

***TOYO TIRES***

**New Medium-Term Business Plan**  
**Mid-Term '21 Plan**  
**(FY2021 - FY2025)**

February 25, 2021

**Toyo Tire Corporation**



# New Medium-Term Business Plan “Mid-Term '21 Plan”

- The TOYO TIRE Philosophy
- Goals Under Mid-Term '21 Plan
- The Mid-Term '17 Plan in Review
- The Business Environment
- Basic Policy for Mid-Term '21 Plan
- Growth Strategy
- Capital and Business Alliance with Mitsubishi Corporation
- Creating Management Foundation to Support Sustainable Growth
- Investment Plan and Shareholder Return

## Our Philosophy (Re-established in January 2017)

### Company Philosophy

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

### Our Mission

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

### Our Vision

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Our goal is to be a company that:

- 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”

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**Fairness**

Be fair and selfless in your actions, and benefit society.

**Pride**

Take pride in yourself, your work and company, and persevere.

**Initiative**

Show initiative in all matters and take ownership of your actions.

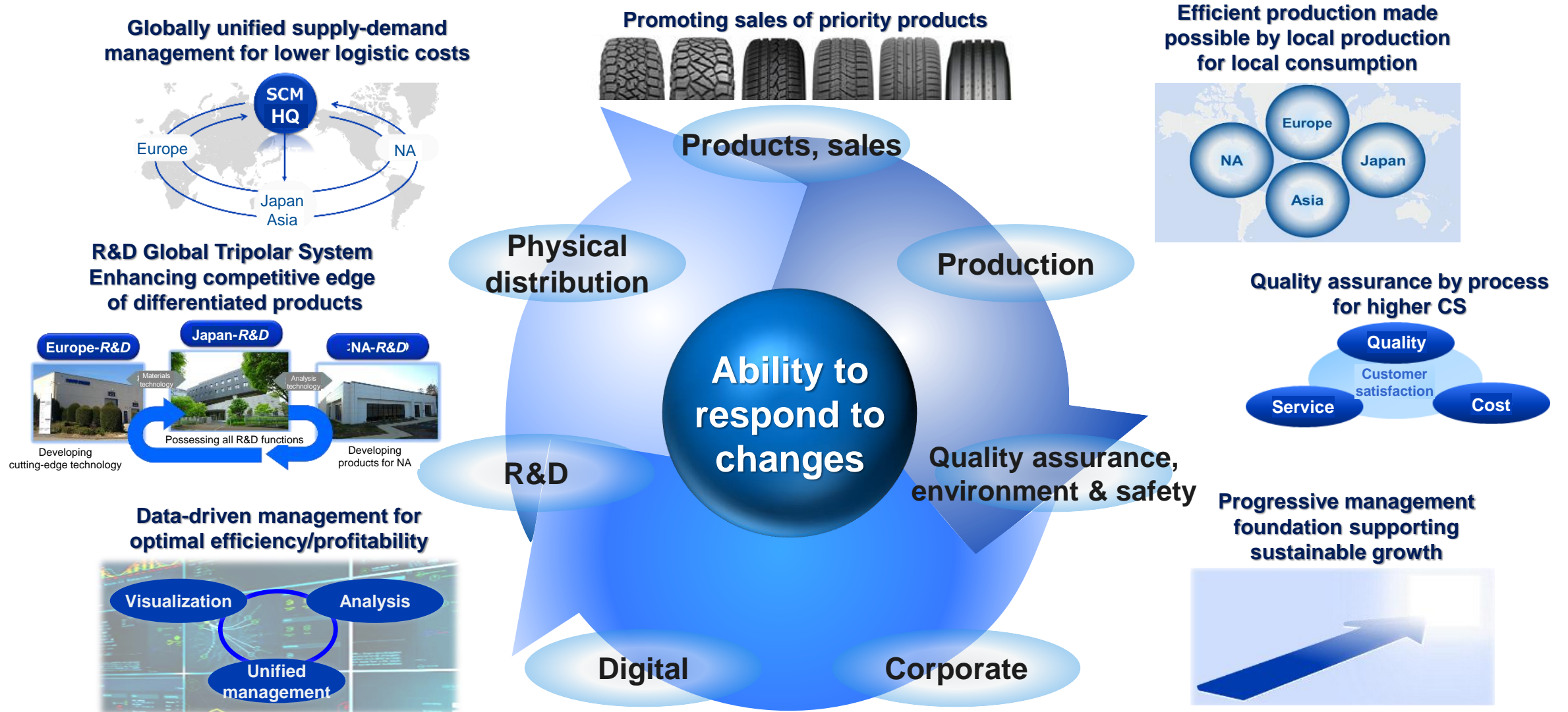
**Appreciation**

Demonstrate compassion and appreciation for people and society.

**Solidarity**

Continuously create and innovate by working together to mobilize our corporate knowledge and capabilities.

## Bolstering Ability To Promptly And Flexibly Respond Through Global Collaboration

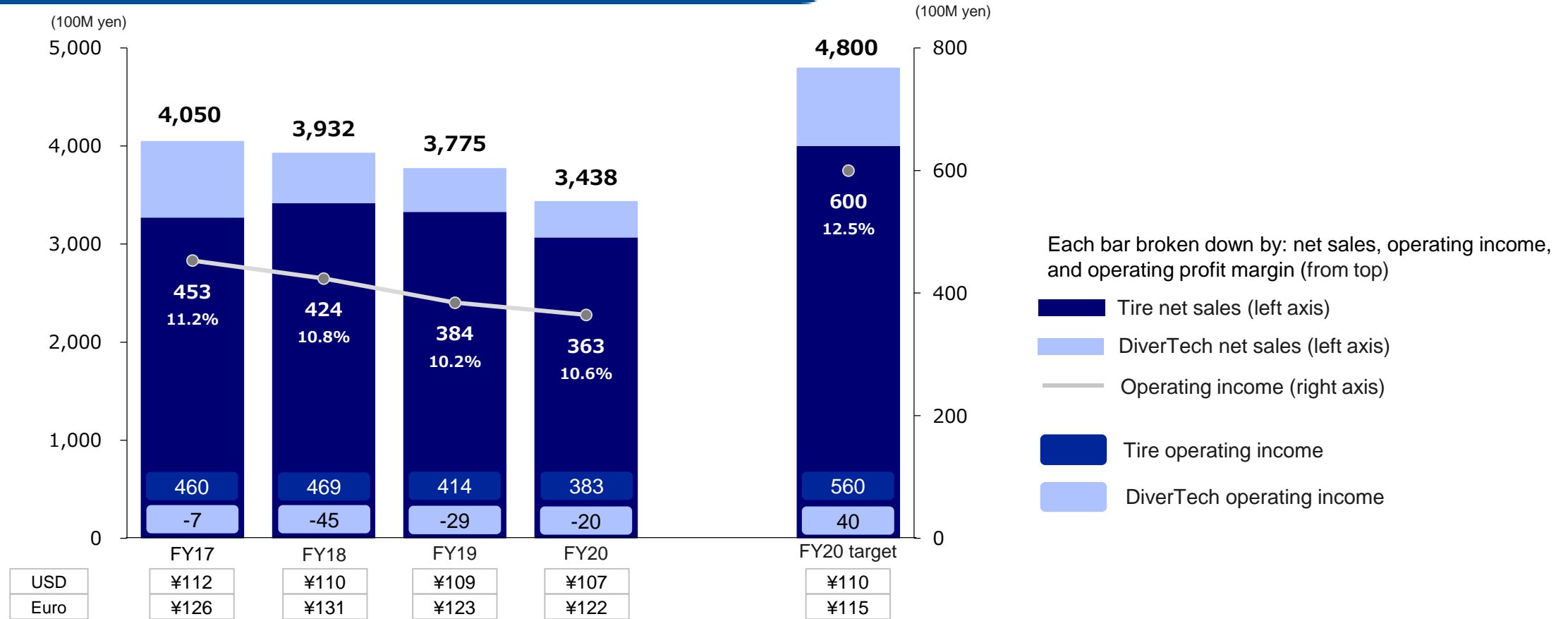




## 1. The Mid-Term '17 Plan in Review

# The Mid-Term '17 Plan in Review

## Net Sales & Operating Income



### Reasons for discrepancies against targets

### Remedial action

**Tire Business**

Sales shortfall due to deferred production expansion  
Appreciation of Yen against key currencies

**New Serbian plant**  
**Improved market/product mix**

**DiverTech Business**

Lower profits due to divestment of industrial chemical product & rigid polyurethane foam businesses  
Profit erosion on automobile parts

**Leveraged links to tire business**  
**Reduced costs by shifting production centers**

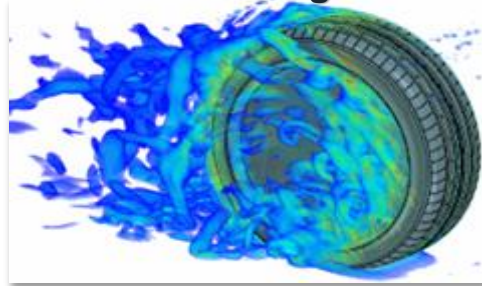
### Expand and Develop Products That Combine Foundational Design & Elemental Technology

#### noair Non-Pneumatic Concept Tire



2017

#### Mobility & Aerodynamic Technologies



2018

#### Evolution of nano-balance technology



2019

2020



PROXES SPORT



NANOENERGY M675



OPEN COUNTRY R/T White Letter



M646



CELSIUS



OPEN COUNTRY A/T III



OBSERVE GIZ2



### Adopted New Brand Statement To Globally Promote A Unique World View

#### Asia Cross Country Rally

**5th**  
straight  
win<sup>\*1</sup>



Ignite your BLUE.

**TOYO TIRES**  
Open Roads Await

#### Best in the Desert Vegas to Reno

**2nd**  
straight  
win<sup>\*3</sup>



#### FIA Intercontinental Drifting Cup

**3rd**  
straight  
win<sup>\*2</sup>



#### SCORE BAJA 1000



#### ESSEN MOTOR SHOW



#### TOKYO AUTO SALON



#### SEMA SHOW

<sup>\*1</sup> Vehicle equipped with Toyo Tires won five straight years through '19

<sup>\*2</sup> Two consecutive years in '18 and '19

<sup>\*3</sup> Three consecutive years up to '19



### Refine Uniqueness Through Steady Implementation of Measures in Each Market

#### North American Market

Market share increased to 5.3%

- 7<sup>th</sup> position in NA (as of 2019)

#### U.S. Plant: Phase V Expansion

- 1<sup>st</sup> step: Production started (Jan. '20)
- 2<sup>nd</sup> step: Operational (Jan. '21)



#### Japanese Market

Steadily captured growing demand for SUV tires

- Released high-value-added off-road tires
- Stimulated demand through strategic partnership

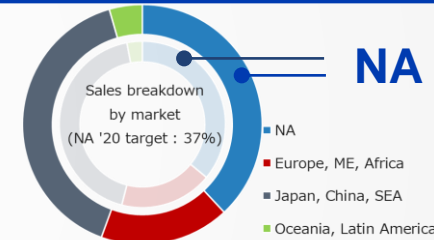
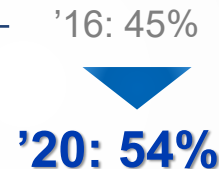
#### Restructured sales system

- Launched special project to strengthen the commercial tire service structure

SUV tires as % of our total sales ('20 target:40%)



SUV tires as % of our total OE sales ('20 target:50%)



NA



(in value)  
'16: 45%  
'20: 57%

#### European Market

#### Decision to establish new plant in Serbia

- Gained a foothold to build a more flexible global production system

#### Established R&D center in Germany

- Strengthened fundamental technologies for cutting-edge materials and high-performance tires



#### Asia Market

#### Malaysian Plant: Phase II Expansion

(Operational in Apr. '20)

#### Shored up distributors and sales channels

#### OE Segment Strategy

Continued with order taking strategy that helped to build on our strengths



### Increased Production Capacity After Carefully Evaluating Likelihood of Success

Competitive products to be supplied to the U.S.

### U.S. Plant

Phase V Expansion:  
Production started

1<sup>st</sup> step: 1.2M units\* (Apr. '19~)  
2<sup>nd</sup> step: 0.55M units\*\* (Jan. '21~)

\*Quantity based upon Passenger/Light Truck tires produced  
\*\*Quantity based upon WLTR tires produced



### Serbian Plant

Passenger Car  
& Light Truck Tires  
Decision on new plant  
5M units (Apr. '22~)



### Chinese Plant

Truck and Bus Tires  
Increased capacity  
70K units (Nov. '19~)  
For sale in China & Japan



Increased supply from Japan and Malaysia to capture robust demand in the U.S.

### Japanese Plant

Truck and Bus Tires  
Increased capacity  
0.2M units (Sept. '20~)

### Malaysian Plant

Phase II Expansion: Production started  
1<sup>st</sup> step: 2.4M units\* (Oct. '19~)  
\*Quantity based upon Passenger/Light Truck tires produced



### DiverTech Business

Established  
**framework for growth of  
mobility and other  
businesses**



**Focused on the automotive  
components business**

Strategic order taking  
linked to tire business



Chemical Industrial  
Products Business  
[Divested]

Rigid Polyurethane  
Foam Business  
[Divested]

Flexible Polyurethane  
Foam Business  
[Divested]

Air Springs for Truck  
and Bus Business  
[Divested]

2017

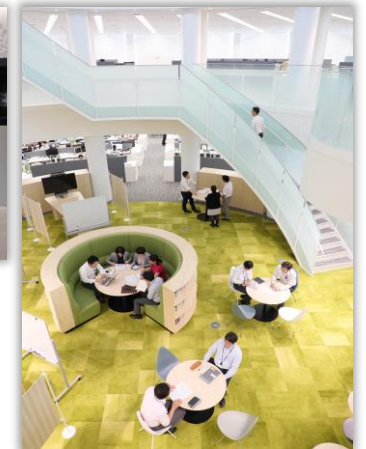
2018

2019

2020

### Corporate Infrastructure

**Introduced function-based  
organizational structure**  
Strengthened quality of  
**management foundation**



- Implemented measures to promulgate new Company Philosophy across Group, stimulated cross-sectional internal communication
- Strengthened corporate governance through organizational changes, establishment of Special Committee, personnel from MC

## 2. The Business Environment





## Significant changes in consumer behavior in the post-COVID-19 era

- Mindset** Home bound, budget-minded, avoiding person-to-person contact
- Behavior** EC/cashless purchases, changes in requested services



## Aligning of social & environmental interests with economic interests accelerated

- Prioritization of employee/customer satisfaction increased
- Accelerated trend to align public interest with economic interests through customer-producer collaboration



## Increase in geopolitical risks

- Decoupling trend continued, including competition for leadership between U.S. and China
- Economic disparities widening due to COVID-19 also aggravate populism



## Evolution and accelerated introduction of labor-saving technology

- Digital investment accelerated to make up for slow growth in worker headcount
- Advanced roles for humans as quality/quantity of data increased



The global economic outlook remains uncertain, as nations struggle to reopen. Any recovery could be intermittent and uneven across the world.

### U.S.



Democratic control of gov't should result in further pump-priming. Eyeing interest-rate movements



Return to the Paris Accord on Climate Change. Investing in the environment/infrastructure while tightening environmental regulations



Demand has not returned to pre-COVID-19 levels  
Shift to EVs accelerated. Demand for SUVs and pick-up trucks growing due to the popularity of outdoor leisure activities



Punitive duties on Chinese imports maintained  
Anti-dumping tax imposed on imports from four Asian countries

### Japan



Difficulty with COVID-19 counter-measures and reviving economy



Accelerating measures to reduce greenhouse gas emissions to virtually zero → All new cars will be EVs\* in the 2030s



Shrinking/aging population, younger generation turning away from cars  
→ Demand declining gradually, "The strong always win in the end"  
⇔ "Kei" cars and minivan sales strong, SUVs increasing



Abnormal weather patterns raising interest in performance of cars  
Outdoor activities remain popular, "Dressing-up" trend increasing

### Europe



Eyeing where "EU without the U.K." will head in terms of politics, economy, and society



Tightening regulations and pursuit of Green Deal investments leading to a circular economy



The ratio of EVs increasing with government subsidies. Development of new technology and next-generation vehicles continue

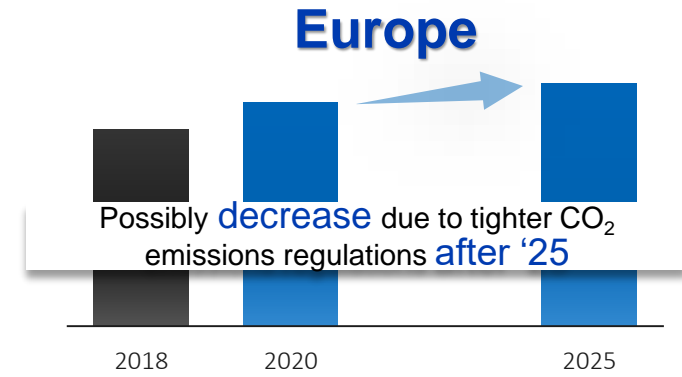
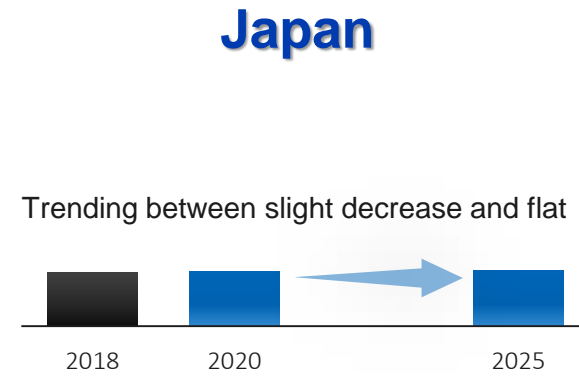
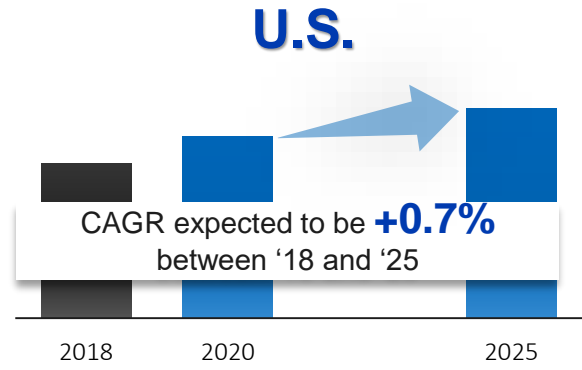


Decreasing demand stemming from pandemic  
⇔ Supply impacted by plant shutdown, etc

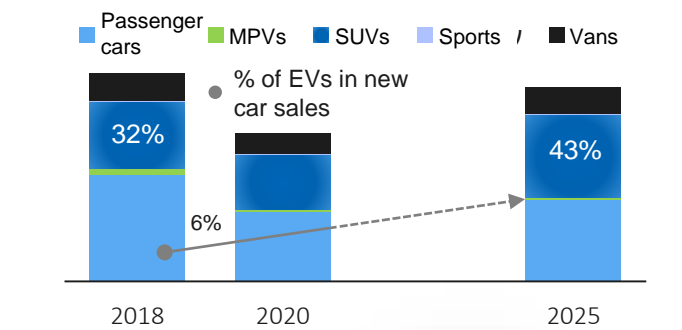
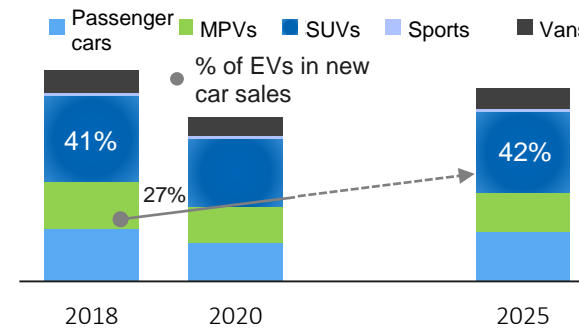
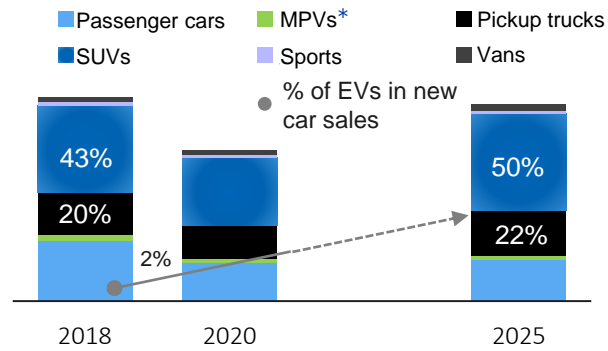
# Market Trends in Automotive & Tire Business

(Company survey)

## Vehicle registration forecast

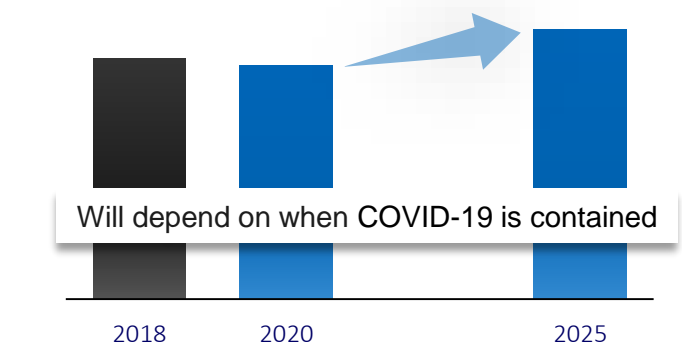
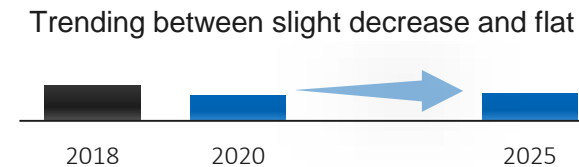
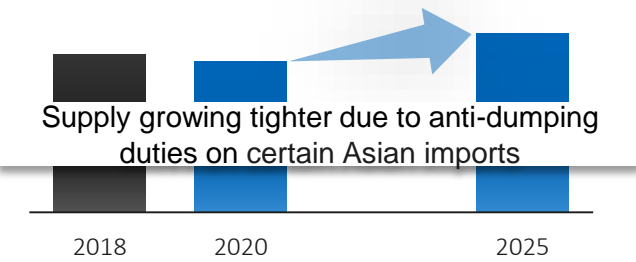


## Production forecast by vehicle type



\*MPVs : Multi Purpose Vehicles.

## Tire demand forecast





### 3. Basic Policy for Mid-Term '21 Plan

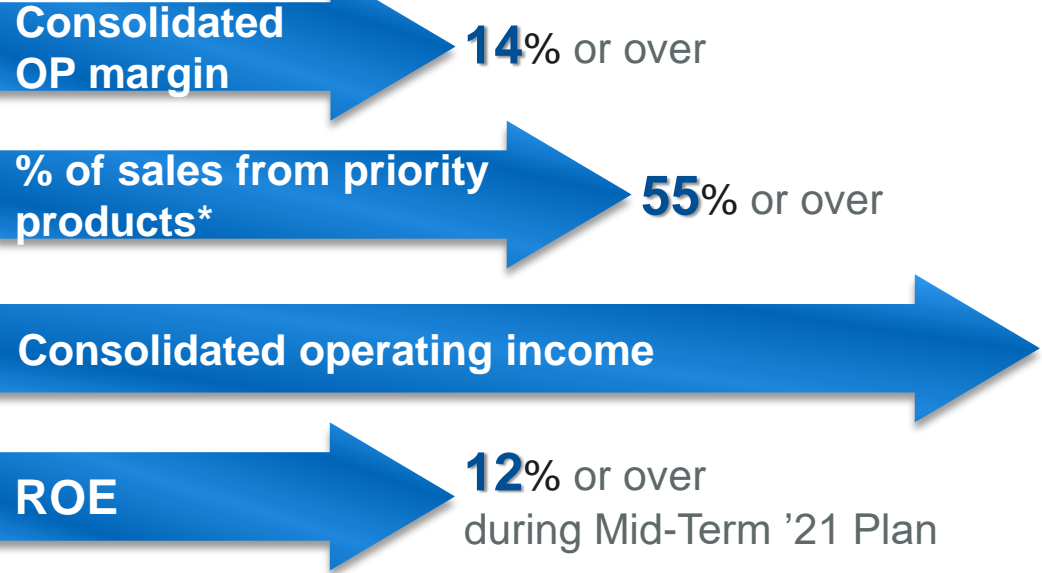
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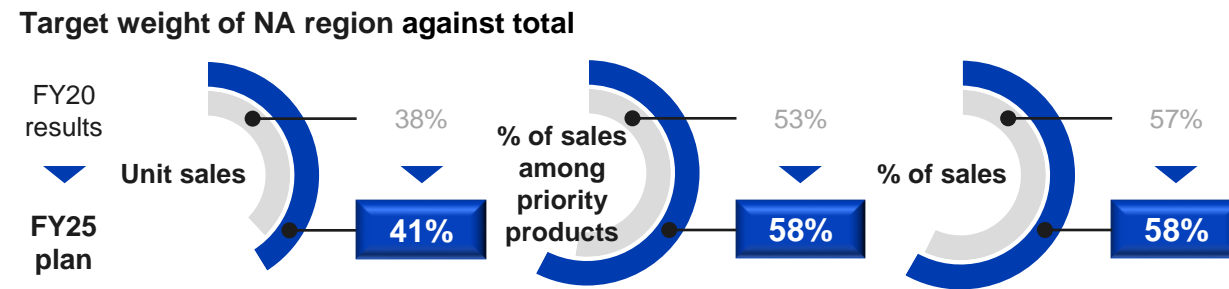
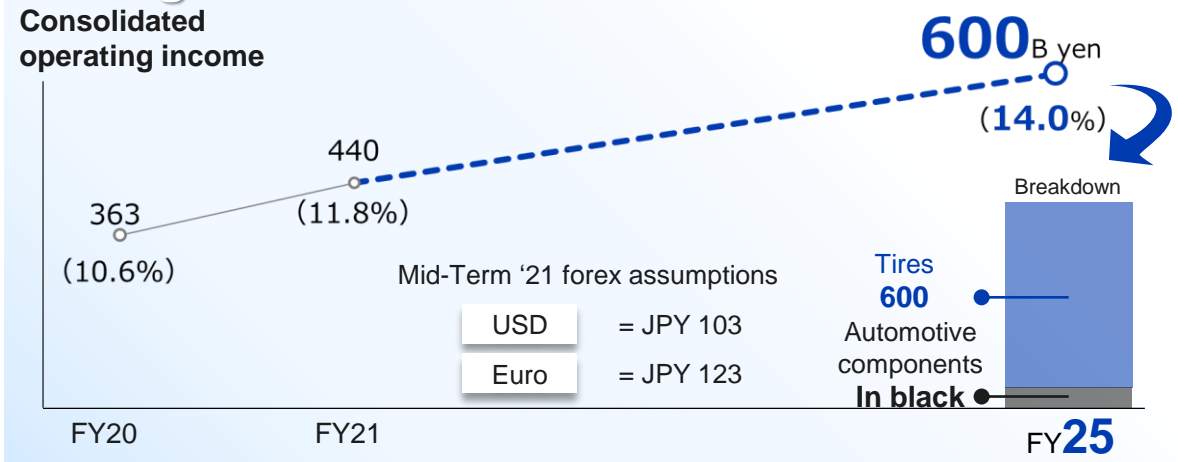
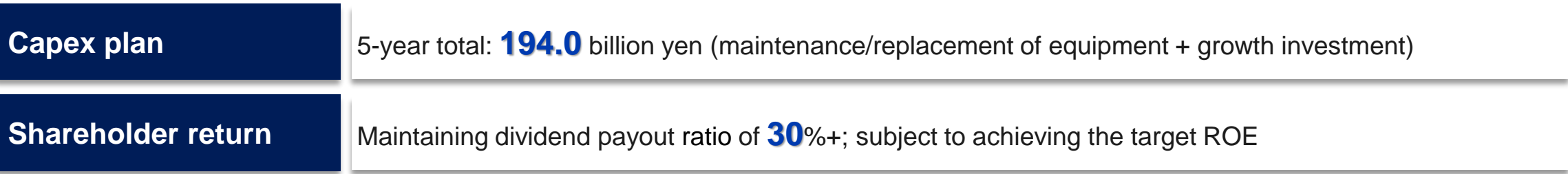
## Established Financial Indicators Emphasizing Efficiency Adopted Financial Policy Balancing Growth And Return

Financial indicators



\* Tire product categories that embody Toyo Tire's "strengths". E.g., new products, core products, and differentiated products. These are essential to achieving operating income (value and %) targets

Financial policy



## 4. Growth Strategy

- R&D
- Regions (NA, Europe, Japan, Asia)
- Original Equipment Tires
- Production and Supply
- Our Initiatives for the Solutions Business



Offer “differentiated products” by strengthening unique technology developed through collaboration between the 3 R&D centers in Japan, the U.S., and Europe

## Advanced Design

Achieving multiple performance requirements at a high level



Refining ability to design tire structures and mix materials



Establish technology that allows for visualization of tires behavior

## Customer-oriented product development

Identifying customer needs for timely product development



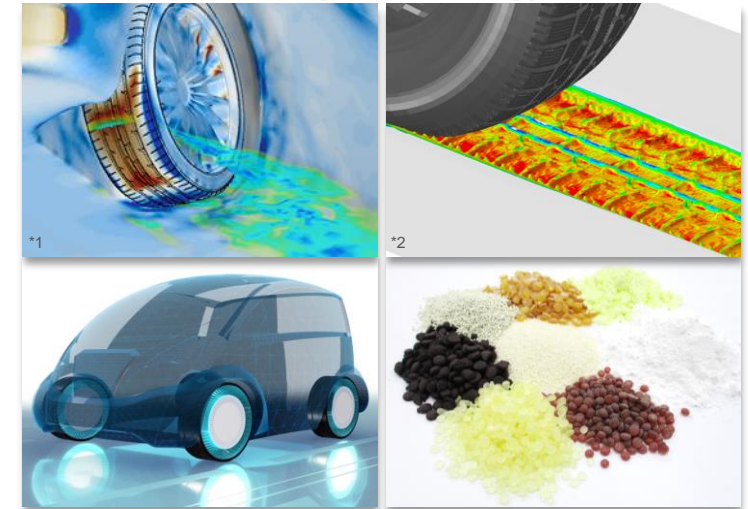
Understanding customer expectations to create products they desire



Timely commercialization through the use of modules

## Next-generation Technology

Building unique next-generation mobility technology



Developing/finding new materials with lower environmental impact



Establishing unique solutions business

<sup>1</sup> Simcenter™, STAR-CCM+™, Software STAR-CCM+, and STAR-CD are trademarks or registered trademarks of Siemens Industry Software Computational Dynamics Ltd. All other trademarks and registered trademarks or service marks belong to respective holders.

<sup>2</sup> For calculation, Dassault Systèmes K.K.'s Abaqus was used.

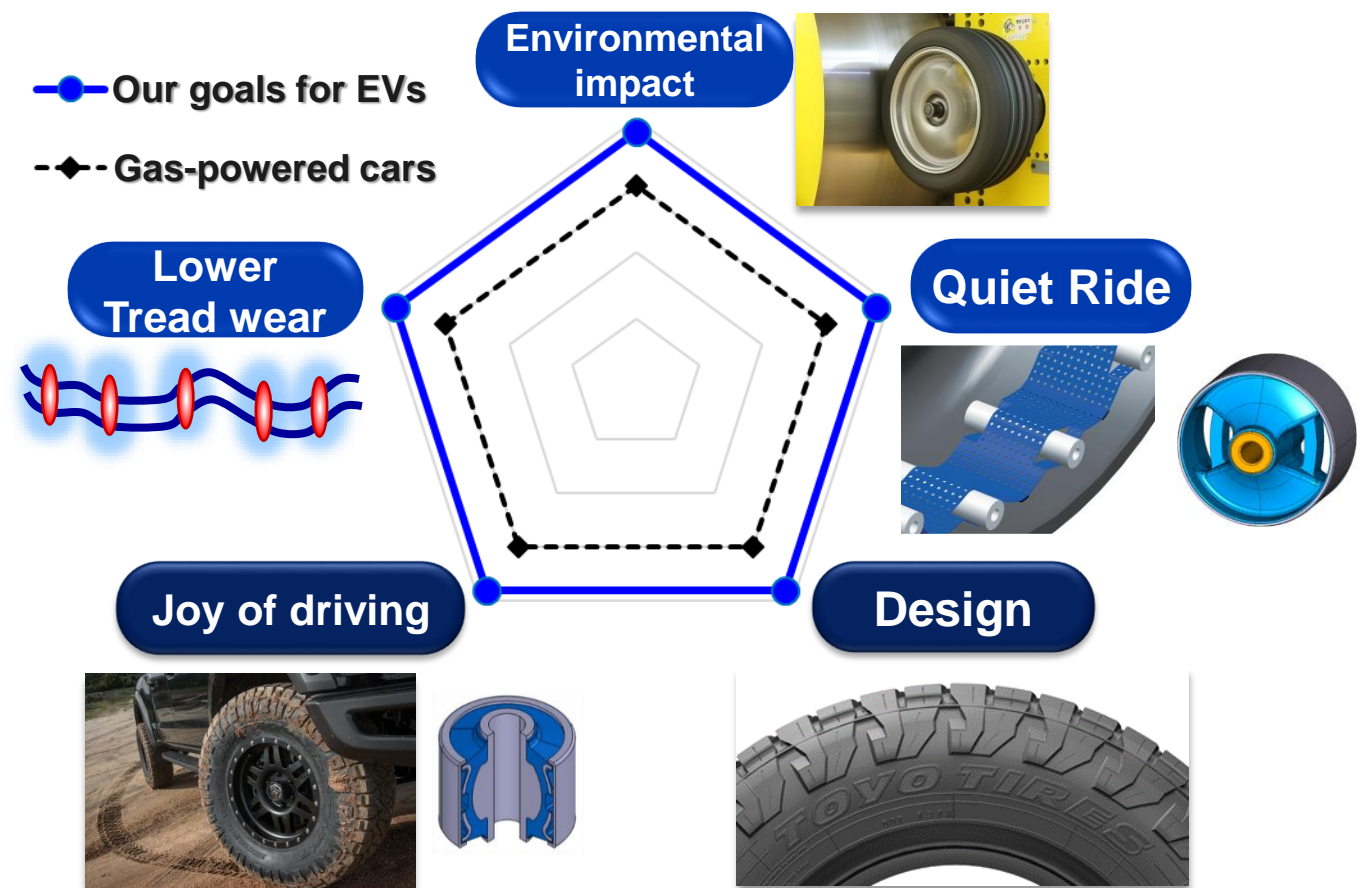
Offer early adopters our “differentiated products”  
that incorporate advanced next-generation mobility solutions

In response to rapid rise of EVs  
**develop applicable technologies**

### Characteristics of EVs



Blending **eco-friendly technologies and sophisticated features**



## Continuous Focus On Introducing Differentiated Products With Enhanced Strengths

### N. American sales

Challenge for 5<sup>th</sup> place

(7<sup>th</sup> in 2020)



**GRAPPLER OPEN COUNTRY**  
Maintaining a dominant position in wide light truck tire segment



U.S. Plant Capacity Increase  
Sendai Plant Exports

Product planning

R&D

Marketing

Holding company  
Sales

Production

Serbian Plant Exports



Timely introduction of high-value-added products

Truck and Bus Tires  
Increased Share

Kuwana Plant Capacity Increase



NANOENERGY



CELSIUS

All-season tires  
Sales surging

## Introducing Pinnacle technology (Europe)



**PROXES Sport**

## Discovering & tapping into customer preferences (Japan)

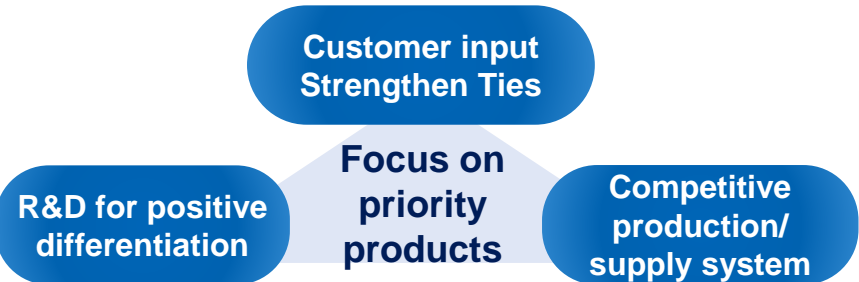


**OPEN COUNTRY R/T**

## Catering to regional preferences to boost sales (Asia excluding Japan)



**PROXES CL1 SUV**



**Sharpen performance / Enhance branding**



24 Hours Nürburgring 2020



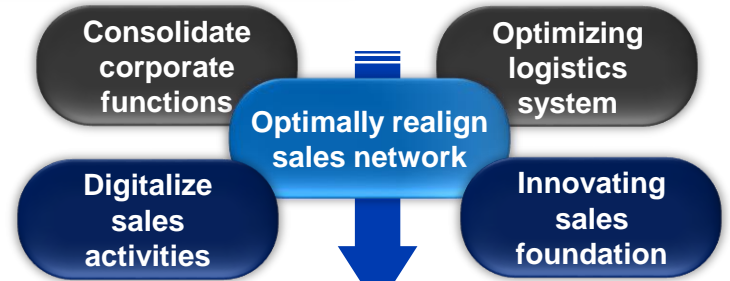
Dakar Rally 2019

## “Bold hardware reorganization” x “Revolutionary Digitization”



Fast decision-making, flexible strategies

Increase market presence



**Focus on priority products that meet customer expectations**



**Focusing on digital marketing**



## Contributing To Progress in Mobility Through A Combination Of Tires and Automotive Components

### Link between tires and automotive components

[Making an impact on the mobility industry]



Ripple effect for the aftermarket tire business

Brand recognition



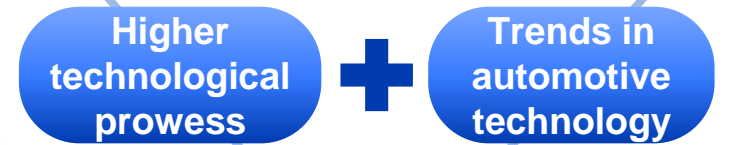
New sales channels

“Return to OE brand” demand

Seizing demand for aftermarket tires



Technological breakthroughs driven by progress in simulation/evaluation technologies that enhance mobility

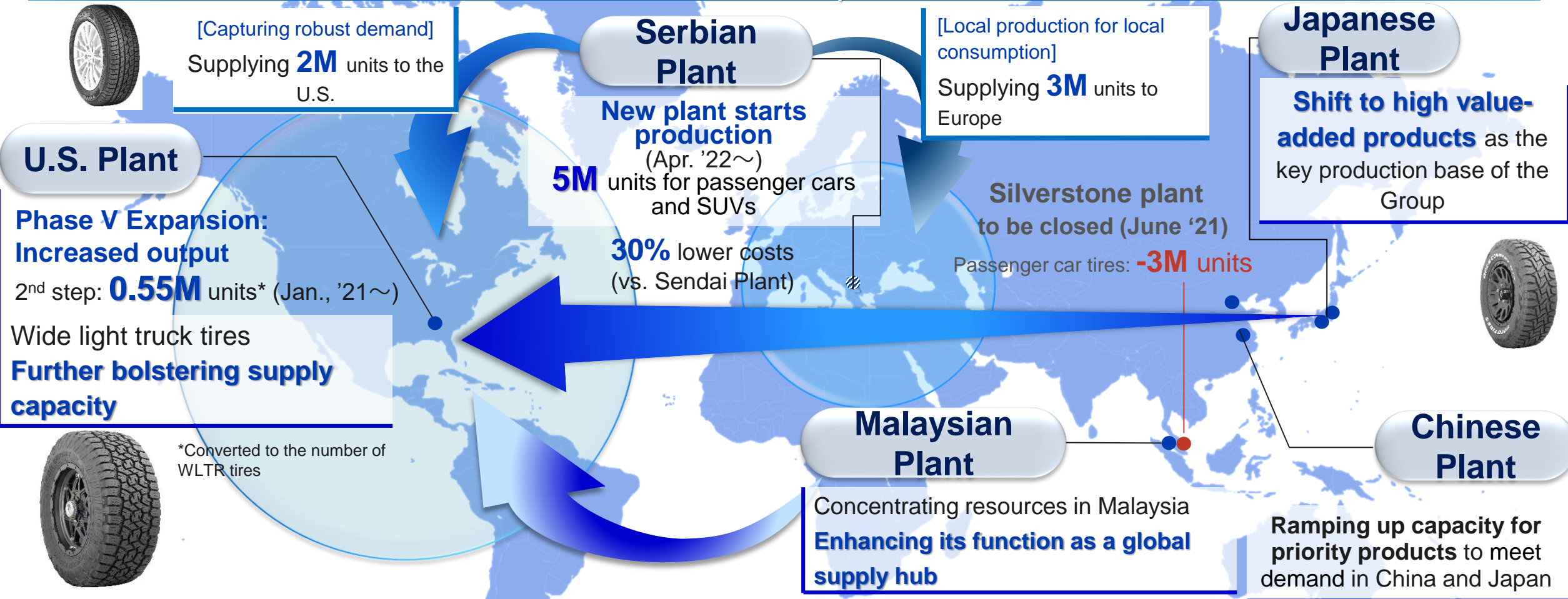


Strive for cutting-edge automotive technology

Strengthening approach to strategic models such as SUVs, EVs, and next-generation mobility



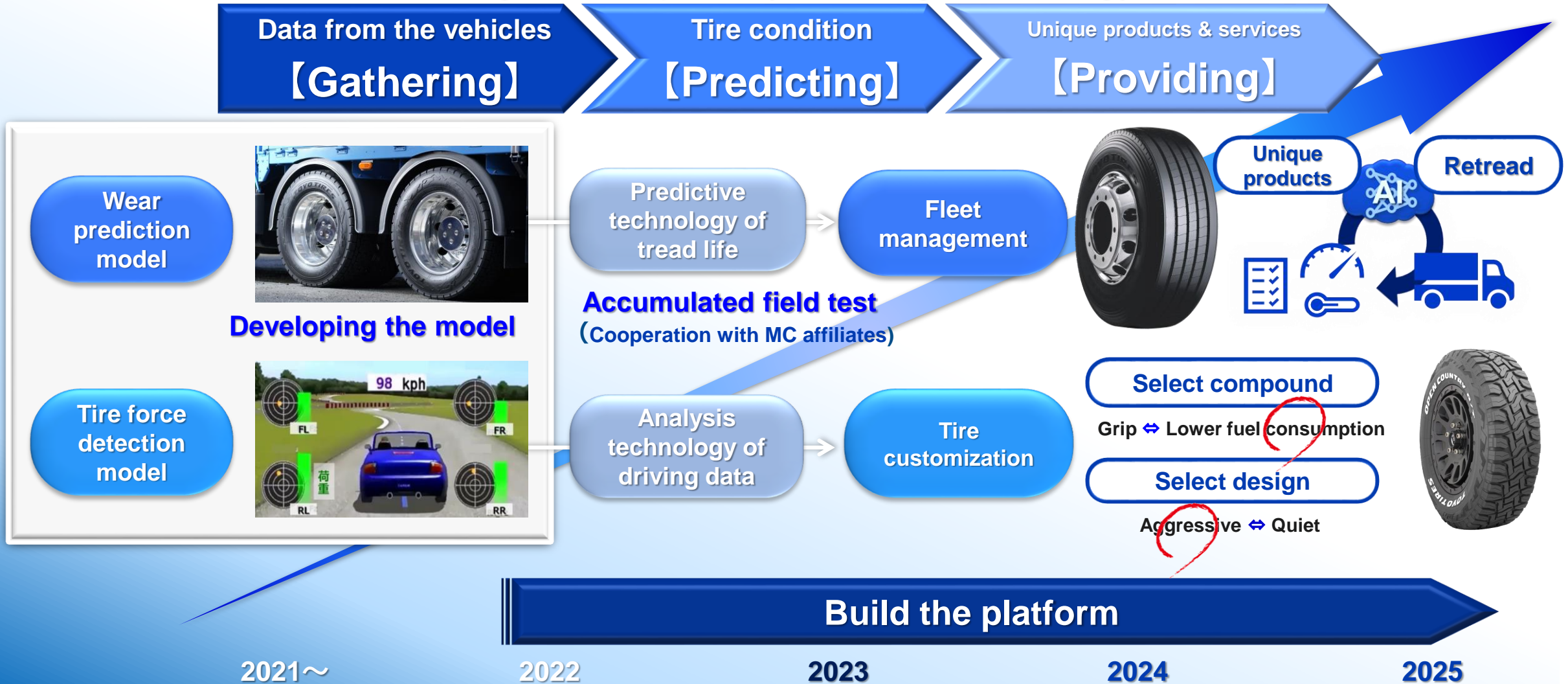
## Building A Base For Stable Supply of Tires for the U.S. Market Serbian Plant as Most Cost-competitive Production Center



Establishing an **efficient production system** by visualizing/analyzing cross-sectional production/quality data



## Developing a Solutions Business to Offer New Value Using Our Proprietary Sensing Technology





## 5. Capital and Business Alliance with Mitsubishi Corporation

# Effect of the Capital & Business Alliance with Mitsubishi Corporation

All numbers represent an increase from corresponding numbers in FY18 on a consolidated operating income basis

**TOYO TIRES**

Shared Mission: Increasing Toyo Tire's Enterprise Value  
→ Cooperation to Maximize Toyo Tire's Profitability

Effect on value

**+10.0**B yen

~FY2020

FY2021~2023

~FY2025

+1.4B yen

- Eliminated MC's export commission
- Dissolved all sales JVs; make them wholly-owned Toyo subsidiaries
- Reduced insurance premiums, etc.

Japan

[Sales] Full-scale **sales promotion of industrial tires, etc.** to MC's customers  
[Logistics] Further reduced costs by **reorganizing sales/logistics sites in Japan**



Asia

Delivering SUV tires as original equipment  
**Expanding sales channels for service tires (retail, etc.)**

Europe

The Middle East

China

The alliance will prioritize markets where we can best promote and achieve a high return for our differentiated products

Impact

**+6.0**B yen

Next-generation R&D

Focusing on projects that could **drive growth**, such as EV-related technology and digital solutions



**Kuwana Plant:** Ramping up capacity for truck/bus tires  
(Started production in Sept. '20 → Full-operation in Jan. '21)

Impact



**U.S. Plant:** Phase V Step 2  
(Started production in Jan. '21 → Full-operation in Sep. '21)

**+4.0**B yen



**Serbian Plant:** New facility to start operation in Apr. '22  
(Full-operation in 4Q/23)

Mitsubishi Corporation

**TOYO TIRES** Strengthen corporate governance  
+ more

**Accelerating Implementation Of Key Projects; Solidifying Management Foundation**

Personnel from the Two Companies Working Together

## 6. Creating Management Foundation to Support Sustainable Growth



Pursuing our Philosophy; Towards Strengthening our Business Management Infrastructure

## Realizing value creation and sustainable growth by offering solutions to social issues

Global

Long-term perspective

Integrated with business

### Reconfiguring digital/ICT infrastructure



#### Strengthening the foundation for Digital Innovation

- Developing a digital foundation to achieve higher profitability
  - Upgrading ERP, accelerating the PDCA cycle
- Strengthening data governance
- Realizing diverse work styles

### Shifting to sustainability management



#### Creating social value through business

- '21~
  - Redefining materiality and raising our awareness
    - Established the Sustainability Committee
    - Integrating business management with sustainability
- '25~
  - Creating social value with business strategies

### Rebuilding the organization, system and infrastructure



#### Programs for the organization and Human Resources

- Revitalizing the organization with new HR systems
  - Diverse staff collaborating organically
  - Programs for higher job satisfaction and empowerment ("function-based recruitment", Diversity, 360-degree evaluation)
- Training system focused on individuality, quality, and competencies

### Shoring up the financial foundation



#### Enhancing our efficiency and resilience to changes in the business environment

- Improving asset efficiency through careful evaluation of business assets and investments
- Achieving and maintaining a healthy level of financial leverage



#### Emphasis on cash flows

- Managing funds globally
- Generating more cash and speeding up the cash cycle

# Role of Digital Transformation (DX) to Streamline the Management Foundation

Supporting Change to the Corporate Culture and Realizing Steady Growth



DX	<b>3. Increasing value</b> Products, innovative services, and offered value	Manufacturing Customer-oriented products	Enhanced maintenance services	Digital channels, info content	Creating solutions service
	<b>2. Improving profitability</b> Data-driven mgt., higher operational efficiency	Technology / product development Maximizing ROI	Optimizing supply-demand, inventory, and mfg.	Improving sales productivity Varying the pace	Data-driven business / profitability mgt.
	<b>1. Reinforcing mgt. foundation</b> Rebuilding systems, developing digital foundation	Mfg./logistic sites, facility infrastructure	Integrated database Digital foundation	Global operations Models/rules	Global IT Tighter governance

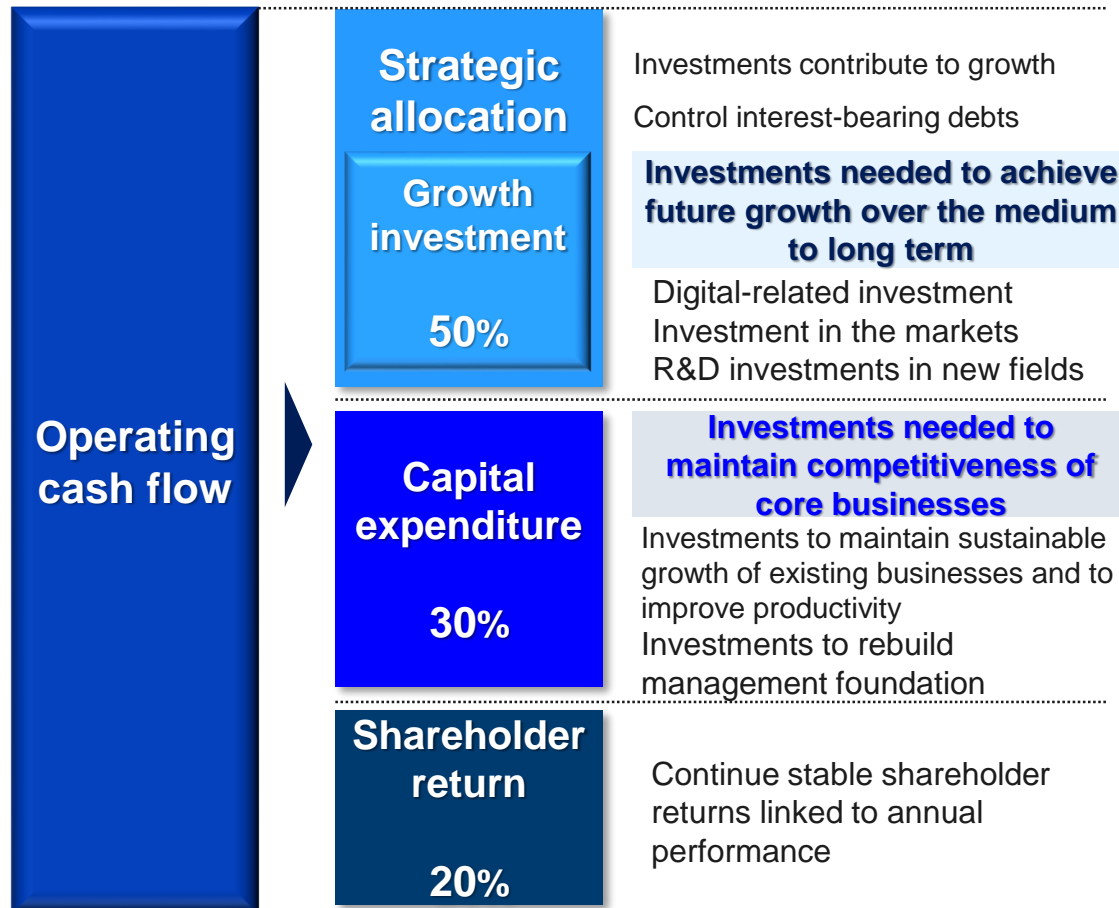




## 7. Investment Plan and Shareholder Return

## Investment Plan and Capital Allocation

### Basic Investment Policy and Cash Flow Allocation of Mid-Term '21 Plan



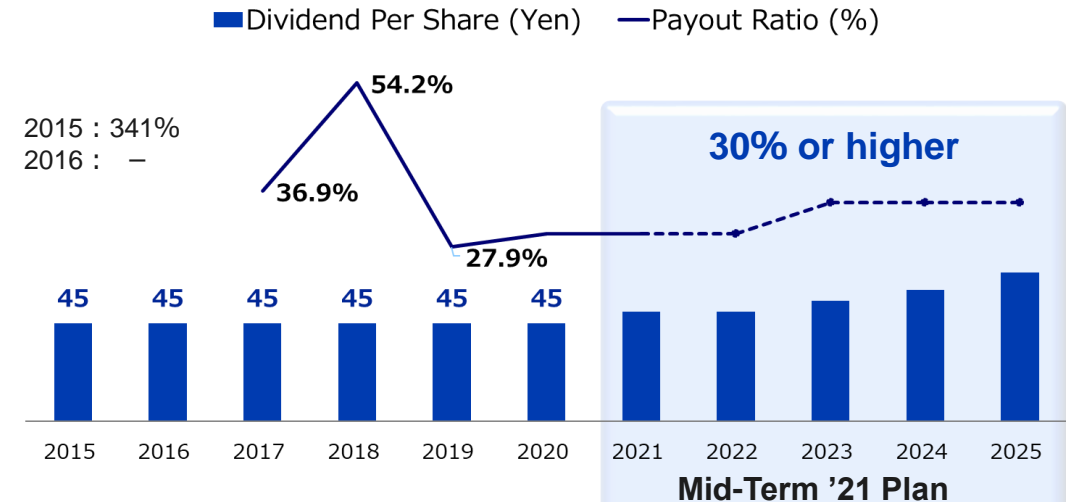
## Shareholder Return

### Basic policy

- Maintain proper balance between investments (to promote future growth) and shareholder dividends
- Pursue performance-linked, stable returns

### Dividend policy

Payout ratio: **30%** or higher







# Ignite your BLUE.

***TOYO TIRES***  
***Open Roads Await***

Earnings plans, business plans, and other information contained in this material are based solely on the company's current assumptions of the economic environment and other factors that may occur in the future. Actual performance, etc. may differ materially from these statements due to various factors. As such, these statements are not the company's guarantees of its future performance.