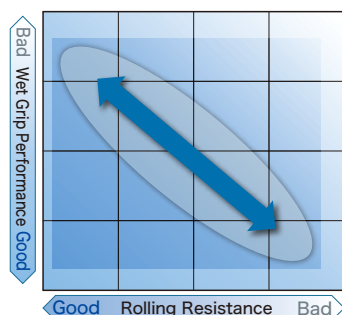
reducing rolling resistance.

In Japan, the industry established a self-regulated “labeling system” in 2010 with ratings for rolling resistance and wet grip performance. Only tires that meet certain ratings in both categories can be labeled “fuel efficient”.

In Europe, there is a strict regulation requiring all tires for passenger vehicles sold within the EU to be labeled with ratings for rolling resistance, wet grip, and noise levels since 2012. Starting in 2018, companies will no longer be able to manufacture any tires for the EU if they do not meet certain level of performance in these categories.

At Toyo Tire & Rubber, we continue to improve our overall technical capabilities by designing high-performance tires for the European market with most stringent requirements. We can improve the standards in other countries and regions by making these high-performance tires available to the rest of the world.

#### Relationship between Rolling Resistance and Wet Grip Performance



#### The Labeling System in Japan (left) and in the EU (right).



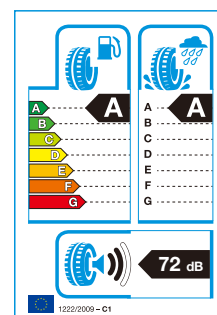
Universal Symbol for Fuel Efficient Tires



Rolling Resistance



Wet Grip Performance



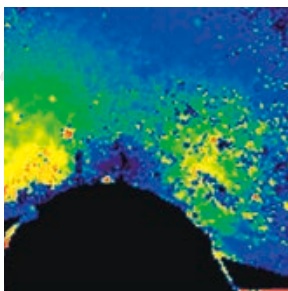
## Developing “Nano Balance Technology” through Technical Innovations

Our company has been working on advancing our proprietary tire design platform technologies such as “Nano Balance Technology,” a rubber materials design platform technology developed in 2011, and “T-Mode,” a simulation technology developed in 2000 that can analyze both tire performance and vehicle’s motion.

Nano Balance Technology was drastically improved in 2016 to enable us to design tires with even better performance. Nano Balance Technology allows us to evaluate rubber at the molecular level (Nano-level Research/Observation), simulate performance (Nano-level Analysis/Prediction), design functionalities (Nano-level Material Design), and produce rubber with a precise control (Nano-level Production Control). This enables us to develop ideal rubber for high-performance tires. Nano Balance Technology enabled us to create our flagship brand of fuel-efficient tires, “NANOENERGY”, and improve the fuel efficiency of other tires for passenger and commercial vehicles.

With an advancement of Nano-level Research/Observation, we are able to accurately observe internal structure and deformation of rubber and study what happens and how energy is lost when tires touch the road surface while moving. It also enabled us to create a simulation model that can closely replicate actual rubber composition and measure tires’ rolling resistance and grip performance.

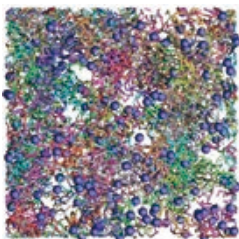
We are able to design and produce raw materials at Nano-level with a precise control so we can deliver high performance, high quality tires.



Technology that shows the impact that uneven road surface has on rubber’s internal structure (Nano-level Research/Observation)

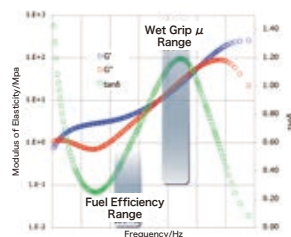
An image displaying the impact on the internal structure of rubber when tire hits a 500μm bump. Brighter red and yellow indicate greater impact on the internal structure.

### ◆ Simulation Model



Simulation Technology that Measures Viscoelasticity of Rubber (Nano-level Analysis/Prediction)

### ◆ Viscoelasticity Curve



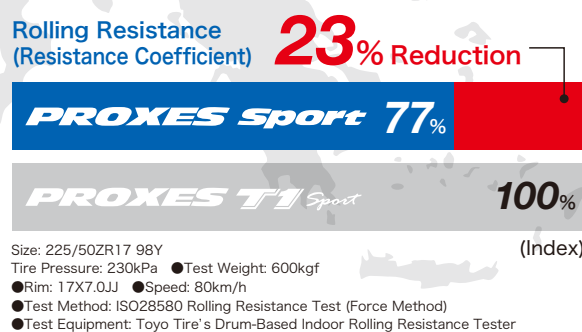
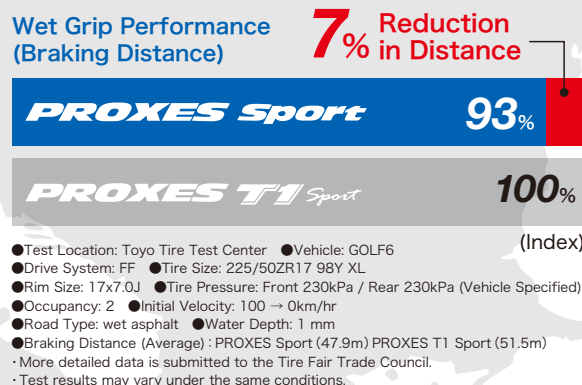
We are the first in the industry to develop a detailed simulation model of internal rubber structure that can measure rolling resistance and grip performance and display them on a graph.

## Simultaneously Achieving Excellent Rolling Resistance and Wet Grip Performance

“PROXES Sport” is our premium sport tire that was released in Europe and Japan in 2017. They are made with new formulation of rubber materials developed using advanced “Nano Balance Technology” to achieve superior rolling resistance and wet grip performance.

We were able to analyze road contact pressure on tires and evenly distribute the pressure. This improved wet grip performance (reduced breaking distance) by 7% compared to our existing products (PROXES T1Sport) and obtained “a” rating, the highest wet-grip rating per the Japanese labeling system, in all tire sizes. We reduced the rolling resistance by 23% compared to our existing products. The tires offer superior performance in other areas such as better dry and wet handling, comfort, and longevity. These performance characteristics are all necessary in high-end sport tires.

### Performance Comparison on Tire Labels



**PROXES Sport**

# CSR Policy

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

Toyo Tires Group established its CSR policy (basic policy and priority themes) in May 2014. With our “Ideal Status in 2020” in mind, we are doing more with our stakeholders and working on our CSR management that creates shared value for the organization and the society.

### Basic Policy (Established in May 2014)

Basic CSR policy clarifies in writing that CSR starts with the core values of “Responsibility”, “Trust”, and “Integrity” and that “every single employee is a point of contact with the society and must execute CSR.”

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”

**Responsibility:**

Responsibility of having a greater impact as the company becomes global.

**Trust:**

Being a steward of our environment and society as we execute our business.

**Integrity:**

Integrity in our business operation as the basis of our CSR.



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

### Priority Themes (Established in May 2014)

To implement CSR activities in alignment with the basic policy, we have identified seven areas that are important to our company and the stakeholders. We defined our “Ideal Status in 2020” to visualize where we want to be as a company in each area. Meeting these goals is the step to realizing “Our Vision” based on the “Philosophy”. It will also allow us to deliver on our promise to “create excitement and surprise with our products that exceed customer expectations and enriches society” as stated in “Our Mission”.

In March 2017, we developed our “Mid-Term '17” Business Plan encompassing our vision for 2020. CSR management is the core of this business plan.

#### Message from the Division General Manager in Charge of CSR

### We will implement the CSR projects to meet our “Mid-Term '17” Business Plan.




Toyo Tires Group developed its “Mid-Term '17” Business Plan for the next four years starting in 2017. To support our continued growth and to meet the goals for 2020 and beyond, we will re-evaluate our social responsibilities as a manufacturing company and strengthen our core functions that are vital to our business: “compliance”, “quality”, and “environment & safety”. We will also work on improving the source of our growth, that is, our corporate culture and the system, that allow a diverse group of people to work and maximize their potential. In order to make “Ideal Status in 2020” a reality, we will define and execute action plans for each of the seven CSR priority categories.



Hirokazu Miyabe  
Division General Manager  
Administration Division



## ● Ideal Status in 2020 and Priority Theme

Priority Theme	Ideal Status in 2020	Major Activities for "Ideal Status in 2020"
<b>1</b> <b>Product and Service Reliability and Innovation</b>	Providing eco-friendly products and services founded on high quality and safety <b>Relationship with Stakeholders</b> 	<ul style="list-style-type: none"> <li>◆Improving our Quality Assurance and Quality Control Systems (Established Administrative Dept., Increased Staffs), Responding to the Quality Standards of Each Country</li> <li>◆Responding to Customer Inquiries and Complaints (Safety, Environment, Comfort)</li> </ul> P13-15
<b>2</b> <b>Contribution to the Global Environment</b>	Promoting environmental management on a Group-wide basis <b>Relationship with Stakeholders</b> 	<ul style="list-style-type: none"> <li>◆Operation of the Environmental Management System (Preventing Global Warming, Reducing Environmental Impact, Preventing Environmental Pollution)</li> </ul> P16-19
<b>3</b> <b>Respect for Human Rights and Diversity</b>	Diverse employees actively working in an environment with a global sense of human rights <b>Relationship with Stakeholders</b> 	<ul style="list-style-type: none"> <li>◆Responding to Globalization (Diversity of Human Resources, Human Rights Education, Overseas Trainee Program)</li> <li>◆Improvement of Education and Training Programs (Developing Professionals)</li> </ul> P20,21 P22
<b>4</b> <b>Collaboration with Business Partners</b>	Entire supply chain engaging in CSR activities <b>Relationship with Stakeholders</b> 	<ul style="list-style-type: none"> <li>◆Promotion of Fair and Transparent Transactions (Through Compliance, the Subcontract Proceeds Act)</li> <li>◆Promotion of CSR Procurement (Response to the Conflict Minerals Issues, SNR-I)</li> </ul> P23 P24
<b>5</b> <b>Harmony with Local Communities</b>	Contributing to local community development while responding to stakeholders' voices <b>Relationship with Stakeholders</b> 	<ul style="list-style-type: none"> <li>◆The Toyo Tires Group Environmental Protection Fund</li> <li>◆Local Community Contribution Activities (Responding to Social Problems)</li> </ul> P25 P26
<b>6</b> <b>Creation of Safe and Healthy Workplaces</b>	With priority given to safety, promoting the creation of workplaces that ensure well-being and security <b>Relationship with Stakeholders</b> 	<ul style="list-style-type: none"> <li>◆Operation of the Safety, Health, and Disaster Prevention Management System (Efforts to Ensure thorough Observance of the Basic Rules, Enhancement of Safety Training Program, Health Care Promotion)</li> <li>◆Working Harder to Prevent or Mitigate Major Disasters (Facility Maintenance, Education and Training)</li> </ul> P27,28 P29
<b>7</b> <b>Reinforcement of Corporate Governance and Compliance</b>	Engaging in business activities with integrity while constantly improving management transparency <div>             We are working to reinforce corporate governance/compliance as the foundation of CSR management, while paying close attention to all stakeholders.           </div>	<ul style="list-style-type: none"> <li>◆Reinforcing of the Corporate Governance Structure</li> <li>◆Reinforcing of the Compliance system (Introduced a Compliance Officer System, Education and Training, Awareness Survey)</li> </ul> P30,31 P31,32



Customers



Environment



Employees



Business Partners



Local Communities



Shareholders and Investors

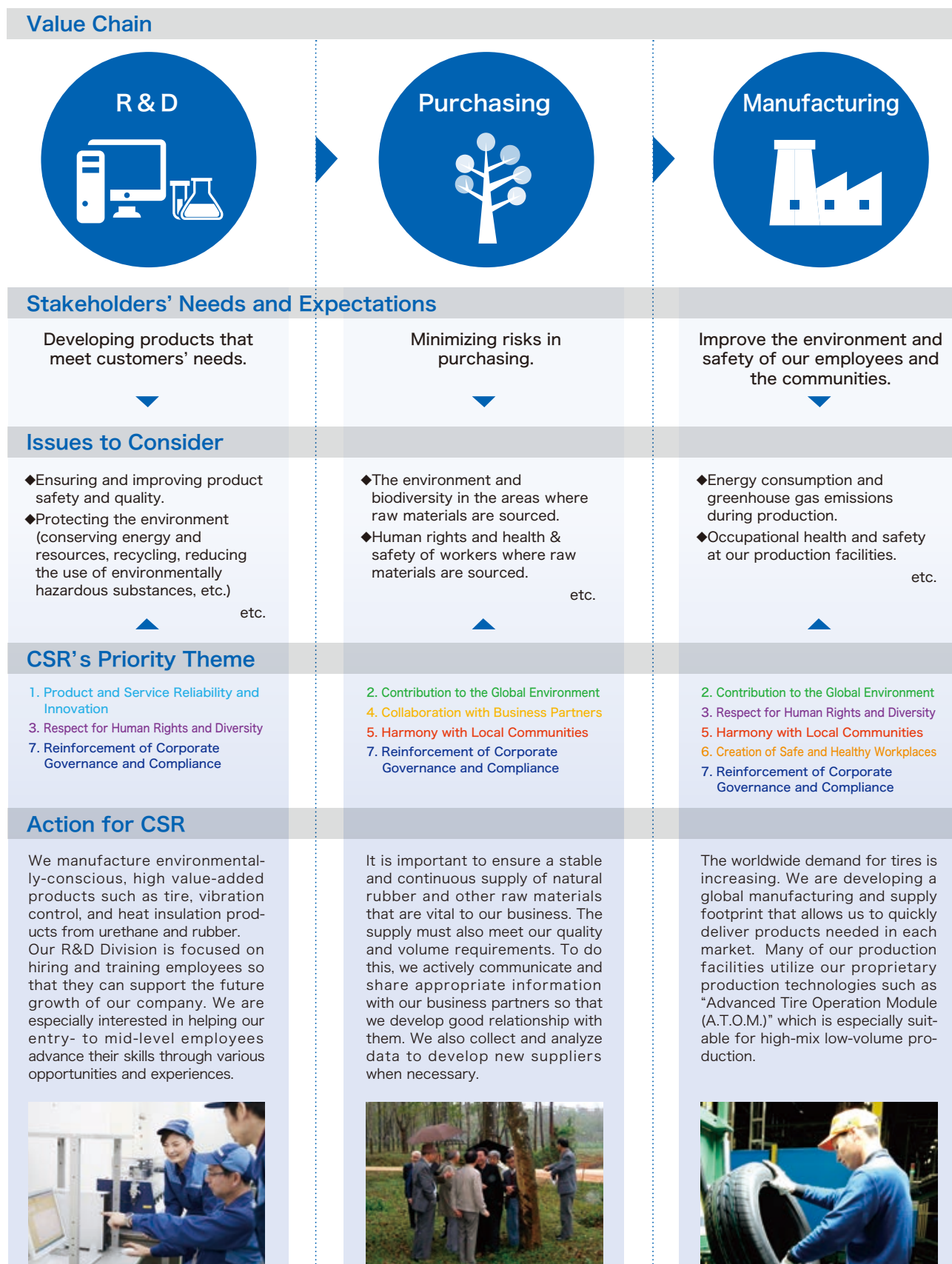
Degree of relationship:

**Strong**

Medium

# Toyo Tires Group's Value Chain

The following describes how CSR projects at Toyo Tires Group relate to the values and issues of our stakeholders throughout the value chain.





Establish a supply structure that meets market demands.

- ◆Energy consumption and greenhouse gas emissions when transporting raw materials and products.
- ◆Occupational health and safety of our warehouse employees and transportation companies.

- 2. Contribution to the Global Environment
- 4. Collaboration with Business Partners
- 6. Creation of Safe and Healthy Workplaces
- 7. Reinforcement of Corporate Governance and Compliance

Due to the increase in our business and the geographical expansion of our operation, the volume of shipments is also increasing. In order to reduce the impact on the environment and the society while satisfying our customers' needs, we are working on optimizing our logistics by diversifying and streamlining our distribution options. We practice tight inventory control and use the best method and routing for each shipment.

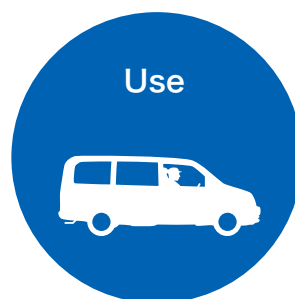


Appropriate product labeling.

- ◆Providing product information and promoting safety.
- ◆Communication with our customers.

- 1. Product and Service Reliability and Innovation
- 4. Collaboration with Business Partners
- 5. Harmony with Local Communities
- 7. Reinforcement of Corporate Governance and Compliance

While our sales are expanding on a global scale, we stay close to and communicate with our production facilities, distributors, dealers, and retailers. This allows us to design and sell products that generate customer trust and satisfaction. We provide workshops and seminars for sales people to improve their product knowledge and presentation skills.



Improving comfort, safety, and environmental performance while driving.

- ◆Energy consumption and greenhouse gas emissions while driving.
- ◆Communication with our customers.

- 1. Product and Service Reliability and Innovation
- 2. Contribution to the Global Environment
- 5. Harmony with Local Communities
- 7. Reinforcement of Corporate Governance and Compliance

We manufacture not only tires for vehicles but also various other rubber products designed with our proprietary technologies originally developed for tires. By offering a whole array of products with superior durability, safety, and environmental performance, we are improving comfort, safety, and environment of all communities wherever our products are used.





# Product and Service Reliability and Innovation

**Ideal Status in 2020** ▶ Providing eco-friendly products and services founded on high quality and safety

## Activities Results in Fiscal Year 2016

- Continuous Improvement of our quality assurance and quality control systems.
- Developing of products that meet diverse customer needs of different countries and areas.
- Provisioning of clear and easy-to-understand services from the customers perspective.

### Basic Approach

Toyo Tires Group's principle of manufacturing is "to strive for the highest levels of quality, safety, and societal benefits in our products and services." All employees and corporate officers of our company must make this their mission. We must protect our environment and address social issues while providing new value to our customers. We believe that this is how we can build trust and continue to grow.

### ◆ Quality Assurance System



## Quality Assurance Efforts

### Quality Assurance System

At Toyo Tire & Rubber, it has been our priority to improve our quality assurance and quality control systems. Quality Assurance Division was created in July 2015 (by revamping the former Quality Assurance Department). The quality assurance department at each production site was placed under the Quality Assurance Division for a better coordination. Through reorganizations and external hiring at the end of March 2016, the quality assurance organization has been drastically improved as well as doubled in size.

In cooperation with JMA Consultants Inc. (JMAC), the Quality Assurance Division is re-evaluating and improving our entire quality assurance system. We are working to revamp not only the quality management system for production but also the quality planning and quality design systems for the design and production preparation stages.

Akashi Plant of Toyo Chemical Industrial Products Co., Ltd. and all tire production facilities in Japan have been audited and revamped by the end of March 2016. All other locations in Japan and the tire production facilities outside of Japan were audited and revamped by the end of December 2016.

We will continue to evaluate and improve the quality assurance systems at other locations outside of Japan.

### 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. As a member of Japan Automobile Tyre Manufacturers Association (JATMA), we make recommendations to various organizations, visit regulatory authorities to exchange opinions, and distribute information overseas in cooperation with organizations such as U.S. Tire Manufacturers Association (USTMA) and the European Tyre and Rim Technical Organisation (ETRTO). We send out latest information and give presentations on legal and regulatory matters at all of our domestic and overseas facilities. We share the knowledge of international laws and regulations with all locations regardless of the country. We are exerting our group-wide efforts to ensure that we meet all quality standards.

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

At Toyo Tires Group, our employees participate in QC circle activities to learn “the joy of learning and continuous improvements.” QC circle activities are also designed to create fun and safe work environment. By taking part in these activities, our frontline employees can think and make improvements on their own. They also gain more knowledge as well as soft and hard skills that are required to do their job. QC circle activities have been making our workforce strong for more than fifty years. A “company-wide QC Circle Conference” is held every year so that employees can share their experiences and achievements and to learn from one another.

As a part of our efforts to improve our quality on a global scale, we have been implementing QC circle activities at production facilities outside of Japan in the last ten years. As a result, two Chinese plants started to participate in the company-wide QC Circle Conference in 2015 and a Malaysian plant in 2016.



QC circle members from Malaysia presenting at the company-wide QC Circle Conference (First time participants)

## Responding to Customer Inquiries and Complaints

Every time our customers contact us with an inquiry or a complaint, we are given an opportunity to improve our products and services as well as our customers’ expectations.

For inquiries and requests received by phone or on our website, the Customer Relations Department staffs provide a “clear and accurate” explanation so that customers can gain a full understanding of the issue.

Customer Relations Department can provide all information necessary to make our customers’ experience with our products safe and comfortable. When receiving an inquiry about a tire, representatives may first ask the customer to provide as much information as possible. Then, they can explain how to “properly use our products”. This could be the optimum air pressure for the tires, when to change, or how to store the tires. Our representatives can also suggest best tires for your vehicle or the desired performance.

If we should receive a complaint from a customer, we try our best to resolve the problem quickly and to the customer’s satisfaction. It is important for us to build and maintain a good relationship with our customers. We work with our sales offices and Technical Service Department in order to address any problems or complaints that our customers may have.

### TOPICS

## Toyo Tire North America Manufacturing Inc. Receives Ford Q1 Award

Toyo Tire North America Manufacturing Inc. “TNA”, a Toyo Tires Group company that manufactures tires in the U.S.A. was recognized by Ford Motor Company as a preferred supplier and awarded the prestigious Ford Q1 award. TNA has supplied original equipment tires to Ford since April 2014.

The Ford Q1 award is internationally acknowledged as an indication of extraordinary quality and is only granted to those suppliers that have proven capabilities well beyond ISO/TS16949 automotive certification requirements and meet Ford’s stringent quality standards. In order to qualify for the award, TNA was required to undergo rigorous audits, ensuring that the company continuously met Ford’s strict criteria. Because of such efforts, TNA earned the award in recognition of its superior product quality, high reliability, exceptional materials and dependable supply chain management.

### Message from the Senior Director of Quality at TNA

We are extremely pleased to have earned the Ford Q1 Award and consider it an acknowledgement of Toyo’s never-ending pursuit of its customer-focused mission. This achievement is the direct result of our team members’ success in providing customers the highest quality products that exceed our customers’ expectations.

Mr. Steve Wesner



TNA Employees and the flag awarded by Ford

## Improving the Environment and the Society through our Products

### Offering More Fuel Efficient Tires

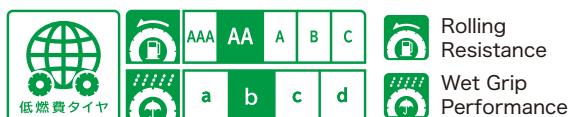
Toyo Tires Group offers a whole array of fuel efficient tires that meet the performance standards of the Japanese tire labeling system. These products include “NANOENERGY series” which is our flagship brand of fuel efficient tires, “TRANPATH series” for minivans and compact cars, and “PROXES series” which is our global flagship brand of ultra-high performance (UHP) tires. “TRANPATH ML” for mid-range minivans released in 2016 has “AA” rating for rolling resistance and “b” rating for wet grip performance per the Japanese tire labeling system. The tire also has good wear performance, offering longer tread life, and less wobbling that is common in minivans that have more weight and a higher center of gravity. It won 2016 Good Design Award for its unique, sporty look as well as having all the core tire performance characteristics.



Tranpath ML received 2016 Good Design Award

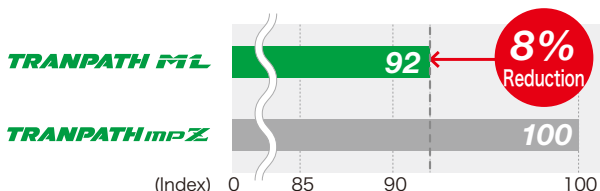


#### TRANPATH ML



#### ◆ Rolling Resistance Coefficient Comparison

\*Tranpath mpz: Rolling Resistance Coefficient A



- Test Method: ISO28580 Rolling Resistance Test (Force Method)
- Test Equipment: Toyo Tire's Drum-Based Indoor Rolling Resistance Tester
- Tire Size: 195/65R 15 91H ● Rim: 15x6.0J ● Speed: 80km/h
- Tire Pressure: 210kPa ● Test Weight: 4.82kN

#### Rating System Labeling and Fuel Costs

Tire Fair Trade Council of Japan has found in their testing that a one-step difference in the rating means a 1% difference in fuel cost. For example, our Tranpath ML has a rolling resistance rating of “AA”. So, it will require 3% less in fuel costs compared to a tire with “C” rating. (The actual savings will vary depending on the vehicle and the way it is driven.)

There is an increasing demand for hybrid trucks in the commercial vehicle category, and many want tires with better fuel efficiency and wear performance. To meet this demand, Toyo Tire & Rubber released a new tire for small trucks in its “NANOENERGY series” and other new products for trucks and buses in 2016 in Japan. In the US, we are selling tires for trucks and buses that has been “SmartWay verified”\* by Environmental Protection Agency. In all countries and regions, commercial customers want fuel efficient tires because fuel cost is directly tied to the bottom line of their business, regardless of the road conditions and how and how far they drive. Therefore, Toyo Tire & Rubber is working hard to offer more fuel efficient tires for commercial vehicles.

We are committed to adding more tires with superior environmental performance to our product lineup as a part of our environmental effort in all countries and regions.

\*Tires for trucks and buses can be “SmartWay verified” if they meet the rolling resistance standard established by US Environmental Protection Agency. The State of California mandates all vehicles pulling a trailer that is 53 feet or longer to use “SmartWay verified” tires in that state.

### Delivering Products with Convenience and Safety (US)

We offer more all season tires in certain areas in the US where there is little snow. That is because it is difficult, both economically and space wise, for the customers in these areas to use summer tires most of the year and switch to winter tires for a brief snow season. However, there were some safety concerns associated with all season tires. They were slippery in certain snow and ice conditions. Sometimes, they required customers to install chains on their tires. This is difficult to do when you are not used to it. Our US distributor, Toyo Tire USA Corporation, sells “CELSIUS”, an all-weather tire for the customers in those areas. CELSIUS has the performance characteristics required for both a summer tire and a winter tire, and it has become a very popular product. CELSIUS has the design with the functionalities of a winter tire on the inside of the contact surface and the design with the functionalities of an all-season tire on the outside. Its running performance in snow and ice meets the requirement for “the 3PMSF symbol”\*, yet it also offers better wear performance than a winter tire.

\*A three-peak mountain snowflake (3PMSF) symbol: The symbol helps consumers identify tires with a higher level of snow traction. It indicates that the tire meets the required performance in snow testing.



CELSIUS, All Weather Tire





# Contribution to the Global Environment

Ideal Status in 2020

Promoting environmental management on a Group-wide basis

## Activities Results in Fiscal Year 2016

- Decided to install new equipment responding to fuel conversion at our main plants in order to reduce CO<sub>2</sub> emissions intensity.
- Improved in waste recycling ratio to 99.4%.
- Reduced the NOx emissions by 5% from the previous fiscal year.

## Basic Approach

In keeping with its commitment to helping realize a sustainable society, 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

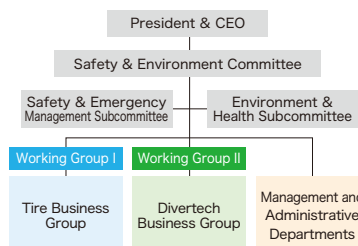
### Toyo Global Environmental Charter

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 behaviors and activities. Based on the action guidelines, specific action items and medium- and long-term targets are set out in "Toyo Global Environmental Action Plan".

## Environmental Management System

The Environment Health Subcommittee of the Safety & Environment Committee establishes policies and priorities each year. We have a group in each business segment taking the lead in implementing environmental management programs using the PDCA cycle.

### Environmental management system

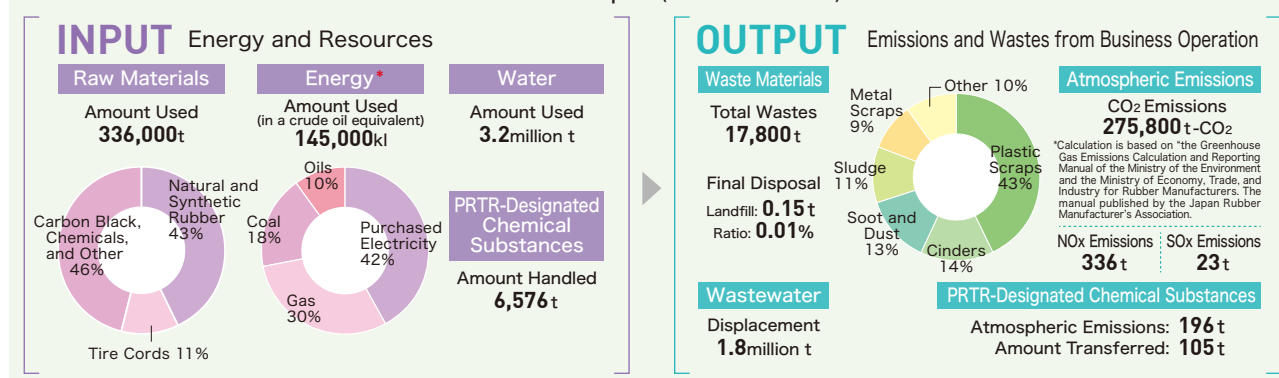


### FY 2016 Policy

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

In accordance with the FY 2016 Policy, for Item I, on-site inspections of the 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 conserving energy, reducing CO<sub>2</sub> emissions intensity per unit of production, reducing waste, and recycling. For Item III, we continue to support reforestation of the areas near our plants to provide more space for plants and animals.

### Environmental Performance at Business Sites in Japan (FY2016 Results)



\* 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 and CO<sub>2</sub> Emissions Intensity

#### ● Status of Scope 1 and Scope 2

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

In FY 2016, the CO<sub>2</sub> emissions intensity increased by 2.1% compared to the previous year. In Japan, it has been surpassing the level in FY 2005 due to declining energy efficiency of some older equipment.

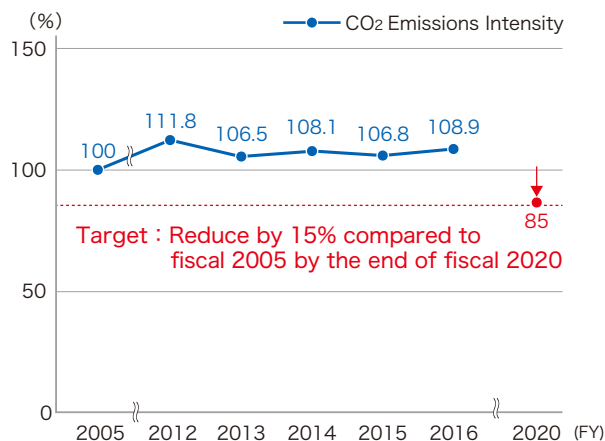
Toyo Tire & Rubber decided to install new equipment at Sendai Plant, one of our main plants, to transition from coal and oil to natural gas as an energy source. We began construction in FY 2017.

We plan to start using the equipment in FY 2018 and ramp up the use. This will improve energy efficiency and reduce CO<sub>2</sub> emissions, and we expect to lower our CO<sub>2</sub> emissions intensity by 15% by the end of FY 2020 compared to FY 2005.

\* 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 intensity 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 CO<sub>2</sub> emission factor, the actual emission factor of power receiving terminal 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 plants was used.

#### ● Responding to Scope 3 Emission Control Requirements

Since fiscal 2013, We have been calculating Scope 3\* 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 FY 2016, Scope

1 and 2 CO<sub>2</sub> emissions accounted for 3.9% of our total emissions. It was 96.1% for Scope 3. The area with the most CO<sub>2</sub> emissions was Category 11 of Scope 3 (users of the products), accounting for 85.3% 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., transporting and using our products, employees' commute and business trips, etc.).

### 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 FY 2016, our energy consumption went down by 1.2%, but our energy intensity went up by 3.7% due to declining energy efficiency of some equipment.

In FY 2017, we continue to reduce our energy consumption. At our plants, we are reducing energy loss by switching to LED lighting, installing more efficient equipment, and minimizing air and steam leakage. At offices in site of our plants, we are utilizing renewable energy from solar panels. In our administrative offices, we are taking small but effective steps to conserve energy by using an optimal temperature for air conditioning and having casual dress codes not to require excessive air conditioning.



Our new corporate headquarters with solar panels on the roof top. (Itami, Hyogo Pref.)

### Energy-Saving Efforts in Logistics

In our logistics, of course, we have been promoting energy-saving activities 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 FY 2016, we continued to switch our freight method from trucks to boats and railroad containers. However, the output level increased by 6.9% due to more long distance freights and less consolidated shipments by logistics companies. We were able to reduce the average output level for the past five years by 2.7%. We will continue to make our logistics operation better for the environment.

## Reducing Environmental Impact

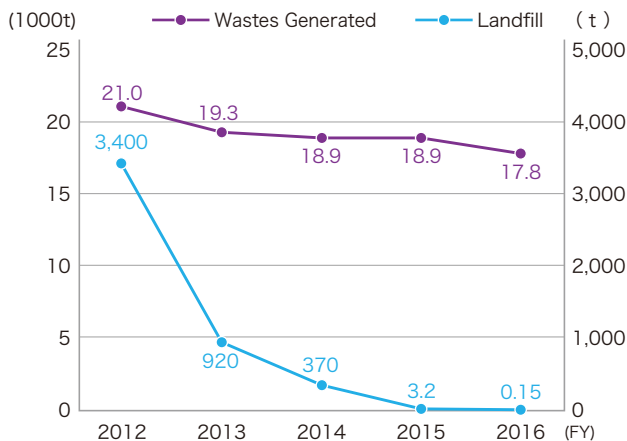
### Waste Reduction

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

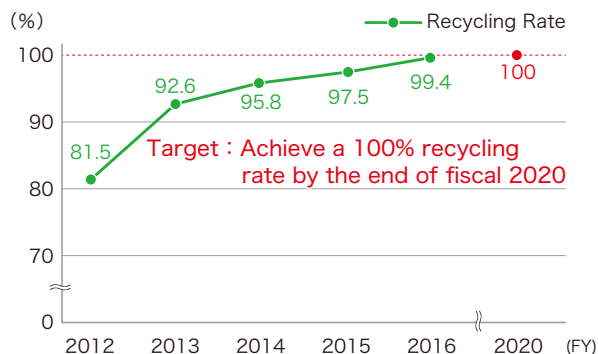
In FY 2016, we generated a total of 17,800 tons of waste, a 6% reduction from the previous year. The Great East Japan Earthquake in 2011 temporarily caused the amount of our landfill waste to increase. However, since FY 2015, it has been less than the amount before the disaster. In FY 2016, the total amount of landfill waste was 0.15 ton, a 95% reduction from the previous year. We are making steady progress in this area. We are moving away from incinerating waste and switching to thermal recycling, and we replaced wooden pallets with more durable plastic pallets. These efforts helped us achieve a 99.4% recycling rate.

We are also taking actions to ensure that our waste disposal programs are properly executed. We completed an annual on-site inspection of vendors handling collection, hauling, and disposal of our industrial wastes. We also implemented a new system to ensure that Electronic Manifest System is properly executed. In FY 2017, we continue to ensure that all of our plants with the waste-disposal requirements. We hired an environmental consultant as part of this effort.

Total amount of waste generated and landfill (in Japan)



Trend in waste recycling rates (in Japan)



### Recycling of Used Tires

Under the leadership of the Japan Automobile Tyre Manufacturers Association (JATMA), the tire industry as a whole is striving to promote the recycling of used tires.

#### ● Spreading use of Retreading Tires (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. Because of these environmental benefits that retreading provides, retreading tires are listed as a "preferred item" by a Law on Promoting Green Purchasing in Japan.

The age of the casing of retreading tires varies. We conducts strict inspections during all stages of retreading process, from selection of casings to final inspection, so that our customers can feel confident that all of our retreading tires are safe. For example, high voltage testing is used to check for damages. The internal structure is inspected for flaws that cannot be visually detected on the outside. A durability testing is conducted on final products.

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

\* Retreading tires produce 41% less CO<sub>2</sub> in comparison to new tires during production. (Source: Japan Retreader's Association)

#### ◆ Retreading Process



Remold Method (left) and Pre-Cure Method (Right)

There are two methods of retreading: In Remold method, new tread rubber is applied to tire casing. It is then placed in a mold and vulcanized to form tread. In Pre-cure method, previously prepared tread strip is applied to tire casing and vulcanized in a vulcanizer.

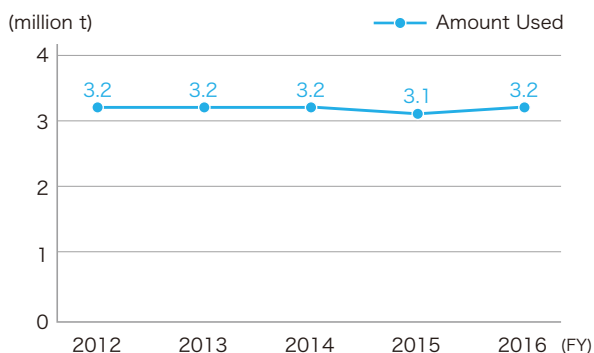


## Preventing Environmental Pollution

### Water Resource Conservation

Toyo Tires Group uses water in boilers, component processing equipment, cooling equipment for products, cooling towers, and sanitation facilities. To reduce the amount of water we use, each site is responsible for establishing its own goals based on the size of the facility and the types of products they produce. We are revamping our equipment to reuse water in each production process. In FY 2016, Toyo Tires Group consumed 3.2 million tons of water in Japan.

#### Trend in the amount of water used (in Japan)

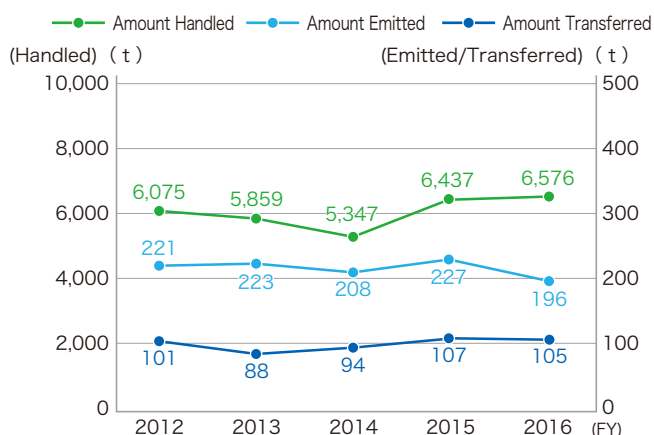


### Responding to the PRTR Law

In FY 2016, Toyo Tires Group reported 30 PRTR substances to the government agency as required by "Law for PRTR and Promotion of Chemical Management" (PRTR Law). We reduced the amount of PRTR substances emitted or transferred offsite by our facilities in FY 2016 compared to the previous period. However, we handled 6,576 tons of PRTR substances in FY 2016, a 2.0% increase from the previous period. This was because we have more products that contain PRTR substances among our new products.

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

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

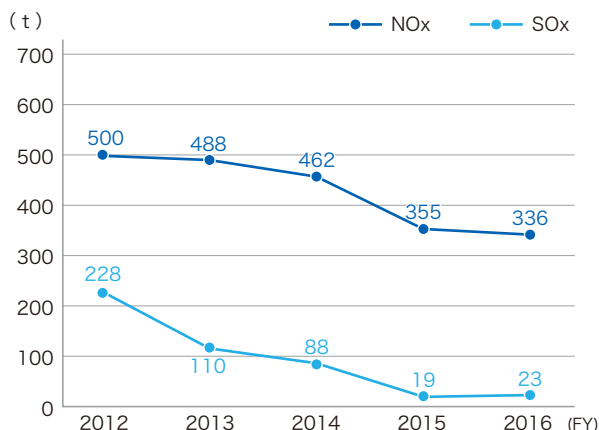


### Preventing Air Pollution

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 FY 2015, we eliminated the use of C heavy oils which contain more nitrogen and sulfur. This helped us significantly reduce the SOx and NOx emissions. In FY 2016, we maintained the level of SOx emissions low at 23 tons, close to the level in FY 2015, and we reduced the NOx emissions to 336 tons, a 5% reduction from the previous period.

We will start using boilers that run on natural gas at Sendai Plant in FY 2017. We expect that this will help us reduce the emissions even more. We plan to regularly monitor and reduce the emissions at other plants as well.

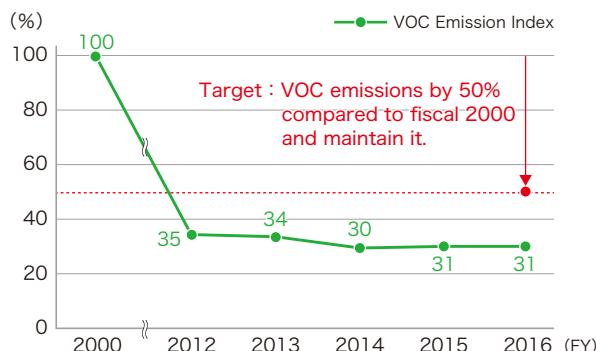
#### Trend in NOx and SOx emissions (in Japan)



### Reducing VOC (Volatile Organic Compounds) Emissions

Toyo Tires Group is following the self-regulatory initiative by the Japan Rubber Manufacturer's Association to reduce VOC emissions. For the 17 VOC that are commonly used in the rubber industry, we plan to reduce VOC emissions by 50% compared to fiscal 2000 and maintain it. Most of our VOC emissions come from rubber solvents we use and we are working on switching to alternative solvents. We have been able to keep the VOC emission index at 65% or more below the FY 2000 level for the past five years. We will continue to improve our production methods and processes to decrease the amount of VOC emissions.

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



# Respect for Human Rights and Diversity

**Ideal Status in 2020** ▶ Diverse employees actively working in an environment with a global sense of human rights

## Activities Results in Fiscal Year 2016

- Provided internship for and engineering students
- Achieved the target in our Action Plan for Promoting Work-Life Balance (FY 2015 – FY 2016)
- Reviewed our overall training programs and enhanced education and training programs for different employee's grade levels.

### 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 Responding to Globalization

Toyo Tires Group experienced rapid global expansion in recent years. This increases our exposure to risks related to human rights at our workplaces and with our business partners. To manage these risks, we are providing training to managers and employees who travel to other countries. These training help our employees understand the history, culture, and customs of different countries, respect others with whom they work, and develop the ability to think from different perspectives.

We provide training on minority rights to all levels of employees. This is designed to help them cultivate the ability to respect and effectively communicate with others in and outside of the company as well as people from other countries.

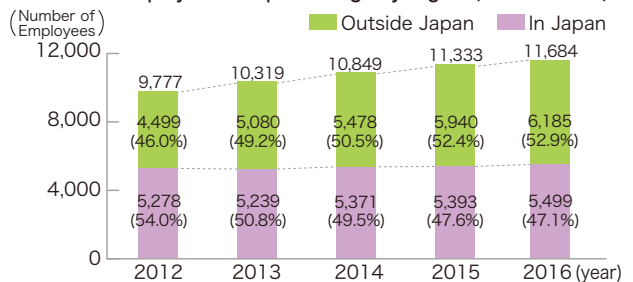
## Diversity of Human Resources

### Employment Situation

To respond to global business expansion and an increasing demand for specialized skills, 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%.

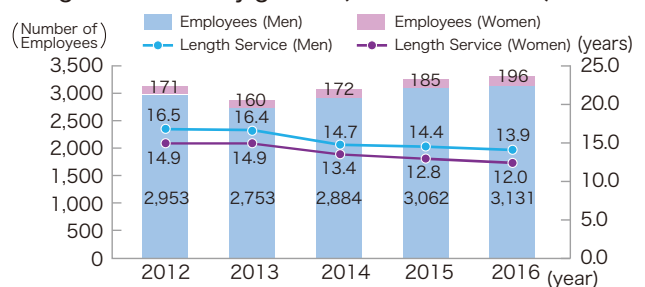
We are committed to ensuring fair employment practices and treatment of employees across our organization. We are striving to create workplaces where diverse individuals can fully demonstrate their capabilities, regardless of nationality or gender.

Number of employees and percentage by region (Consolidated)



\* 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.

### ● Internship Opportunity for Science and Engineering Students

We provided internship for engineering students with two main themes: “Learning Manufacturing and How to Improve It” and “Experiencing the Basics of Tire Manufacturing”.

For total of five days, the participants learned how we “combine design and technology” in design simulation during the product development process. They also experienced how we improve equipment through group work.

The students said that they “developed a strong interest in tires after learning all the work involved in product development” and they “were able to visualize what it is like to work at a tire company after seeing the actual production.”

We will continue to provide internship opportunities for students to help with their career planning.



Group Work during Internship

## Promotion of Diversity

### ● Promoting Empowerment of Women

We support women in workplace through our human resource development planning, career counseling for all employees, and gender-equality awareness training. We also established policies and procedures to create a positive work environment.

Our labor union is also involved in improving the work environment to help women succeed, and the Women’s Committee organizes company tours.

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.

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, enacted on April 1, 2016

### ● Promoting Reemployment of Older Employees

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.

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”. This program encourages our senior employees to teach others their skills and knowledge and develop successors. It also allows our senior employees to set their own goal as a capstone of their career and to be evaluated based on this goal.

### ● Promoting Employment of Disabled Persons

Our goal is to “become a company where people with or without disability can work together” just as they are. We actively hire people with disability at our special subsidiary companies, Showa Estate Co., Ltd. and Sendai Service Co., Ltd. As of the end of December 2016, our company’s employment rate of disabled persons was 2.17%, exceeding the legal requirement of 2.0%.

## Promoting Work-Life Balance

### ● Support for Child and Family Care

As part of efforts to support employees with family responsibilities, we have established Child Care 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, we changed our child care leave program allowing our employees to receive pay for the first five business days of their child care leave. We actively encouraged our employees to take advantage of this program, and five of our male employees did in FY 2016. It is challenging to have more male employees take a child care leave. However, we believe that our work environment is becoming more conducive for them to take advantage of this program. In FY 2016, one male employee took three months of child care leave, which was the longest we have ever had.

We have a special working hour program that allows our employees, who need to take care of their children or a family member, to work flexible and or reduced hours and to be “exempted from working overtime or on weekends and holidays”. For child care, we allow our employees to use this program until their children are in sixth grade since some employees cannot use after-school care until their children are in upper elementary years. As a result of these efforts, we met all of our goals in our Action Plan for Promoting Work-Life Balance (FY 2015 – FY 2016) which was developed based on the “Law for Measures to Support the Development of the Next Generation”.

We set new goals to promote work-life balance for FY 2017 and beyond.



## Improvement of Education and Training Programs

Toyo Tires Group reviewed our overall training programs in FY 2016 and divided our training programs into 3 categories: “Grade-Specific Training”, “Selective Training”, and “Independent Training”. We created training programs to meet the objectives of these three categories and employees’ grade levels and years of service.

The objective of “Grade-Specific Training” is to “provide an opportunity for employees of all levels to gain appropriate skills and knowledge to perform their job.” The objective of “Selective Training” is “leadership development”. The objective of “Independent Training” is to “support our employees further their own professional development.”

### ● Grade-Specific Training

The purpose of Grade-Specific Training is to help our employees understand and accept diversity and develop variety of communication skills. We provide programs to promote understanding of other cultures and hold discussion sessions where participants practice resolving problems in English. The Company also provides financial support for employees to study foreign language on their own or to obtain various certifications. In FY 2017, we focused on revamping our training programs for employees with less than 15 years of service at our company, and we are adding more programs on basic business skills.

#### ◆ Training Program Overview

Length of service	Training Programs
1~3 years	▶ Independent Study Program (TOEIC, Bookkeeping)
5 years	▶ Logical Thinking Training
6 years	▶ Presentation Training
6~9 years, 12~15 years	▶ Management Literacy Training *Correspondence courses
13~14 years	▶ Advanced Facilitation Training



Grade-Specific Training

### ● Selective Training

For Selective Training, we have an overseas trainee program where employees receive practical training for several years at a facility outside of Japan. “ACT Training” is a leadership development program with classes and seminars provided to mid-level employees selected from different divi-

sions.

In FY 2016, we invited a well-known analyst to speak on the subject of “The Climate for our Company and the Focus of the Market” as a part of “ACT Training”. It was a good opportunity for us to understand how an investor views our company. It was also a valuable lesson on what managers should learn to think from someone else’s perspective.



ACT Training

## Developing Professionals

We believe that it is essential to develop professionals to accommodate the global expansion of our business. We need professionals with exceptional talents in all areas of our company so that we can meet the needs of our customers worldwide, quickly and accurately. In order to do that, for example, R&D developed a training plan for engineers to transform the group into “Research Lab with a sense of speed.” Our training programs will help our employees develop important abilities such as logical thinking, technical skills, and communication skills and transform their focus from “seeds of technology” to “needs of customers.”

We will continue to hire a diverse workforce and provide training that will bring out the unique talent and personalities of our employees.

## Career Path Development

To encourage our employees to work toward their future goals, our Company defined our career development policy. Each department develops “Career Path Plan” and share it with the rest of the company. We are also working to improve the effectiveness of our training program by integrating it with the career development plan. We hold human resources development meetings to discuss rotation of employees in order for them to gain the experiences that they need to follow their career path plan.

In the future, we plan to roll out a talent management system to manage all information on our employees’ qualities and skills. Making this information easily visible and providing our employees with ideal job placements and cross functional rotation opportunities will make our career path program even better.

# Collaboration with Business Partners

**Ideal Status in 2020** ▶ Entire supply chain engaging in CSR activities

## Activities Results in Fiscal Year 2016

- Established the “Subcontract Proceeds Act Compliance Managers Meeting”, and promoting thorough fair subcontract transactions.
- Surveyed our approved natural rubber suppliers on their performance regarding environment and human-rights.

### Basic Approach

In line with its commitment to open and fair purchasing activities, 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.

#### ◆ Basic Approach of Purchasing Activities

We are committed to open and fair treatment of all suppliers in and outside of Japan based on the “Toyo Tires Group Charter of Corporate Behavior” and the “CSR Policy”. We search for and secure a stable supply of high quality materials at fair pricing.

#### ◆ Toyo Tires Group’s 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

### Through 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 Proceeds Act, and social norms, and protect confidential information.

In FY 2016, our Compliance Department worked with the Purchasing Department to conduct a self-assessment by all departments within the Group that work with suppliers. The assessment was intended to determine how well the departments understood the Subcontract Act and how much they complied with the law. We analyzed the assessment results and are implementing corrective and preventative actions as necessary.

In addition, we now have the “Subcontract Proceeds Act Compliance Managers Meeting”. At this meeting, we will have on-going study groups, start using standard manuals, and share information within the group. We will ensure that personnel in charge of purchasing have adequate knowledge and understanding of the law.



The Subcontract Proceeds Act Compliance Managers Meeting

## 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. 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 (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. We provided training on the Subcontract Proceeds Act and the Security Export Control to the buyers in Purchasing Department in FY 2016.

#### ● 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 ISO9001-certified, we investigate whether they have acquired or properly renewed certification.

#### ● Response to the Conflict Minerals Issues

Conflict minerals refer to tin, tantalum, tungsten, and gold which are produced in conflict areas such as Central Africa. The US, Europe, and other countries are moving toward regulating these minerals since purchasing them could 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 surveyed our approved natural rubber suppliers and evaluated them on their performance with regards to the following criteria of SNR-i: forest sustainability, water management, and respecting human and labor rights. This is one example of how we are working with our business partners and promoting CSR throughout our supply chain. We will continue to work with industry organizations and government agencies of the relevant countries to promote sustainable sourcing of natural rubber.

#### ◆ Five Criteria of SNR-i

- |                                       |                                  |
|---------------------------------------|----------------------------------|
| 1 Support Improvement of Productivity | 4 Water management               |
| 2 Enhance Natural Rubber Quality      | 5 Respect Human and Labor Rights |
| 3 Support forest sustainability       |                                  |



# Harmony with Local Communities

**Ideal Status in 2020** ▶ Contributing to local community development while responding to stakeholders' voices

## Activities Results in Fiscal Year 2016

- Supporting for local environmental protection activities and biodiversity conservation projects by "The Toyo Tires Group Environmental Protection Fund".
- Implementing social contribution activities meeting local needs and issues at domestic and overseas business sites.

### 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.

cooperation with the city, such as weeding, to promote the growth of the planted seedlings.

226 our group employees participated the tree-planting festival held in May 2016. Caring for the trees will become more important in the future, and the Group will provide support appropriate for issues related to the project that arise.



Group employees and their families participating in the tree-planting festival

## 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. As of April 2017, the fund has provided 434 million yen of financial aid to a total of 796 organizations.

In FY 2013, we launched an "In-House Fund" to directly provide donations and subsidies to environmental protection organizations that we select on our own and to provide man-power support through volunteering by employees. Donations and subsidies from the "In-house Fund" totaled 46 million yen through April 2017.

### Participating in the "Millennium Hope Hills Project's Tree-planting Festival"

The Toyo Tires Group supports the "Millennium Hope Hills Project", reconstruction activities following the Great East Japan Earthquake launched by Iwanuma City, Miyagi Pref., where the Sendai Plant is located. This project involves using rubble and debris from the earthquake to build hills along the shoreline, where there used to be Japanese black pine trees to project the shore, and planting some 300,000 trees there to form a green breakwater. We have been supporting this project since 2013, and Sendai Plant and local sales company employees and their families participate in the tree-planting festival. We also conduct volunteer activities in

### Corporate Forest

#### "TOYO TIRES MIDORI-NO-TSUNAGARI in Mie"

Since 2014 We have been engaged in the five-year project "TOYO TIRES MIDORI-NO-TSUNAGARI in Mie" to turn a thickly wooded area in Toin-cho, Inabe-gun, Mie Pref., where the Kuwana Plant is located, into a healthy forest. With cooperation from an NPO "MORI-NO-Kaze", we conduct improvement cutting\* in a wooded area of about 5.27 hectares and remove illegally disposed of garbage we come across to develop a SATO-YAMA forest undeveloped woodland near populated area where local residents can meet and relax.

In November of FY 2016, more than 70 Kuwana Plant employees and their families took part in the improvement cutting and clean-up activities. After the work, a forest class for the families was held to educate them of the importance of forests. We will work to conduct activities that are closely tied to local communities and contribute to the environment through the preservation of forests.



Maintaining the forest

\* This refers to removing trees that are not trying to be grown.

## Local Community Contribution Activities

### Safe Driving Class (Malaysia)

The Malaysian tire sales subsidiary Toyo Tyre Sales and Marketing Malaysia Sdn Bhd holds safe driving courses for local government organizations at outside event venues. The program is conducted so that participants can acquire the knowledge and skills to drive safely, appropriate tire maintenance skills, safe driving habits, etc. In addition to desk work through which students learn theory, expert instructors provide on-site training covering driving skills necessary for both conducting work and taking routine drives. In fiscal 2015, 56 employees from the Road Transport Department, Road Safety Department, Customs Department, and Immigration Department, received the training, and in fiscal 2016, 65 police officers took part.



Driving training

### Tire Safety Awareness Activities (U.S.)

Toyo Tire U.S.A Corp. (TTC), a group company that sells tires in the U.S., conducts tire safety activities in order to communicate the importance of appropriate inspections and maintenance to drivers.

During "National Tire Safety Week" held by the U.S. Rubber Manufacturers Association, stores that carry Toyo Tires brand tires and agree with the spirit of the activities provide free safety inspections, including tire pressure checks. Furthermore, TTC makes available on its website videos that provide easy-to-understand information on the proper use of tires, so that customers can conduct appropriate tire maintenance on their own.



Video explains how to check the tire air pressure.

### Holding the "FUREAI Community Fair 2016"

The Sendai Plant has held its annual "FUREAI Community Fair" on the grounds since 1993 to not only express appreciation to the local community but also strengthen bonds with employee families, and Group employees help put on the event.

The 23rd such fair was held in October 2016, and 1,300 people attended the event. We reinforced exchanges with local residents through various activities, including presents for visitors, a festival area operated in cooperation with local restaurants, and rides for kids. Plant tours are also provided to enable visitors to gain a deeper understanding of Toyo Tires Group's business activities, and this year, 187 people, about 1.3 times the number of last year, took the tour. We will continue to contribute to the development of local communities through serious manufacturing ("MONOZUKURI") and activities closely tied to local community.



FUREAI Community Fair 2016

### Support for the Japan Car Sharing Association's "Student Mechanic Project"

The Japan Car Sharing Association has solicited donations of cars since immediately after the Great East Japan Earthquake and supports the daily life of victims through car sharing at its office in the city of Ishinomaki-shi, Miyagi.

The "Student Mechanic Project", in which the cars that the association uses for these activities receive maintenance through cooperation from Ishinomaki Senshu University, has been held twice each year, once in spring and once in fall, since the fall of 2011. We support the spirit of the project and provide tires through the Minami Tohoku Office of Toyo Tire Japan Co., Ltd., our domestic tire sales company. For the "Spring 2017 Student Mechanic Project", we donated tires for ten cars (40 tires in total).

In cooperation with the association, we will continue to support reconstruction efforts in the area hit by the disaster.

#### VOICE

It has been six years since the Great East Japan Earthquake hit. In Ishinomaki, reconstruction housing was built, and about 70% of the people who were living in temporary housing have moved in to these facilities. The tires provided are used for not only car-sharing vehicles provided to people living in either the reconstruction housing, which people have just moved in to, or temporary housing but also cars we use to provide support. We will continue to do all that we can in Ishinomaki.



Association's staff

**Takehiko Yoshizawa,**  
Representative Director Japan Car Sharing Association

# Creating Safe and Healthy Workplaces

**Ideal Status in 2020** ▶ With priority given to safety, promoting the creation of workplaces that ensure well-being and security

## Activities Results in Fiscal Year 2016

- Opened “A Safety Hazard Prediction Training Hall” (A Safety KY Training Hall) at two plants in China to enhance levels of safety throughout the Group.
- Conducted stress checks at all offices and affiliated companies in Japan (ratio taking an examination: 94%).
- Conducted a practical evacuation drill for disasters at each sites.

### Basic Approach

The Toyo Tires Group believes that its manufacturing activities are only possible when all employees not only can work in a safe environment but also are physically and mentally healthy. We also believe that ensuring safety is an obligation we have to the local communities in which we operate. At the Group, both labor and management are working together on safety, health, and disaster prevention activities, with senior management and those in charge at each business site taking leading roles.

The subcommittee meets every two months, at which time it conducts various activities, including checking the implementation status of the guidelines at each working group and business site, following up on accident recurrence prevention activities, and checking improvement activities. Top management and senior officers of the labor union visit all business sites each year to inspect the implementation status of the guidelines and measures first-hand.



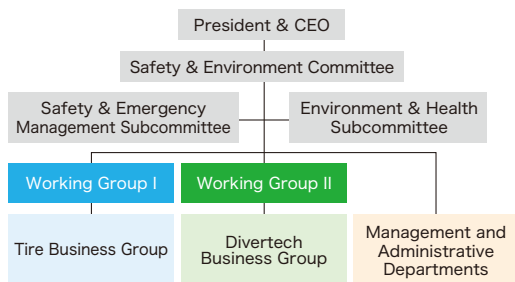
Inspection by top management and senior labor union officials

## Safety, Health, and Disaster Prevention Management

### Safety, Health, and Disaster Prevention Management System

At the Toyo Tires Group, the “Safety & Emergency Management Subcommittee” and “Environment & Health Subcommittee” of the “Safety & Environment Committee” discuss and formulate a mid-term plan and annual guidelines for safety, health and disaster prevention; define priority measures based on those; and communicate those throughout the company via the working group for each business segment.

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



#### ◆ FY 2016 safety, health, and disaster prevention management guidelines, targets, and results

Overall Policy;  
Create a culture, mechanisms, and systems to achieve zero accidents

Topic	Guideline	Target	Results
Safety	Strengthen the management system based on the safety management system and expand independent preventive activities.	Reduce the frequency of accidents by half compared to FY 2015. (0.86 or less)	Overall frequency, 1.43 Major accidents*, 0 Accidents resulting in lost work time, 8 Accidents that do not result in lost work time, 12 Minor accidents, 19
Health	Reduce the number of employees who are absent because of sickness	Reduce the sickness absenteeism rate to 0.5% or less. Support activities to improve the environment and organization to maintain mental and physical health	Sickness absenteeism rate: 0.68%
Disaster Prevention	Strive to strengthen disaster prevention and improve preparations for and training to respond to disasters.		Improved evacuation areas to be used in the event of a disaster and conducted night-time evaluation drills.

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



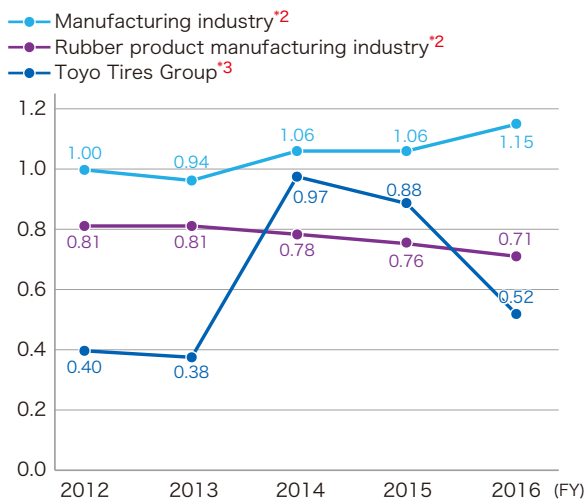
## Creating safe workplaces

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

In FY 2016, as in the previous year, we had no major accidents and dramatically lowered the lost-time accident rate<sup>\*1</sup> compared to the previous fiscal year. We were unable to achieve the goal of cutting the “frequency rate”, one of the safety management goals. A trend analysis of accidents reveals that accidents involving employees with less than two years of work experience account for 41.5% of all accidents, that accidents occur for a wide range of age groups, that the number of accidents caused by equipment increased from the previous fiscal year, and that cuts/scraps were the most common type of accident, accounting for 32%. This is probably because while continual efforts to make improvements related to machines has prevented major accidents, we are overlooking the environment in which small accidents can readily occur because of insufficient consideration of hidden risks around people.

Based on these reflections, in FY 2017, we will not only recheck items that should be improved on at each business site and narrow down priority issues but also work to create a safer work environment and raise safety awareness of each individual employee.

### Lost-time accident rate<sup>\*1</sup>



<sup>\*1</sup> Lost-time accident rate: Number of lost-time accidents per million hours worked in total

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

<sup>\*3</sup> Toyo Tires Group: data for 16 business sites, including affiliated companies (for FY 2012, data from April to December).

## Enhancing Safety Training Program

In addition to “stop, call, and wait”(TYM) 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 efforts.

Each of our business sites conducts safety training in line with the grade-specific safety education system. Our safety training focuses on “KY” training and hands-on education. We are moving forward with establishing “Safety KY Training Halls”, where employees learn the importance of conducting work in line with rules by experiencing the dangers that machinery entails through hands-on educational equipment. A “Safety KY Training Hall” was opened at the Kuwana Plant in FY 2013. Since then, training halls have been opened one after another in Japan—at the Sendai Plant, Fukushima Rubber Co. Ltd., and Hyogo Manufacturing Complex—and we have started to train local employees by creating halls in the plants in Malaysia and China (China has two plants).

From FY 2016, we have been working to further enhance safety education programs. In addition to analyzing trends in accidents at each business site based on the data of past accidents and minor incidents and developing and implementing effective measures and training programs, we are strengthening the education of certified troubleshooters. For equipment planning and design departments, we started a Safety Assessor<sup>\*</sup> training program to develop certified safety assessors, and as of April 1, 2017, 36 people have been certified as safety assessors.

<sup>\*</sup> Employees who possess the knowledge and skills needed to evaluate the safety of machinery and the overall ability to judge its appropriateness.



Hands-on education in China (Zhangjiagang plant [left]; Zhucheng [right])

## Continuous Improvements through the Safety Management System

Since FY 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>. As of the end of FY 2016, twelve plants and offices in Japan operate a safety management system. We will move forward with efforts to raise employee awareness of safety management and create a safe working environment by working hard to run through the improvement activity cycle to reduce risks in the workplace.

<sup>\*1</sup> Safety and health management system certification 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.

## Creating Healthy and Comfortable Workplaces

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, and have conducted stress checks even before they were required by the Industrial Safety and Health Act.

In FY 2016, stress checks were conducted at all business sites and subsidiaries in Japan (94% of targeted employees received the check), and mental health care seminars were held at each business site taking into consideration the results of the checks conducted there.

Furthermore, we are working to reduce the number of people on long-term sickness leave by promoting early detection and intervention through individual guidance and consultation in cooperation with industrial health staff and EAP\* companies. We also provide support for employees on long-term sickness leave 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.

\* Employee Assistance Program (EAP)



Mental Health Training at Various Business Sites (Headquarters)

## Working Harder to Prevent or Mitigate Major Disasters

### ● Preparing for Disasters Using Previous Training

Taking into consideration our experience with major disasters such as the Great East Japan Earthquake, we have worked to prevent or at least mitigate disasters.

At the Sendai plant, our major tire plant in Japan, we have increased the stock of emergency water and food and have established stores of fuel in case the supply of fuel is interrupted because the supply chain is severed. Furthermore, each business site in Japan has at least three days' worth of emergency supplies for employees at that site.

When the Great East Japan Earthquake hit, some of our logistic warehouses on the coast of Miyagi Prefecture were hit by the tsunami, but employees were able to escape to the rooftop so there were no fatalities. Because of this experience, we renovated logistics warehouses to include not only huge emergency staircases in two places so that a large number of employees can all flee at the same time in case of an emergency but also a rooftop terrace that can accommodate about one hundred people.

Furthermore, in case of a massive earthquake, we have completed by FY 2016 the implementation of various measures at business sites and affiliated companies, such as introducing an emergency earthquake alert system, expanding emergency supplies, and taking steps to prevent furniture and office equipment from falling or moving.



Huge emergency staircase (left) and rooftop terrace (right) at the Sendai plant

### ● Disaster Training Education Activities

We provide practical disaster training, which includes evacuation training where employees consider how they would return home in case public transportation were not operating and night evacuation training at some business sites.

At the Corporate Technology Center, we conducted earthquake evacuation training that the local fire department attended in May 2016, and a total of 181 people took part in the training. Until last year, training was based on scenarios distributed in advance, but this year, some business sites undertook blind training, in which they had to respond on the spot to instructions provided that day.

In FY 2017, we plan to introduce "fully-blind disaster prevention training", in which participants are not informed of the envisioned disaster (fire) beforehand, at other business site under the guidance of a fire department. Furthermore, we will train and assign practical fire prevention/relief staff and make the fire prevention teams more functional through fire prevention operation training, practical fire prevention training, and first aid training staff.



Earthquake evacuation training at the Corporate Technology Center (Kawanishi, Hyogo)

# Reinforcing Corporate Governance and Compliance

## Ideal Status in 2020

Engaging in business activities with integrity while constantly improving management transparency

## Activities Results in Fiscal Year 2016

- Restructured the risk management system and the “Risk Management Rules”.
- Revised “Toyo Tires Group Code of Conduct Handbook” as Version 4.0.
- Surveyed for employees in order to grasp the compliance awareness.
- Held the anti-bribery seminars in four countries.

## Basic Approach

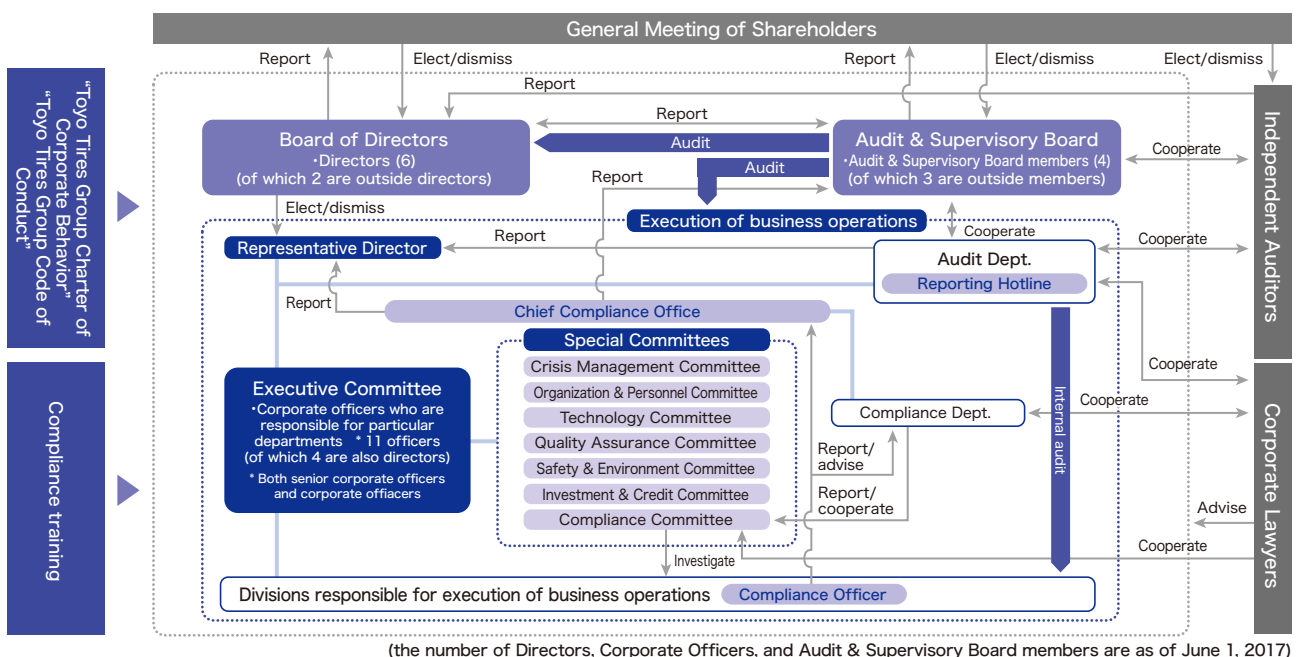
To meet the expectations and demands of its stakeholders, the Toyo Tires Group must strive to establish and maintain an appropriate management system while pursuing transparency and efficiency in its management. We will continue to reinforce corporate governance, our internal control system, and compliance,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

## Corporate Governance System

The Toyo Tires Group corporate governance system consists of the Board of Directors, which is responsible for decision-making and supervision; the Executive Committee, which serves as the decision-making body for business execution; 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 outside directors and outside auditors employ their particular expert knowledge and make proposals from an objective and neutral perspective, thereby fulfilling their supervisory and checking functions from an external standpoint.

◆ Diagram of the Corporate Governance System  
(as of June 1, 2017)





## Dialogue with Shareholders and Investors

The Company holds quarterly financial results briefing. During the first half and full year briefings, our top executives provide detailed business information, including financial results, future business outlook, business environment, and market trends, to institutional investors and securities analysts.

In addition, efforts are made to improve understanding of the Group's management by providing opportunities each quarter for IR staff to respond to the particular concerns of institutional investors and analysts (handling individual inquiries). Furthermore, the Group actively works to respond to requests by the growing number of overseas investors, which includes responding to individual inquiries except during the quiet period.

The opinions and requests received during these activities are regularly used as feedback for management and in-house related departments.

Furthermore, efforts are being made to create long-term relationships of trust through constructive dialogue with market participants, which includes inviting analysts to serve as instructors at seminars for management.



Briefing

## Strengthening the Risk Management System

In the Toyo Tires Group, the Chief Risk Management Officer oversees the risk management system the entire Group in line with "Risk Management Rules". The Chief Risk Management Officer appoints a risk management officer for each material risk that could have a major impact on the Group and stipulates countermeasures for both non-emergency and emergency situations by creating a "Risk Management Manual". When a crisis occurs, the risk management officer convenes the Emergency Response Meeting, decides on the most appropriate response based on the impact the crisis will have on the Group and stakeholders, and resolve the problem.

The Crisis Management Committee, which is convened by the Chief Risk Management Officer, discusses issues related to proposing and managing responses to crises and continually strives to strengthen the risk management system.

## Promoting Compliance

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

The Toyo Tires Group compiled not only the "Toyo Tires Group Charter of Corporate Behavior" as corporate action principles applied uniformly across the Group in order faithfully conduct business activities but also the "Toyo Tires Group Code of Conduct" as rules of conduct for each director and employee to put the charter into practice. In FY 2016, we revised the "Code of Conduct Handbook", a concrete manual on the code of conduct, and released the fourth edition, which includes items necessary for responding to the demands of a more diverse society. This was distributed to all directors and employees, including those at group companies in Japan, and understanding of various issues including the latest cases was deepened by having worksites read it through together. We have also created material in multiple languages, including English and Chinese, for overseas offices and will spread awareness of the material throughout the Group.

### Compliance Promotion System

In addition to establishing the Compliance Committee, one of the special committees that debates and examines issues related to promoting compliance in the Group, we introduced a system of compliance officers in FY 2015 and are striving to promote compliance, mainly by the Chief Compliance Officer (CCO), Compliance Officers (CO), and Compliance Leaders (CL).

The CCO and COs have the authority to investigate, direct (including suspend business operations and shipping) and make compliance related proposals for the entire Group and their respective departments, respectively. We have also established a system in which the CCO reports to and consults with an external profession organization regarding compliance problems that occur. As assistants to COs, CLs are responsible for promoting various activities in the workplace. CLs are also required to report to their supervisors if they become aware of compliance problems and appropriately respond in accordance with the situation.

In FY 2017, we created a system that makes it possible to provide precise instructions by increasing the number of COs and gaining a more detailed understanding of the state of promoting compliance in their departments. Furthermore, we are working to invigorate activities, such as CLs taking the initiative to have discussions on compliance at the worksite, by providing CLs with training.



Compliance training at Headquarters

## Enhancing Compliance Education/Training

To raise 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.

In addition, at production sites, effective educational activities appropriate for the site, such as incorporating compliance into the small-group activities that up until now targeted safety and quality, are undertaken.

Efforts are also being made to spread awareness of compliance among employees throughout the world by supplying group companies both in Japan and overseas with multi-lingual e-learning programs.



Small-group discussions at worksites (small-group activities)

## Compliance Promotion Month Activities

Since FY 2008, November has been designated “Compliance Promotion Month”, in which various awareness-raising activities are implemented throughout the entire group. In FY 2016, focus was placed on communication activities, such as management visiting worksites and holding discussions with employees, and a compliance awareness survey was conducted like was done in FY 2014.

The awareness survey targeted Group employees in Japan and ones assigned overseas. An analysis was conducted of employees’ awareness and evaluation of routine compliance efforts and activities during Compliance Promotion Month, and the results will be used when considering future efforts.

## Internal Reporting System

We have been operating an internal reporting system since FY 2006. Under the system of compliance officers introduced in FY 2015, employees who become aware of a compliance issue must report it to their superior, a Compliance Leader, or Compliance Officer, and if they cannot do so, it is recommended that they use the internal reporting system. These two systems are useful for preventing and quickly detecting compliance-related violations. “Reporting Hotlines” 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.

As a result of calls to promote the use of the “Reporting Hotlines” system by distributing cards and hanging posters, there has been an upward trend in the number of reports in recent years, and all have been appropriately handled.

## Preventing Anti-bribery

In recent years, regulations prohibiting anti-bribery have grown stricter throughout the world. In order to prevent participation in corrupt practices of public officials and private companies in some countries, the Company conducts educational activities targeting Group employees both in Japan and overseas. In FY 2016, in Japan, Malaysia, Thailand, and China, attorneys from local law offices were invited to serve as instructors for anti-bribery seminars.

As the global expansion of the company accelerates, we will strengthen our educational activities that target employees so that the Group does not become involved in corruption.

### TOPICS

## Results of the FY2016 Compliance Survey

(response rate 90.4% [90.9% for 2014])

### 1. Conducting compliance promotion activities

Conducted at least one activity to raise compliance awareness within the last year,  
**88.2%** (85.2% in FY 2014)

### 2. Awareness and understanding of compliance

Know the meaning of compliance,  
**83.2%** (74.3% in FY 2014)

\* Toyo Tires Group’s 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.

### 3. Making compliance part of the corporate character

Conscious of compliance when conducting your work,  
**92.0%** (87.1% in FY 2014)

### Comment

Compared to when the FY 2014 survey was conducted, there was greater awareness of compliance within the company, but there were differences in the responses provided by management and employees to the various questions, and I think that a future issue is eliminating those differences. When revising the content of future training and updating the “Code of Conduct Handbook”, the goal will be to raise compliance awareness among all employees, which would include steps such as using easier-to-understand wording.

Hiroshi Tanaka,  
Compliance Dept.,  
Compliance & Legal Division



# Overview of the Toyo Tires Group

## Company Outline

(as of June 30, 2017)

Company name: Toyo Tire & Rubber Co., Ltd.  
 Established: August 1, 1945  
 Headquarters: 2-2-13, Fujinoki, Itami City, Hyogo 664-0847, Japan  
 Paid-in capital: 30,484,627,991 yen  
 Number of issued shares: 127,179,073 shares  
 Number of employees\* : (Consolidated) 13,093 (Non-consolidated) 4,176  
 Consolidated subsidiaries: 48 (Japan: 15; Overseas: 33)

\*Including Temporary employees

## Main products by business

### Tire Business

Tires (for passenger vehicles, trucks & buses, construction machinery, industrial vehicles), other related products

In the Tire Business, we pursue three brands strategy, with TOYO TIRES, NITTO and SILVERSTONE.

TOYO TIRES is a technology focused, trustworthy brand. NITTO is a brand that combines superior design and creativity. SILVERSTONE is a high dependable tire brand with a clear Southeast Asia presence for passenger cars.



### Divertech Business

Automobile components, railway car components, thermal insulation & waterproofing materials, industrial & building materials, and other materials

In the Divertech Business, we develop and manufacture a broad range of products that incorporate our proprietary rubber and urethane technologies, and vibration control and thermal insulation technologies. We contribute to society by supplying various industries with a wide variety of products.

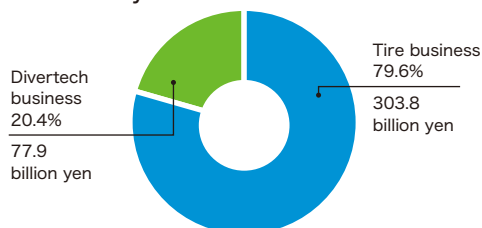
\*We announced that it was resolved to divest Rigid Polyurethane Foam Business and a major part of its Chemical Industrial Products business.



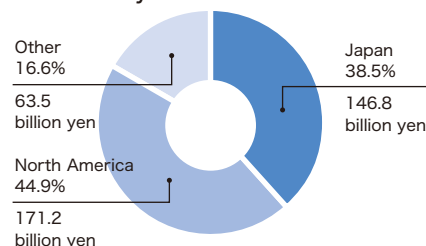
## Business Overview

(consolidated)  
 (as of December 31, 2016)

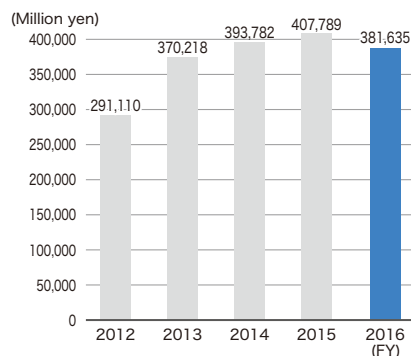
### FY2016 Composition of consolidated net sales by business



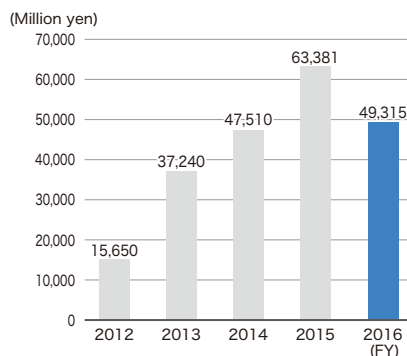
### FY2016 Composition of consolidated net sales by market



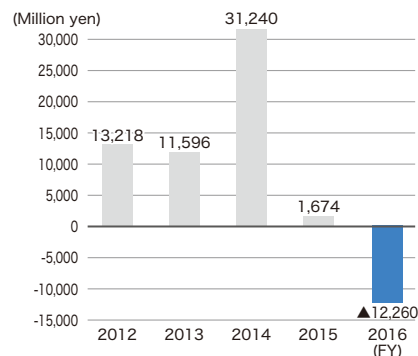
### Net Sales



### Operating Income



### Net Income



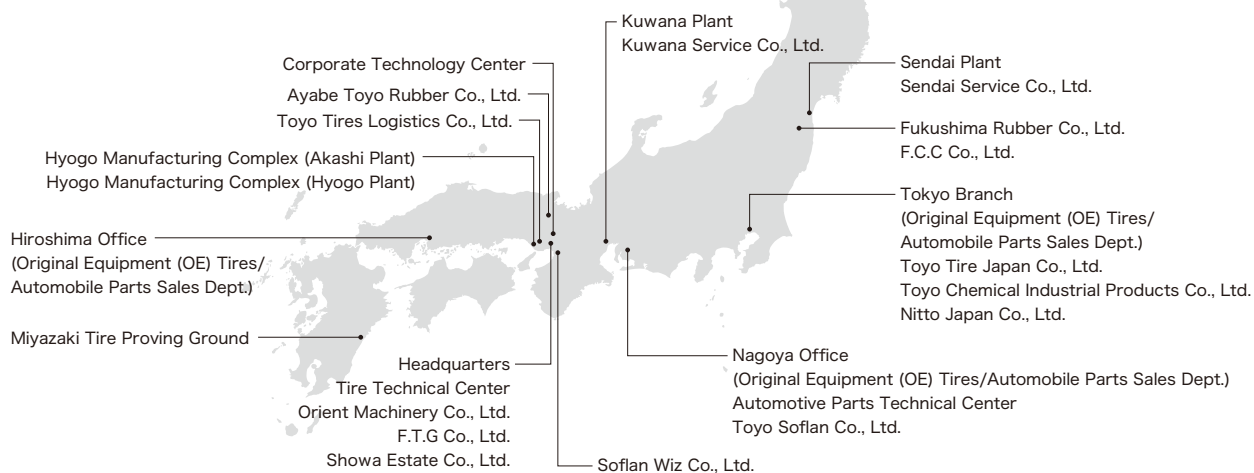
\* Due to a change in the company fiscal term, FY2012 results are for a 9-month period for domestic consolidated Group companies and for a 12-month period for overseas consolidated Group companies.



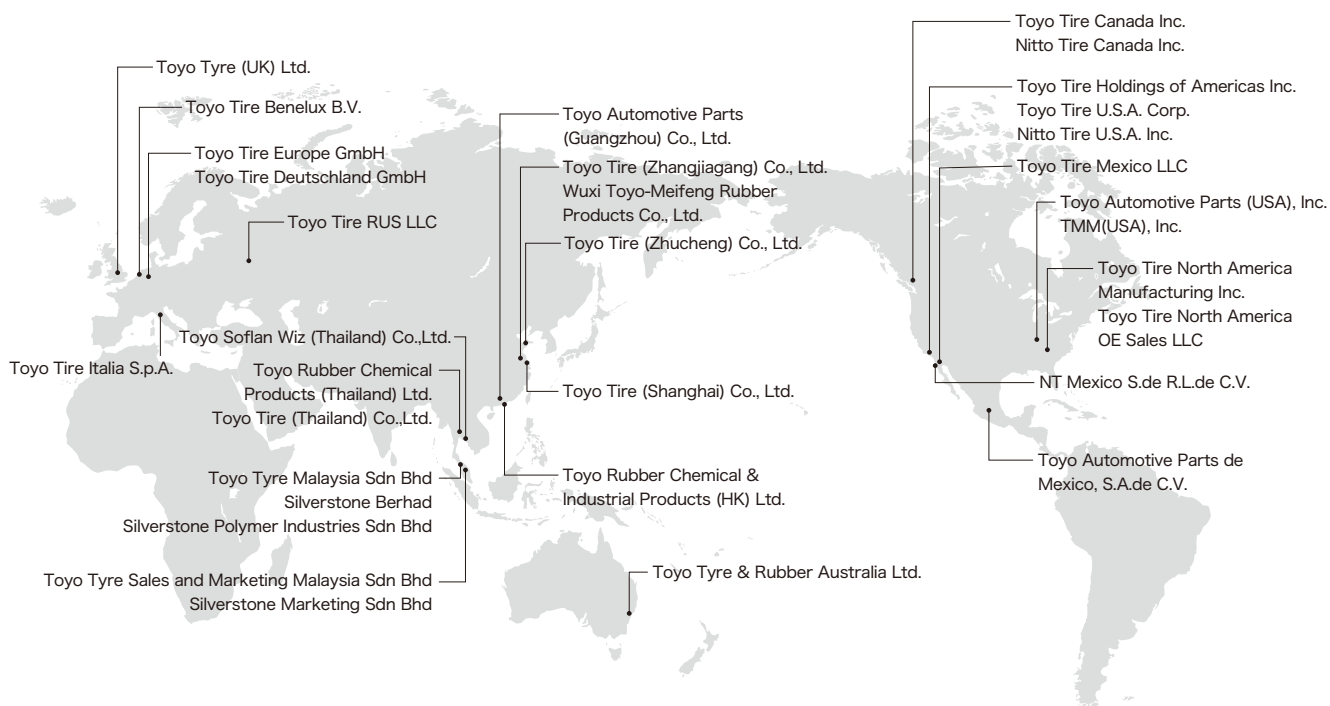
## Network

(as of June 30, 2017)

### Domestic Network



### Global Network





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