

GO BEYOND

New Mid-term Business Plan “Mid-term ‘14”

2014.6.10.

TOYO TIRE & RUBBER CO., LTD

Akira Nobuki, President

GO BEYOND

New Mid-term Business Plan “Mid-term ’14”

TOYO TIRES
driven to perform



- 1. Formulation of New Mid-term Business Plan
(Introduction)**
- 2. Review of Mid-term ’11**
- 3. New Mid-term Business Plan “Mid-term ’14”**
 - I) Positioning**
 - II) Business Targets**
 - III) Business Strategy**
 - IV) Basic Strategy**
- 4. Business Policy**

Business plans and projected results described in the document were created based on projection of the future economic climate as of this point in time. Actual performance may vary due to a variety of factors. This document makes no assurance of the Company’s future performance.

1. Formulation of New Mid-term Business Plan

Background of New Mid-term Business Plan

■ Mid-term '11 Progress Status

- “Vision 2020” and “Mid-term '11” announced in 2011
- 2015 target of 30 billion yen operating income & 7.5% operating margin achieved in 2013
- 2015 target of net sales of 400 billion yen expected to be achieved in '14

■ Changes in environment during Mid-term '11

- **Ex.** : Correction of influencing factors/stabilization (exchange rate and raw material price conditions)
- **Ex.** : Changes to global economic map (slowdown of growth of developing nations, economic boost in N. America)
- **In.** : Improved market responsiveness (expansion of supply platform, injection of core products)
- **In.** : Launch of new management structure

■ Business significance of New Mid-term Business Plan formulation

- Change of mentality from “Survival” to “Sustainable”
- Promote understanding of Company’s unique growth scenario and positional presence
- Declaration of intent and commitment to meeting challenges on new business stage



2. Review of Mid-term '11

[Tire Business]

Mid-term '11 Business Strategy

- Establishment of optimal supply system
- Establish proprietary brand strategy
- Innovation of market & brand strategy
- Develop the world's best embodiment of world's premier environmentally friendly

Primary initiatives during period from '11 to '13

- Opened new plants in China and Malaysia (implementing A.T.O.M. technology)
- Completed third expansion of North American plant; started fourth expansion
- Further expanded company's two top brands: TOYO TIRES & NITTO
- Developed new business in ASEAN, Russia, and Eastern Europe markets (establishment of sales subsidiaries, etc.)
- Focused on expanding tire sales in North America for SUV, CUV and pickup trucks
- Established "Nano Balance Technology" new design platform technology
- Launched NANOENERGY fuel-efficient flagship tire series in Japan and Europe

Mid-Term '11 FY2015 Target

Sales	310.0 billion yen
Operating Profit	24.0 billion yen
Operating Margin	7.7%

FY2013 Actual

FY2014 Outlook

Sales	289.7 billion yen	317.5 billion yen
Operating Profit	33.8 billion yen	36.8 billion yen
Operating Margin	11.7%	11.6%

2. Review of Mid-term '11

[DiverTech Business]

Mid-term '11 Business Strategy

- Expansion of automotive parts business
- Growth in Asia of urethane business
- Overseas expansion of railway car parts business
- Embodiment of world's premier environmentally friendly technology

Primary initiatives during period from '11 to '13

- Start of development of overseas business platform (Establishment of manufacturing & sales bases: China, Thailand and Mexico)
- Start of manufacturing of OA devices and components in Thailand
- Establishment of Chinese joint venture company for railway car components
- Launch to market of heat-insulating rigid urethane foam for buildings (Aitas)
- Launch to market of low-GWP spray rigid urethane foaming agent

Mid-Term '11 FY2015 Target

Sales	90.0 billion yen
Operating Profit	6.0 billion yen
Operating Margin	6.7%

FY2013 Actual

FY2014 Outlook

Sales	80.5 billion yen	82.5 billion yen
Operating Profit	2.6 billion yen	3.2 billion yen
Operating Margin	3.2%	3.9%

2. Review of Mid-term '11

〔Corporate Function〕

Mid-term '11 Efforts

- Evolution of CSR initiatives
- Prompt response to globalization
- Corporate innovation
- Creation of new technologies and production systems for society in near-future
- Operation of new R&D center

Dec. 2013
Opened new R&D center
(Kawanishi)

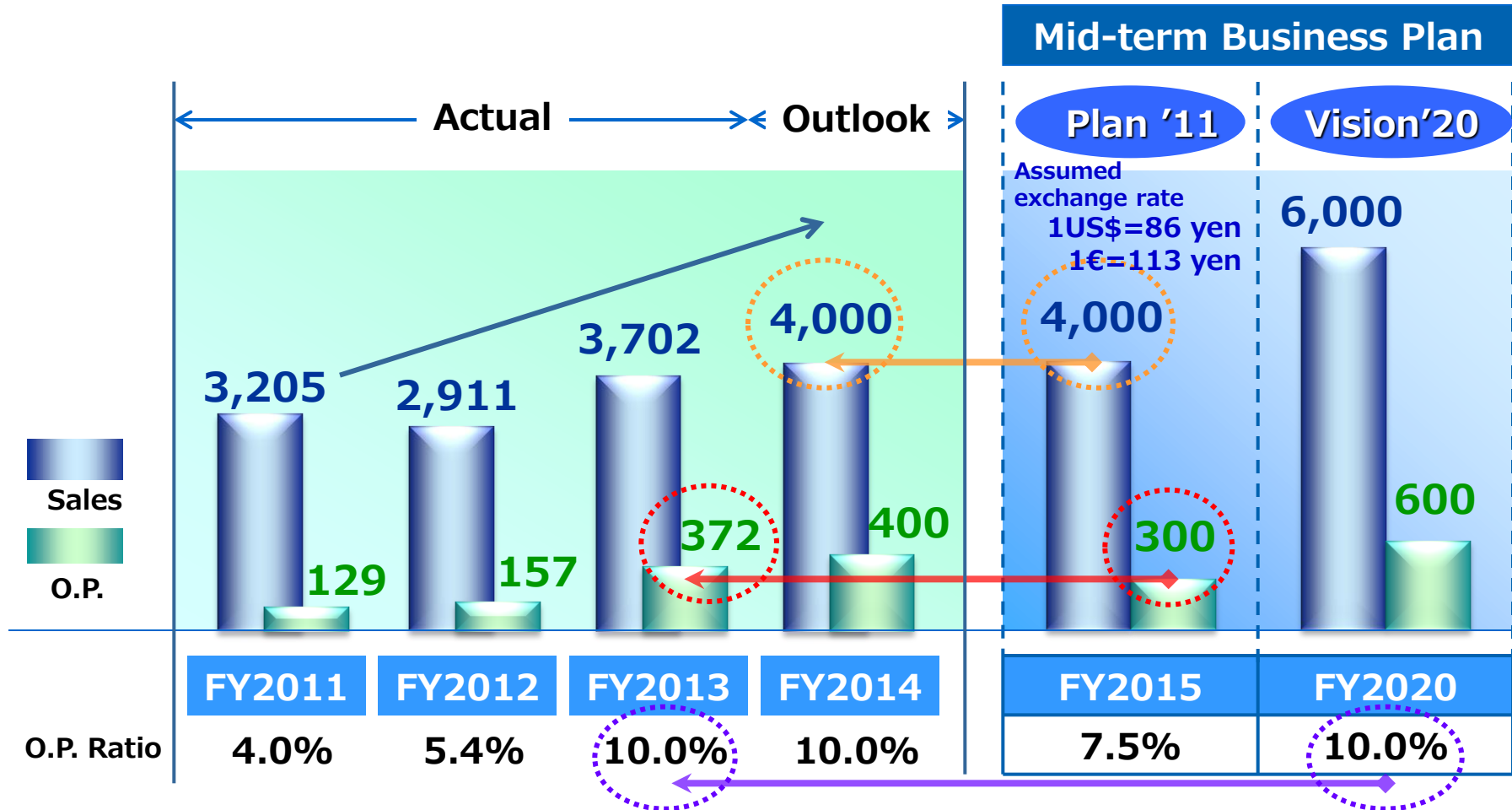


Primary initiatives during period from '11 to '13

- Formulation and activation of global charter of corporate behavior and code of conduct
- Enhancement of compliance framework (Establishment of responsible person and assessment of internal controls)
- Formulation of BCP at primary sites in Japan and promotion within company group, promotion of BCM
- Efforts to reduce costs through LCC procurement
- Bolstering of business strategy functions & personnel strategy functions
- Establishment of new R&D Center "Toyo Tires Basic Technology Center"
- Efforts to "bolster" corporate strength through promotion committee
- Realization of new factories that minimize energy use and emphasize the environment

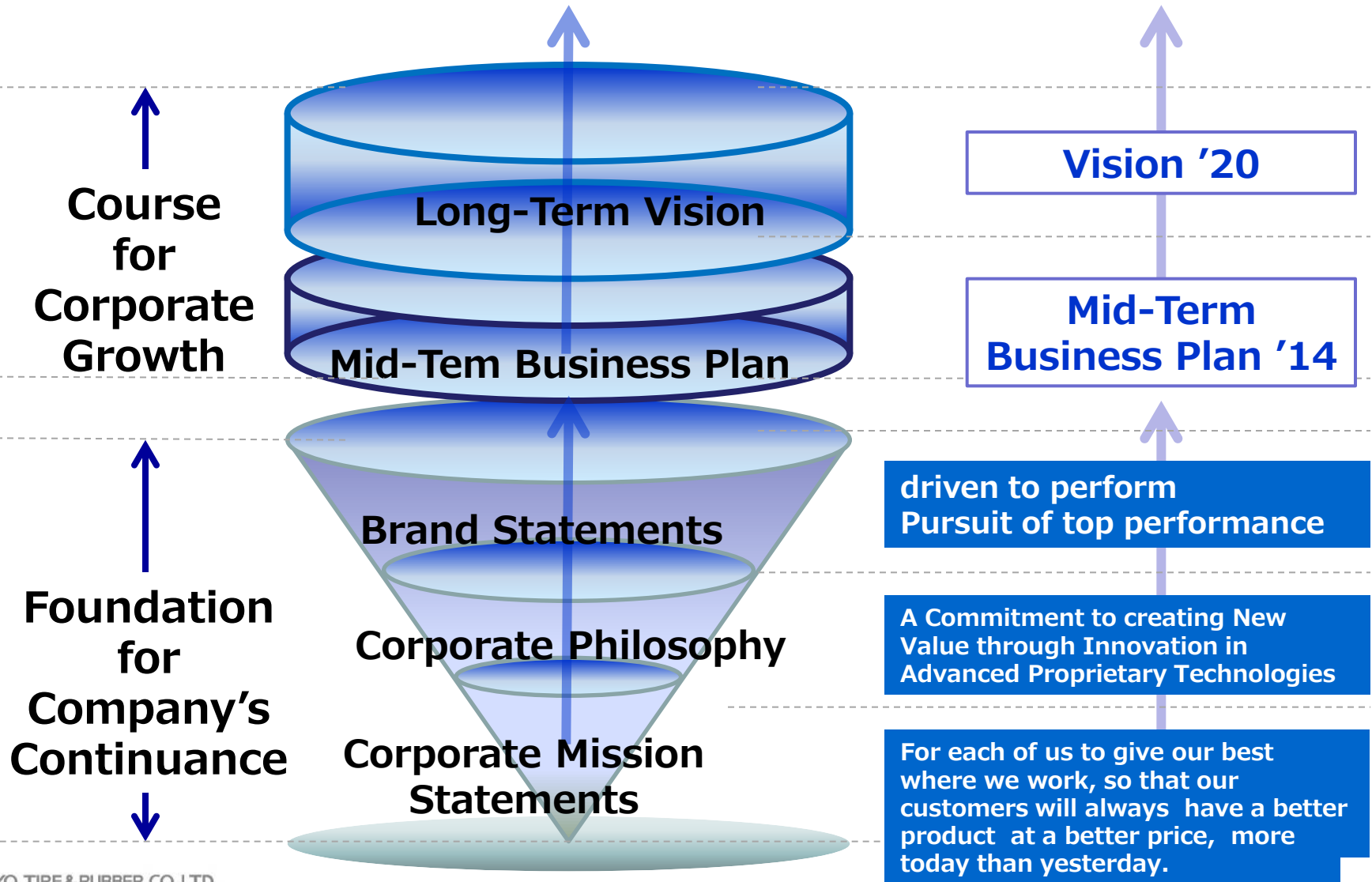
2. Review of Mid-term '11

[Mid-term '11 targets achieved ahead of schedule]



3.New Mid-term Business Plan '14

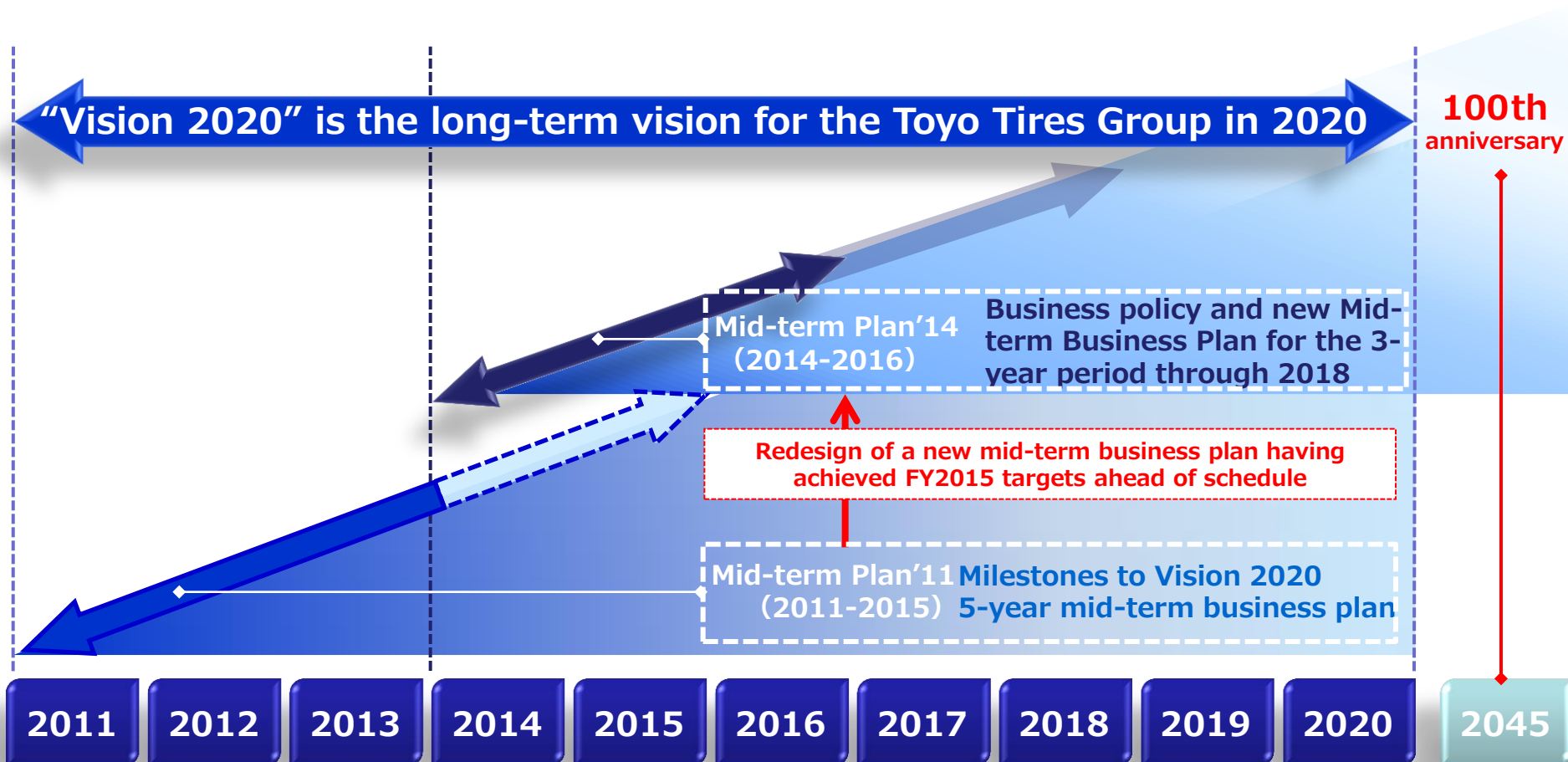
I . Positioning of New Mid-term Business Plan



3.New Mid-term Business Plan '14

I . Formulation of New Mid-term Business Plan

GO BEYOND

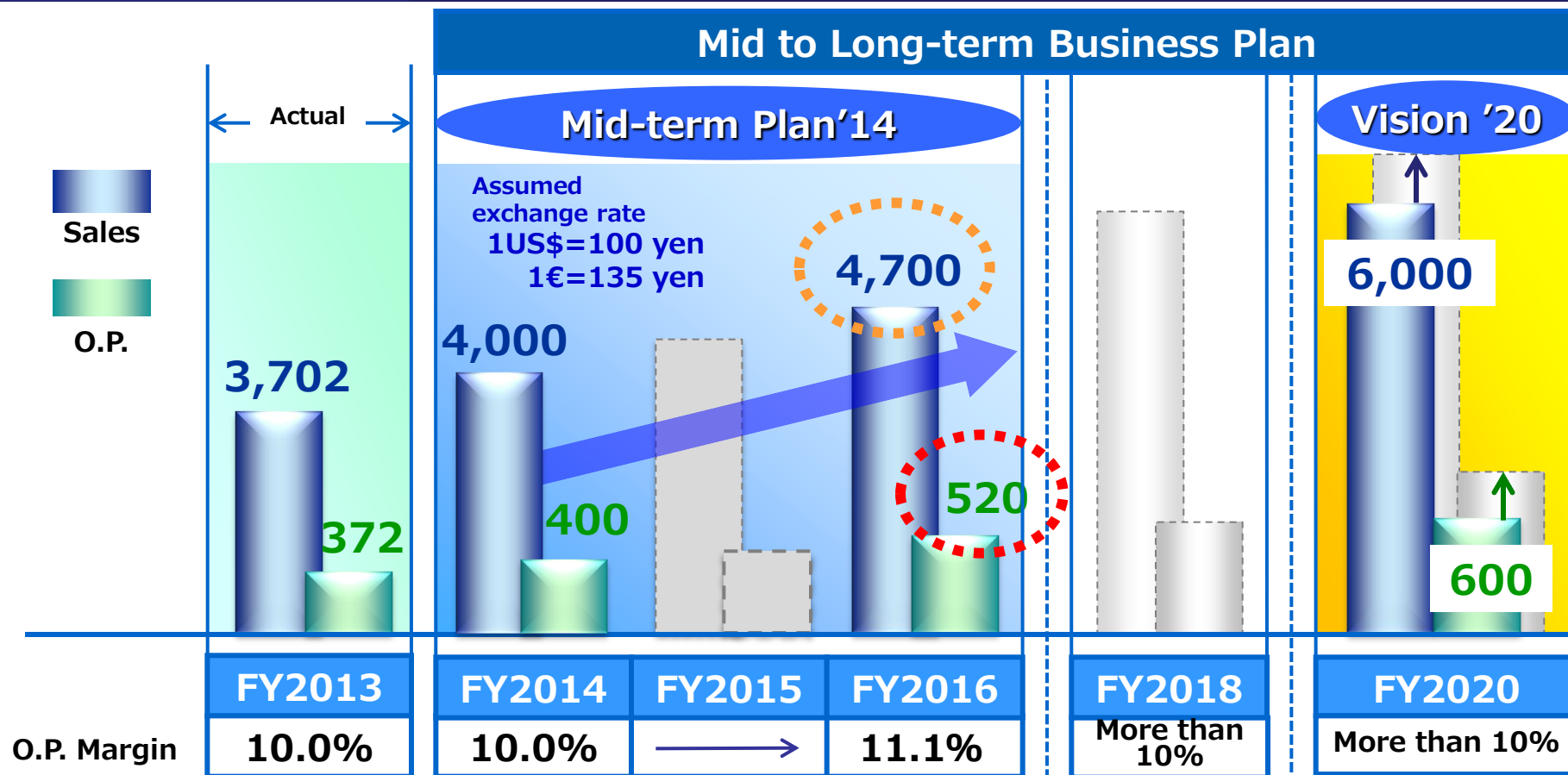


3.New Mid-term Business Plan '14

II. New Mid-term Business Plan Mid-term'14 business targets

**FY2016
Business Target**

Sales 470.0 Billion yen / O.P.52.0 Billion yen
O.P. ratio 11.1% ROA more than 10%



Secure an operating margin exceeding 10% and aim at further business expansion

Ⅲ. New Mid-term Business Plan Business Strategy

〔Tire Business〕

- 1) Business challenges, Mid-term '14 targets and policies
- 2) Product strategy
- 3) Market strategy
- 4) Brand strategy
- 5) Supply strategy
- 6) Technology strategy

〔DiverTech Business〕

- 1) Business challenges, Mid-term '14 targets and policies
- 2) Business strategy for each business unit
- 3) Creation of new businesses

Ⅳ. New Mid-term Business Plan underlying strategy

〔Corporate Function〕

- 1) Mid-term '14 policies
- 2) ESG Policy
(Environment/Society/Governance)

〔Tire Business〕– 1) Business challenges, Mid-term '14 targets and policies

Business environment

- ✓ North American market: tire demand on the upswing
- ✓ Emerging markets: mainly low-priced products at present
- ✓ Japan & Europe: growth of environmentally friendly products expected
- ✓ Commoditization of passenger vehicle tires due to powerful emergence of developing nations
- ✓ Increase of light car sales & registrations in the Japanese market

Business challenges for Mid-term '14

- Bolstering of own portfolio
- Speedy reinforcement of supply force
- Enhanced promotion of salesforce and brand strategy
- Establishment of differentiating technology
- Strengthening of product and cost competitiveness
- Development of new globally responsive methodologies

Mid '14 (2016) Numerical Targets

Sales	380 billion yen
Operation Profit	46 billion yen
O.P. Margin	12.1%

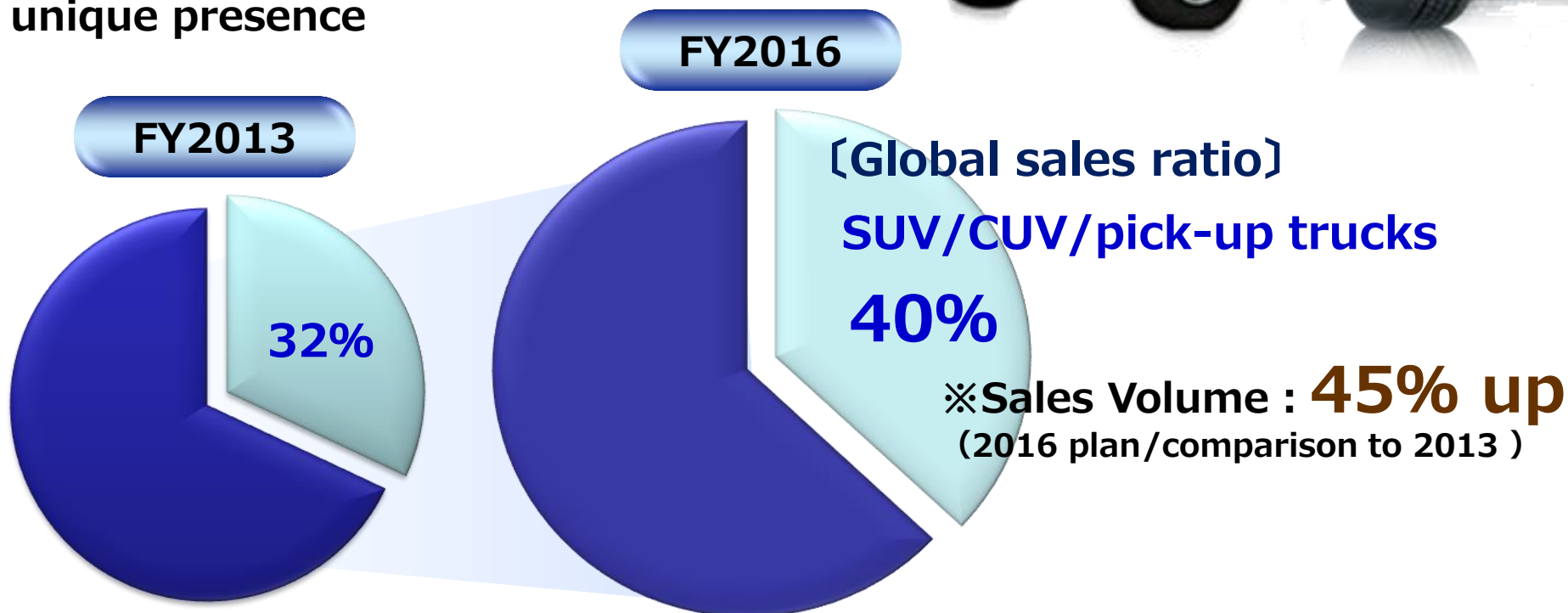
Mid '14 Business Policy

- Establish firm brand position in SUV/CUV market, a strength of Toyo Tires
- Realize differentiating technology in order to achieve top-class product competitiveness
- Strengthen product development capacity in truck & bus tire(TBR) category

〔Tire Business〕 – 2) Product strategy①

Fortify revenue base by optimizing product mix and expanding sales

In the global market, aggressively boost sales in the SUV/CUV/pickup truck category, a strength of the company, and further solidify the company's unique presence



〔Tire Business〕– 2) Product strategy②

**Strengthen product development capacity
in truck & bus tire(TBR) category**

**Establish position as
tire maker with superior
technological advantage**



**◆ Achieve top-class product competitiveness
through differentiating technology**

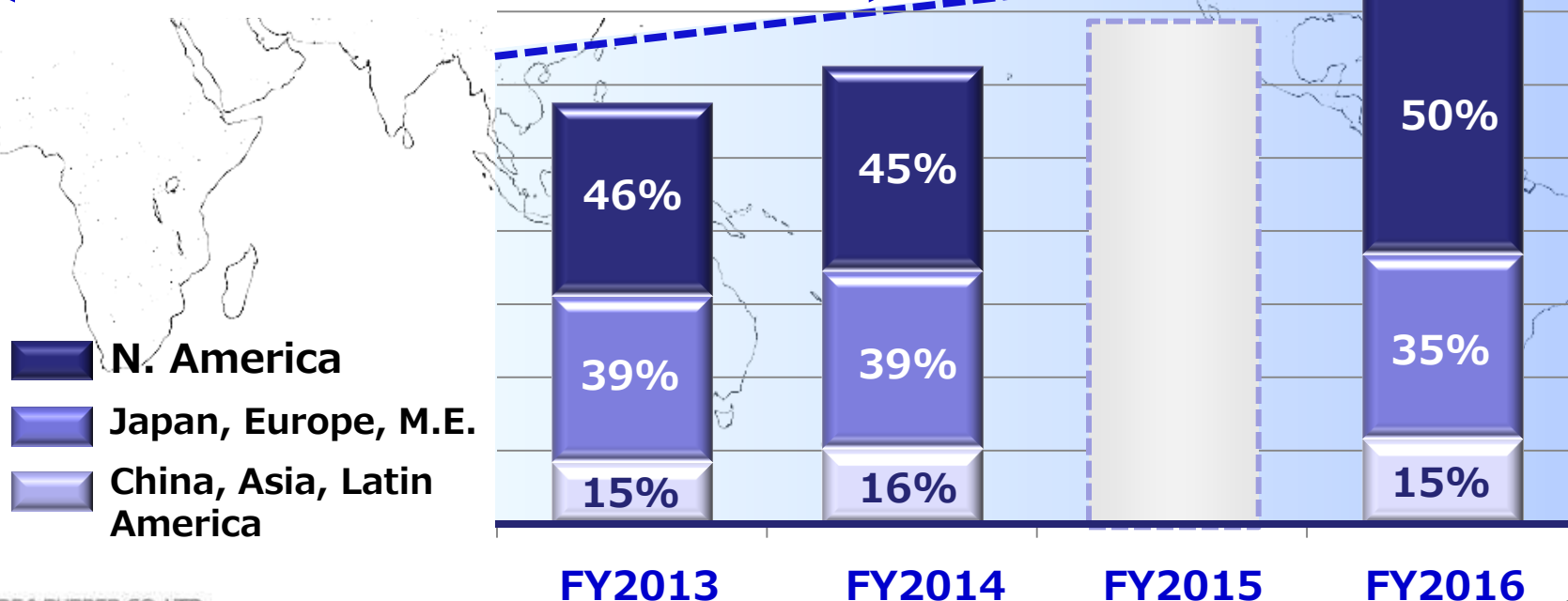
- **Development of high-performance, high-quality products
using Nano Balance Technology**
 - ⇒ Respond with high-level performance and quality to demand by
society for industrial applications
- **Development of business solution sales**
- **Target development regions : N. America, Japan, China,
Middle East**
 - ⇒ SmartWay verification products for U.S., launch of new products in each
market

[Tire Business] – 3) Market strategy

Enhancement of market mix adapted to market trends

①N. America	Markets with bolstered supply capacity and sales force as sources of income
②Japan/Europe/M.E	Markets in which foundation is developed in medium term to capture potential
③China/S.E. Asia/Latin America	Markets in which strategies match the unique themes for each market

[Tire Sales ration in each market]



〔Tire Business〕– 3) Market strategy ①North America

Markets with bolstered supply capacity and sales force as sources of income

Demand Outlook

- Brisk growth expected for economic climate, with tire demand continuing to increase

Policy

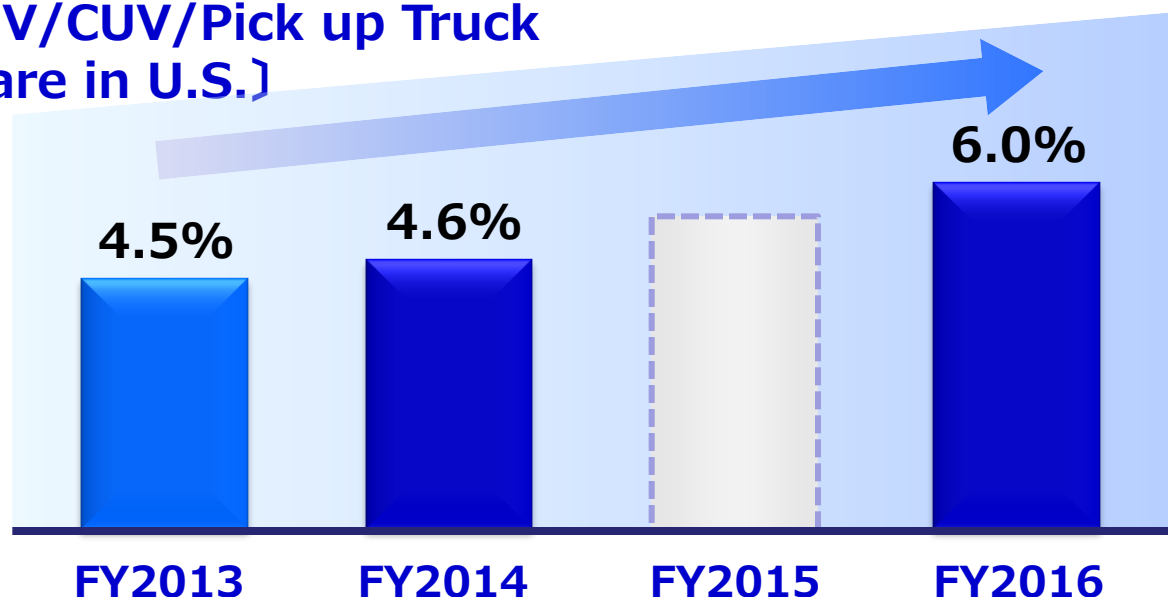
- Increase sales volume in SUV/CUV/pickup truck product category
- Increase market share for same product category in North America

TOYO TIRES NITTO



OPEN COUNTRY A/T II Mud Grappler

**Tires for SUV/CUV/Pick up Truck
〔Market Share in U.S.〕**



〔Tire Business〕– 3) Market Strategy ②Japan/Europe/M.E.

Identify market characteristics and develop foundation in the medium term

Japan	Trend toward increase of high-value-added products	New TRANPATH products, NANOENERGY sales expansion
Europe	Moderate recovery, trend toward increase	Respond to environmental regulation through NANOENERGY sales expansion Aggressively develop markets in Northern and Eastern Europe, where winter tires are used Increase sales of SUV/CUV and winter tires in Russia
M.E.	Steady demand for large-size vehicles	Increase of sales of SUV/CUV



〔Tire Business〕 – 3) Market Strategy ③China/S.E. Asia/Latin America

Markets in which strategies match the unique themes for each market

Market	Demand Outlook	Policy
China	Trend toward increase focused on SUV/CUV and other high-end vehicles	Improvement of product mix (expand sales ratio of SUV and high-end products)
S.E. Asia	Potential-growth markets (where currently low-priced products are mainstay)	Boost stratification of target products based on market needs Market injection of NANOENERGY products produced at Malaysian plant
Latin America	Trend toward increase of tire demand	Sales increase of UHP & SUV



PROXES Tm1



NANOENERGY 3

[Tire Business] – 4) Brand Strategy (North America)

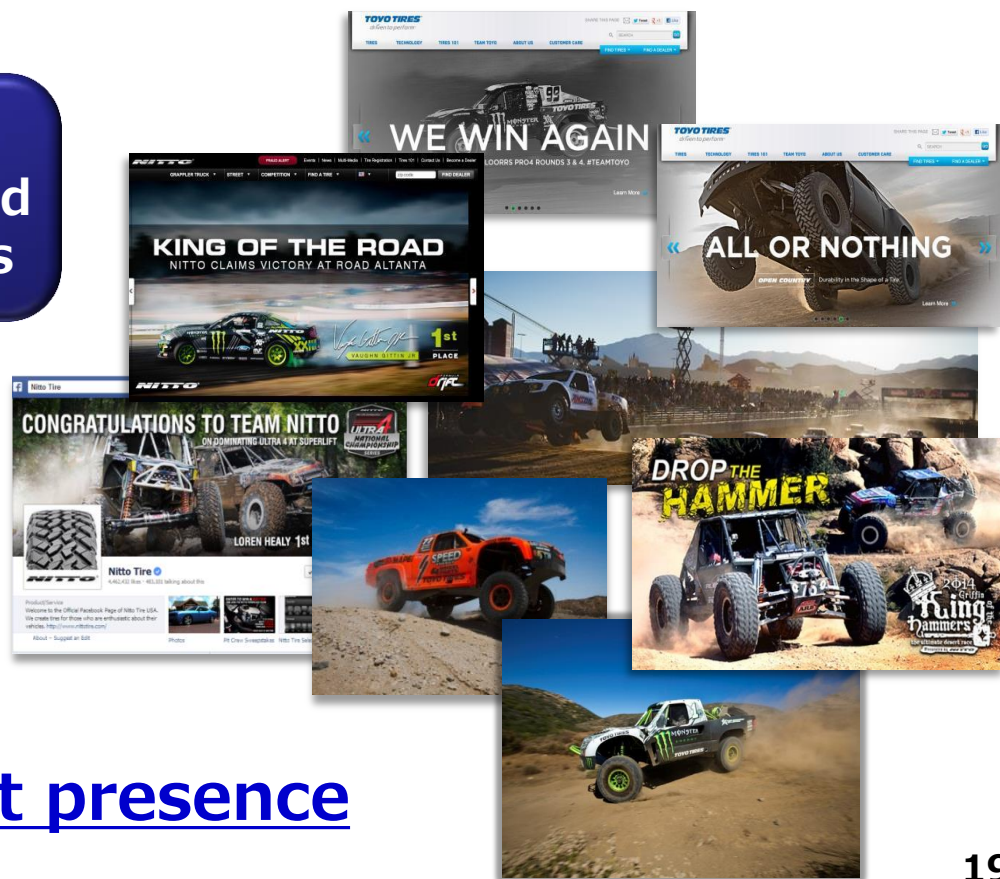
Further establish overwhelming presence in North America

TOYO TIRES / NITTO
<2 TOP Brand>

Deploy market branding in
SUV/CUV/pickup truck product category
that directly links to image

Demonstrate capabilities and
produce results in off-road and
other sponsored racing events

Abundant digital content
Diverse communication



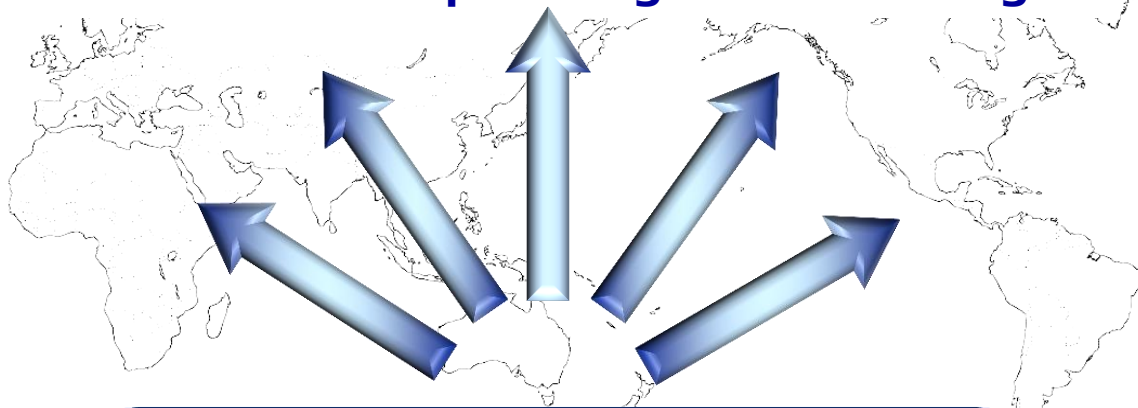
Further solidify market presence

[Tire Business] – 4) Brand Strategy (Global)

Boost uniqueness in global market through influential content



Conclusion of Premium Sponsorship agreement by TOYO TIRES with Serie A club AC Milan as part of global branding

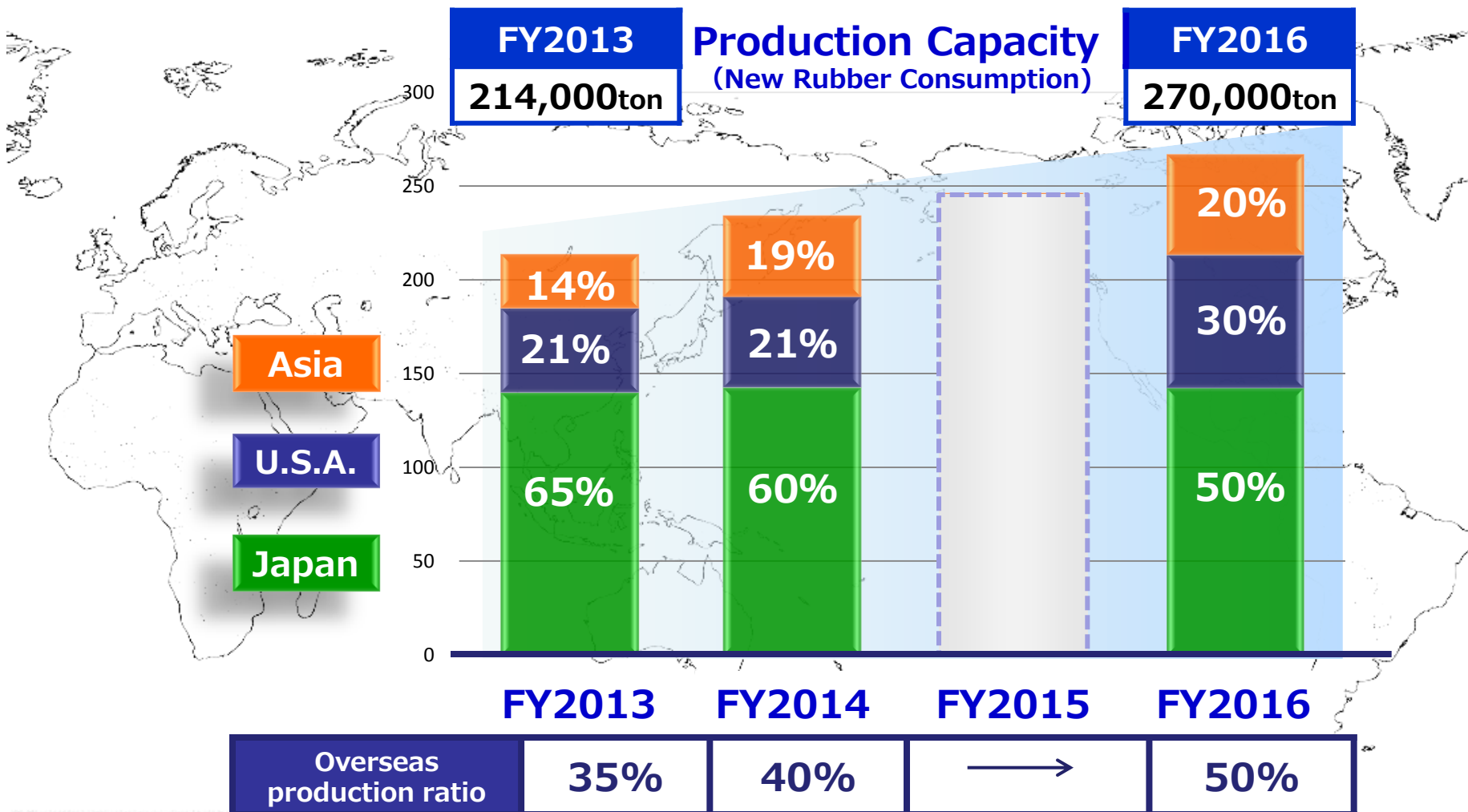


Global delivery of prestigious, influential content

Positioning of TOYO TIRES
as a Premium Brand

〔Tire Business〕 – 5) Supply Strategy①

Increase supply capacity globally



[Tire Business] – 5) Supply Strategy②

Operation of efficient & effective supply foundation

- Enhance portfolio by defining the character of each plant
- Achieve development of optimal distribution system and supply combination
- Consider new future production bases

Asia

- ◆ Increase production capacity of Malaysia plant and expand global supply
- ◆ Increase product variation at China plants

U.S.A.

- ◆ Phase IV production capacity increase
- ◆ Bolster supply in SUV/CUV category

Japan

- ◆ Boost supply of high-value-added products
- ◆ Transfer to Malaysia of standard tire

[Tire Business] – 6) Technology Strategy

Further improve technological advantage

Boost product competitiveness

Achieve high dimensions of aesthetic quality and performance through differentiating technology



Strengthen cost competitiveness

Decrease costs and speed up development while reducing man-hours

Further boost position in SUV/CUV/pickup truck

- ❑ Develop next-generation tires through “Nano Balance Technology” evolution
- ❑ Streamline product development through creation of next-generation design system
- ❑ High quality and performance using revolutionary tire manufacturing technology that follows A.T.O.M.

〔DiverTech Business〕 – 1) Business challenges, Mid-term '14 targets and policies

Business environment

- ✓ Abenomics, Tokyo Olympics keys to domestic economic recovery
- ✓ China's shift from producing to consuming nation
- ✓ North American shift to producer nation as a result of shale gas innovation
- ✓ Intensified competition from further commoditization of products and technology
- ✓ Acceleration of response to global orders accompanying modularization

Business challenges for Mid-term '14

- Bolstering of domestic business foundation
- Injection of management resources into strategic markets
- Structural reform in order to establish revenue bases
- Development of new key future products
- Reinforcement of technology foundation

Mid '14 (2016) Numerical Targets (※included others)

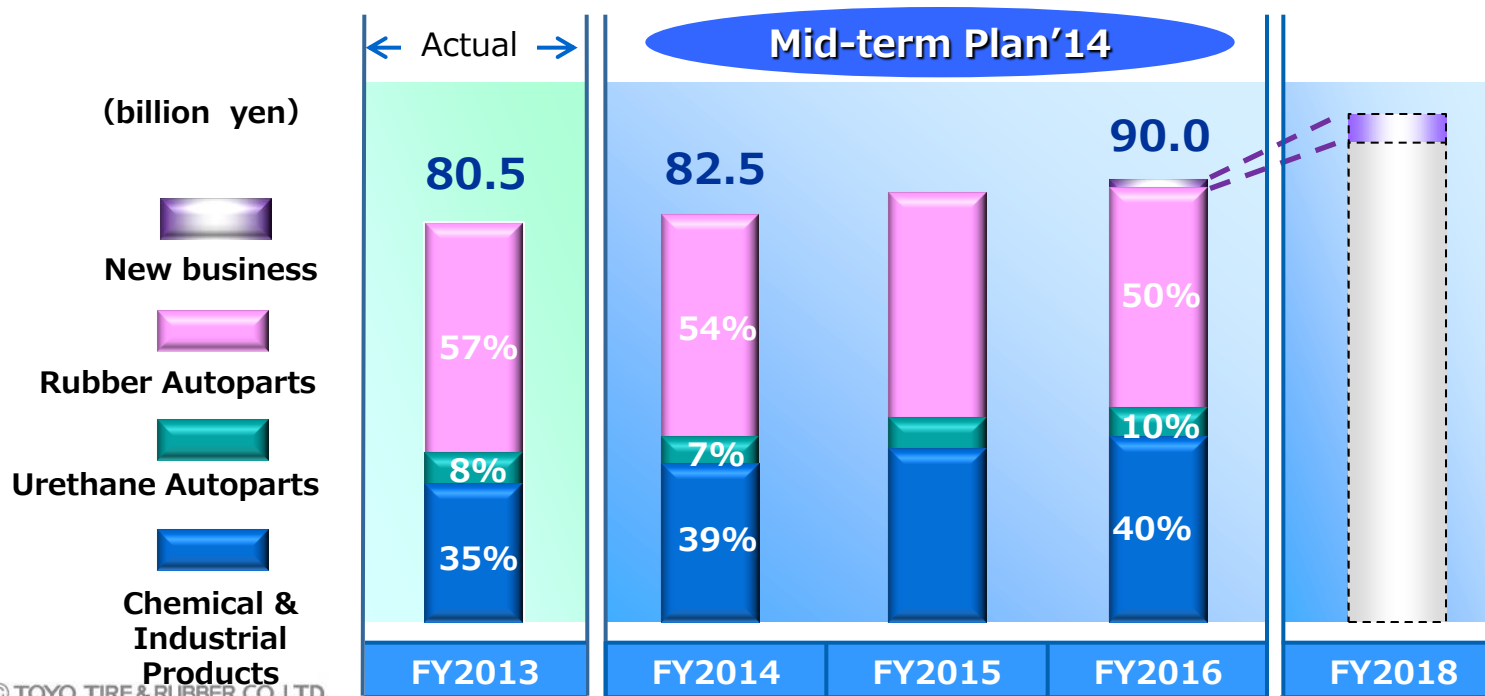
Sales	90 billion yen
Operating Profit	6 billion yen
O.P. Margin	6.7%

Mid '14 Business Policy

- Build profit structures for promotion of growth of business management based on business units
- Fortify businesses with key advantages and build solid foundation in Japan
- Strategic development in overseas markets aimed at improving cost competitiveness and expanding growth foundation

〔DiverTech Business〕 – 2) Business strategy for each business unit

Business Unit	Policy of each Business Unit
Rubber Autoparts Business Unit	Secure position as a global supplier and build supply structure
Urethane Autoparts Business Unit	Reconstruct sales strategy and domestic supply structure based on technical capability
Chemical & Industrial Products Business Unit	Expansion and deep cultivation of essential business and development of new emerging markets



〔DiverTech Business〕 Business Strategy – ① Rubber Autoparts BU

Secure position as a global supplier and build up a global supply system

Business Unit Strategy

Business development : bolster business in Mexico, ASEAN

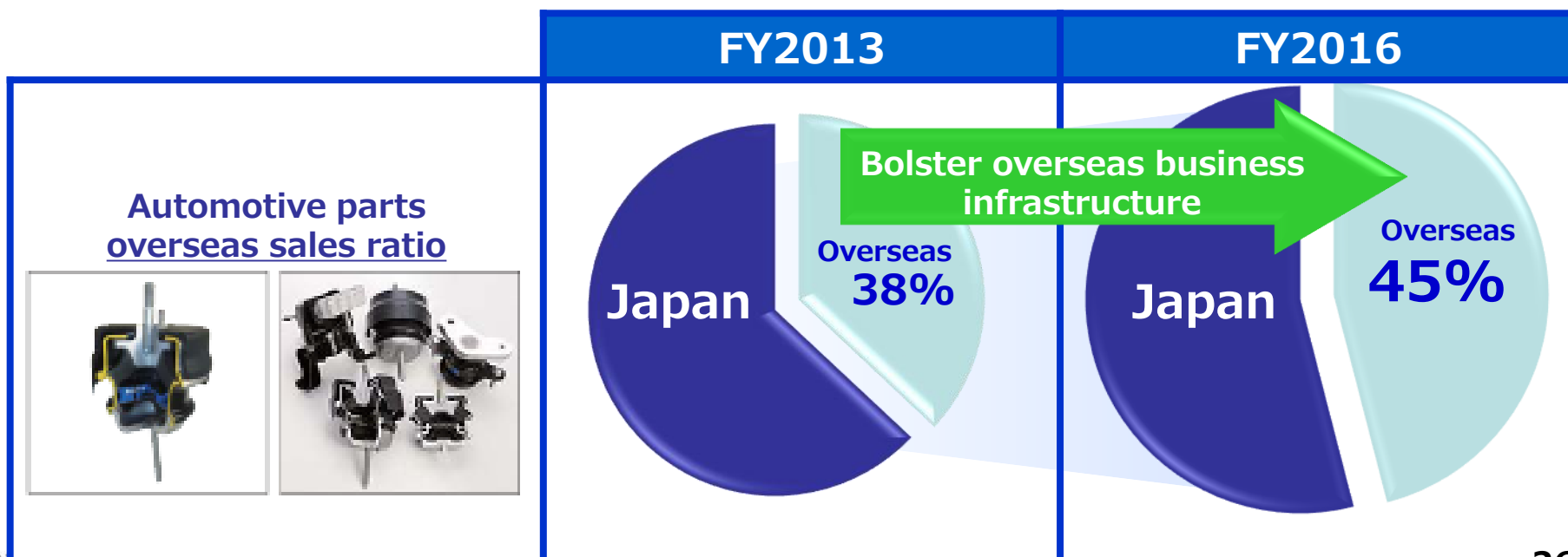
Technology strategy : localize development

Sales strategy : boost share, particularly in Japan

Manufacturing strategy : improve cost competitiveness

Action Plan

- ✓ Execute scheme for global supply structure
- ✓ Launch overseas technology base in order to handle European and American OEM
- ✓ Boost orders of high-value-added products focused on Japanese OEM
- ✓ Reduce costs (implement automated production lines, purchased goods cost)
- ✓ Bolster overseas business infrastructure



〔DiverTech Business〕 Business Strategy – ②Urethane Autoparts BU Restructure sales strategy and domestic supply structure based on technical capability

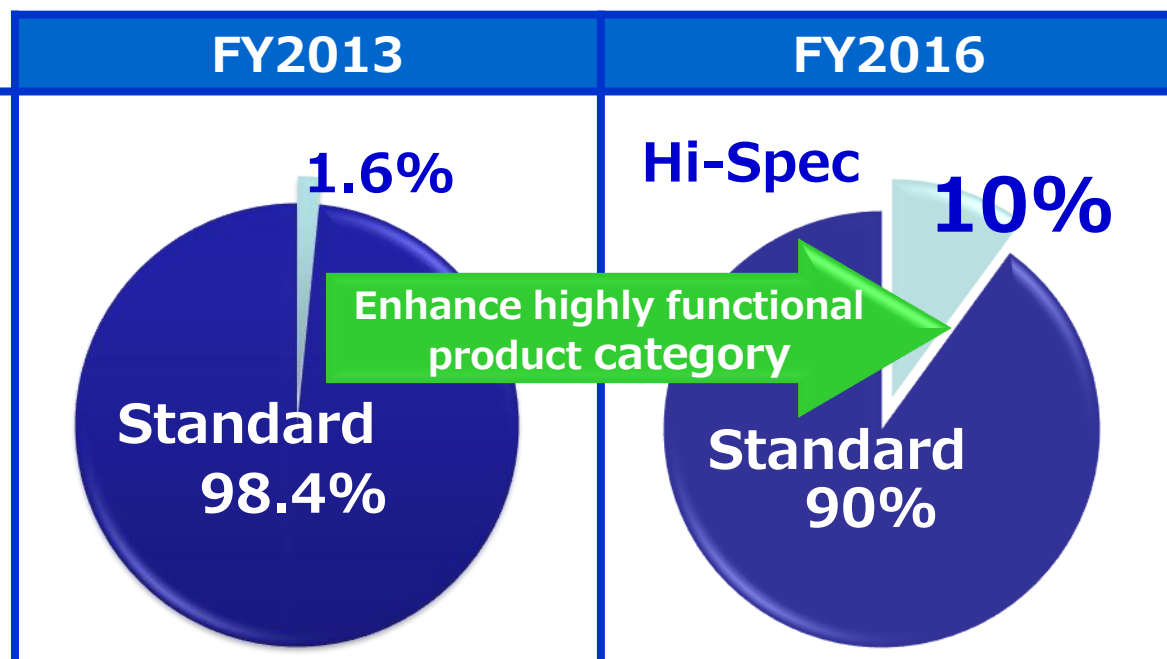
Business Unit Strategy

- Expand sales of highly functional products
- Secure optimal supply locations in Japan

Action Plan

- ✓ Bolster business foundation by securing orders
- ✓ Optimize resources for Japanese business bases
- ✓ Boost product competitiveness and improve customer satisfaction through differentiating technology

Urethane Autoparts Standard/Hi-end Sales ratio



〔DiverTech Business〕 Business Strategy – ③Chemical & Industrial Products

Expansion and deep cultivation of essential business and development of new emerging markets

Business Unit Strategy

- **Global development of railway car component business**
- **Gain dominant share in heat-resistant urethane products and expand overseas**

Action Plan

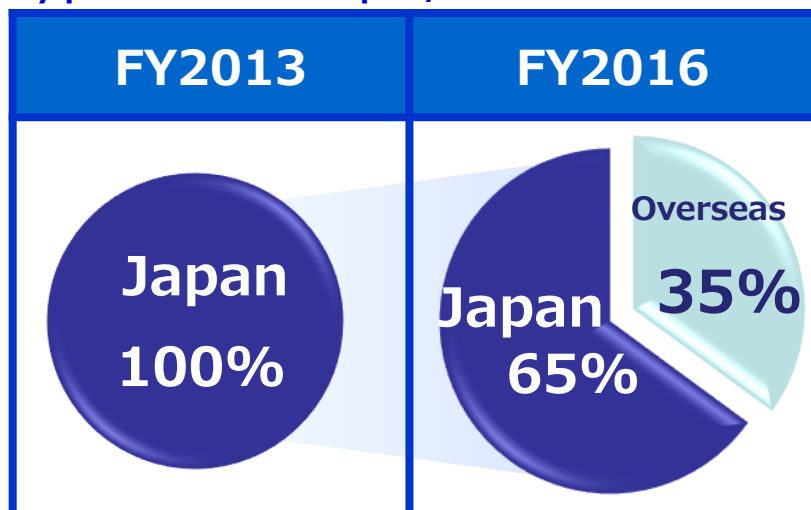
〔Industrial products business〕

- ✓ Concentrate resources in core businesses and develop business
- ✓ Consider overseas expansion based on technological capability
- ✓ Start railway car component factory in China
- ✓ Consider overseas production consignment scheme

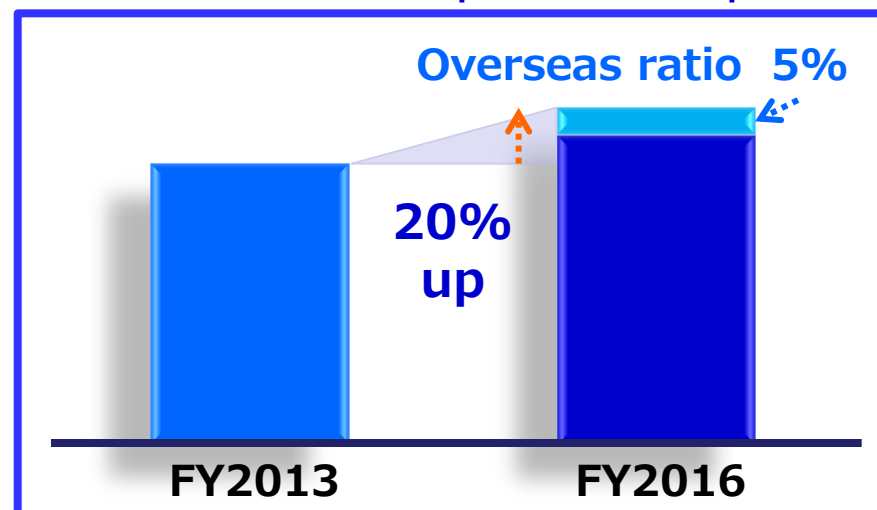
〔Urethan Buiness〕

- ✓ Grow from top share to dominating share
- ✓ Overseas expansion of liquid concentrate business (agriculture panels)
- ✓ Expand sales of new products
- ✓ Insulation materials for homes “Aitas”
- ✓ Liquid concentrate using new environmentally friendly foaming agent

Railway parts Business Japan/Overseas Production Ratio



Urethane insulation products Sales plan



〔DiverTech Business〕 – Creation of New Businesses

Effort to create new business in growth sectors

Develop new fields based on the company's core

Technologies of “rubber materials ” and “urethane materials”

Energy/Environment

- Material of control of permeability to gas
- Material of control of heat flow
- Monitoring of infrastructure

Life innovation

- Monitoring for medical purpose
- Material for Rehabilitation in medical purpose

Communication/Mobility

- Autoparts for small-scale mobility
- Safety monitoring of infrastructure

Agriculture

- Material for horticultural Industry
- Material for gardening

〔Corporate Function〕 – 1) Mid-term '14 policies

Environment surrounding management foundation

- ✓ Expansion and diversification of social responsibility accompanying globalization
- ✓ Accelerated change of management environment due to advancement of information infrastructure
- ✓ Increasing importance of risk management system that emphasized business continuity
- ✓ Growth of social awareness toward compliance and environment
- ✓ Diversification of awareness and values resulting from globalization of human resources

Challenges

- Improvement of management transparency and efficiency
- Establishment of structure for sustainable growth
- Proactive contribution to the environment and society

Mid '14 Basic Policy

Enhancement of **ESG** to support sustainable growth and development

Environment

(Environmental initiatives)

- Increase of environmentally friendly products
- Reduction of environmental impact in business management

Society

(Involvement with society)

- Utilization of a wide range of human resources
- Enhanced social responsibility and CSR procurement promotion

Governance

(Corporate governance)

- Strengthening of corporate governance
- Thorough compliance

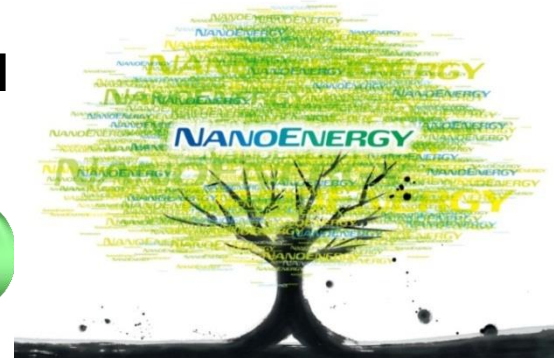
〔Corporate Function〕 -2) ESG Policy ① Environmental initiatives

Increase of environmentally friendly products

Development of “environmentally friendly products” based on prevention of global warming, resource conservation, safety and comfort

Reduction of environmental impact in business activities

- **Initiatives to reduce CO2 emissions**
Reduction of 15% by end of 2020 (*basic unit, compared to FY2005)
 - Energy-saving newly implemented equipment
 - Promotion of LED lighting
- **Initiatives to reduce waste**
Promote achievement of zero emissions at domestic /overseas bases
 - Overseas bases: landfill rate of 1% or less
 - Domestic bases: complete zero emissions (zero landfill)



〔Corporate Function〕 -2) ESG Policy ②Involvement with society

Enhancement of human resources foundation and work environment

- Development and promotion of hiring personnel that can succeed on the global stage
 - Aggressive hiring of career personnel in specialized fields
 - Creation of opportunities to excel beyond local borders
 - Development of the next generation's leaders
(implement high-level tiered training)
- Fulfillment of social demands
 - Promote female activity
 - Promote hiring of elderly and physically challenged individuals
 - Promote work/life balance



Enhanced social responsibility initiatives

- Expansion of Group's CSR initiatives and promotion of contribution to development of local societies

Enhance promotion of global procurement

- Building and promotion of mutual relationship of trust with domestic and overseas suppliers
- Expand overseas procurement rate, particularly in Asia and in developing nation

〔Corporate Function〕 -2) ESG Policy ③Corporate Governance

Improvement of management transparency

- Improvement of management transparency
 - Increase number of external directors and establish appropriate management audit functions
- Reinforcement of regional management functions in order to respond to globalization
 - Maintenance of management functions to support each BU scale and development stage
- Bolstering of risk management system
 - Securement and enhancement of “business continuity framework” for emergency situations (promotion of BCM)

Thorough compliance

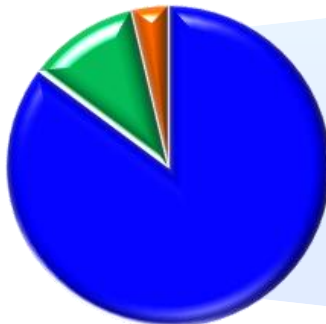
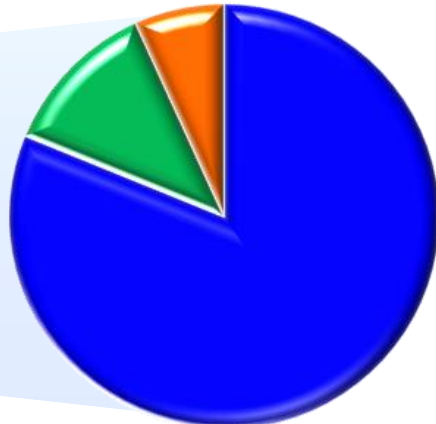






- Strengthening of global internal control structure
 - Internal controls within offices and divisions = Defining of CSA (control self-assessment)
- Establishment and reinforcement of global legal framework
 - Establishment of global compliance framework

4.Management Policy

Investment Plan

Ongoing Execution of Growth Investments

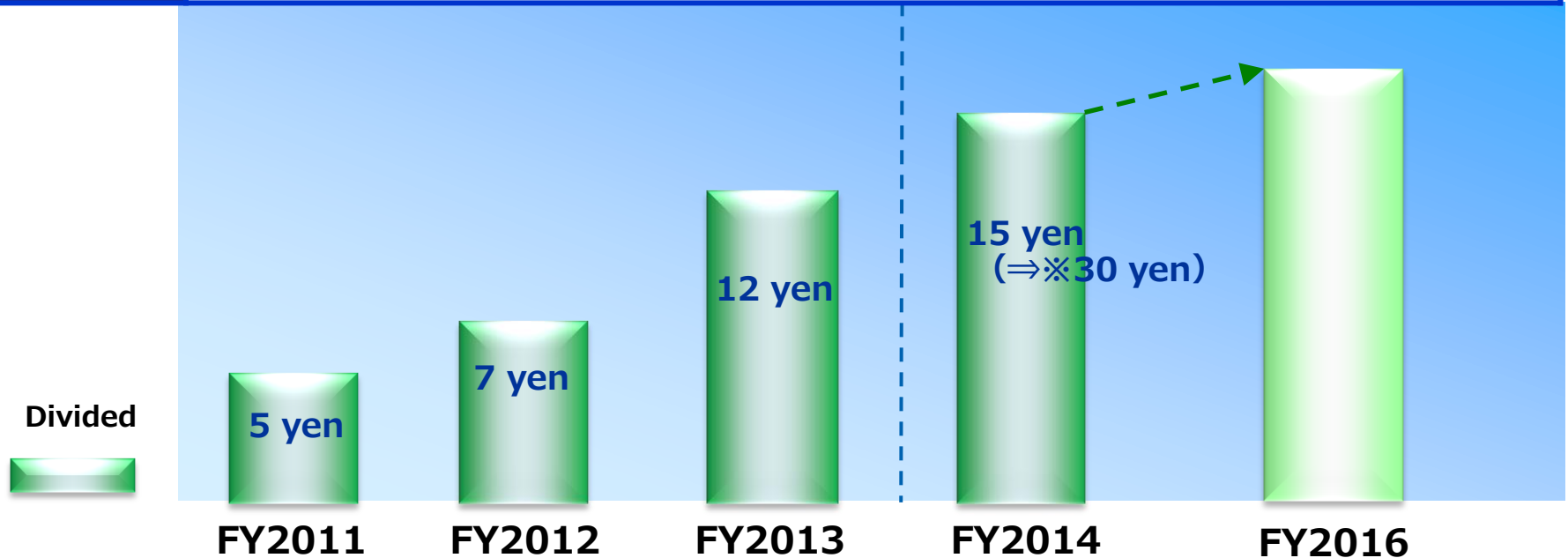
Unit: billion yen

Capital Investment	FY2011~FY2013 Actual	FY2014~FY2016 Plan
	81.0	130.0
<u>Business Segments</u>		
	<div><div><div> Tire</div><div> DiverTech</div><div> Others</div></div><div><div>69.0</div><div>9.0</div><div>3.0</div></div></div>	<div><div><div> Tire</div><div> DiverTech</div><div> Others</div></div><div><div>105.0</div><div>15.0</div><div>10.0</div></div></div>

4.Management Policy

Return to shareholders/dividend payout

	Policy
Shareholder Return	Upon securing internal reserves in order to fortify the company's financial strength and growth, the company will return a stable, ongoing dividend (*shareholder special benefits implemented from 2013)
Divided Ratio	Dividend payout of more than 20% as an index, upon consideration of various conditions

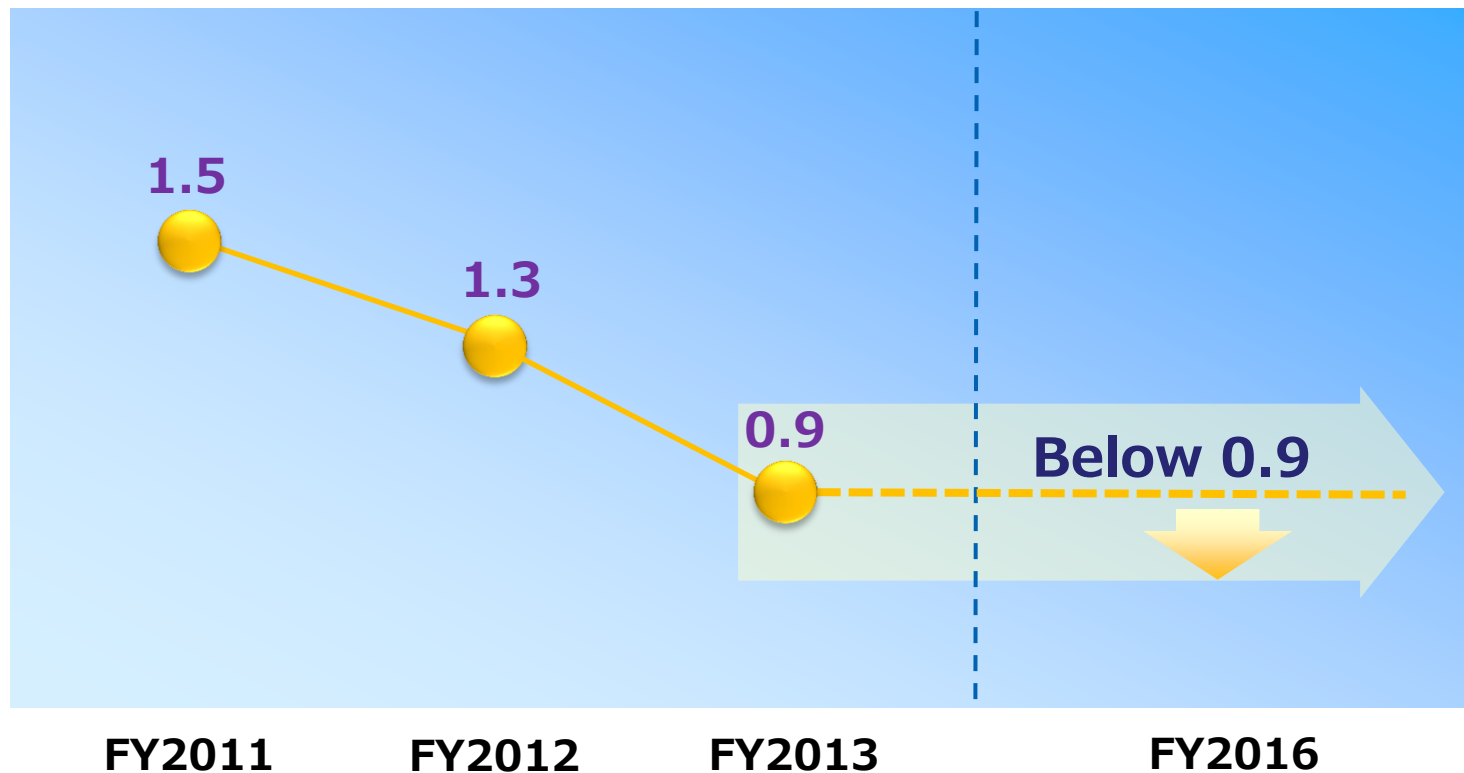


4.Management Policy

Interest-Bearing Debt, Debt Equity Ratio

	Policy
Finance	Emphasis on fund procurement balance accompanying soundness of financial strength and growth investments
D/E Ratio	0.9 or below Times


D/E Ratio



GO BEYOND

We will work to achieve the growth scenario we have drawn up, and all company employees will join as one to go beyond where we are today and strive to become a “unique company whose presence shines through globally.”

Please look forward to Toyo Tire group in the future



TOYO TIRES
driven to perform