

Mid-Term '17 : New Medium-Term Business Plan

~ Towards 2020 ~

March 10th 2017

TOYO TIRE & RUBBER CO., LTD.

Mid-Term '17: New Medium-Term Business Plan

1. Review of Mid-Term '14

- 1) Net Sales and Operating Income Trends
- 2) Review of Operations

2. Mid-Term '17

- 1) Management Objectives
- 2) Capital Investments

3. Growth Strategies

- 1) Tire Business
- 2) DiverTech Business

4. Corporate Reform

- 1) Strengthening Our Management Foundation
- 2) Reforming Corporate Culture

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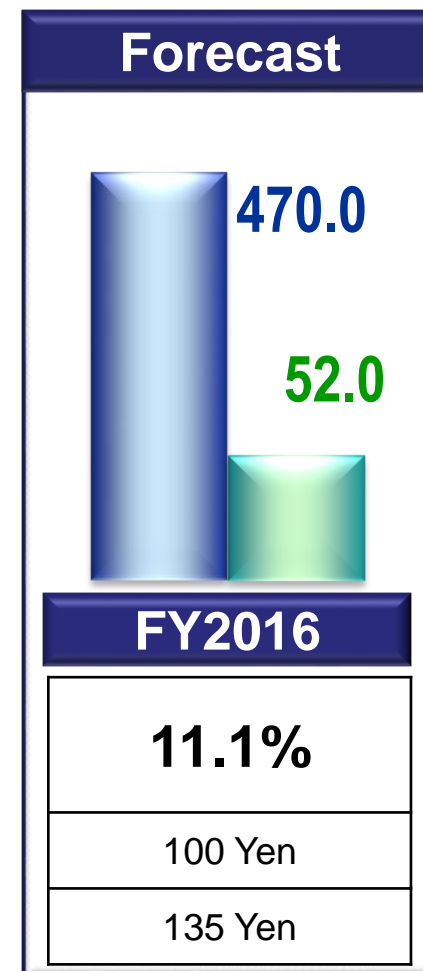
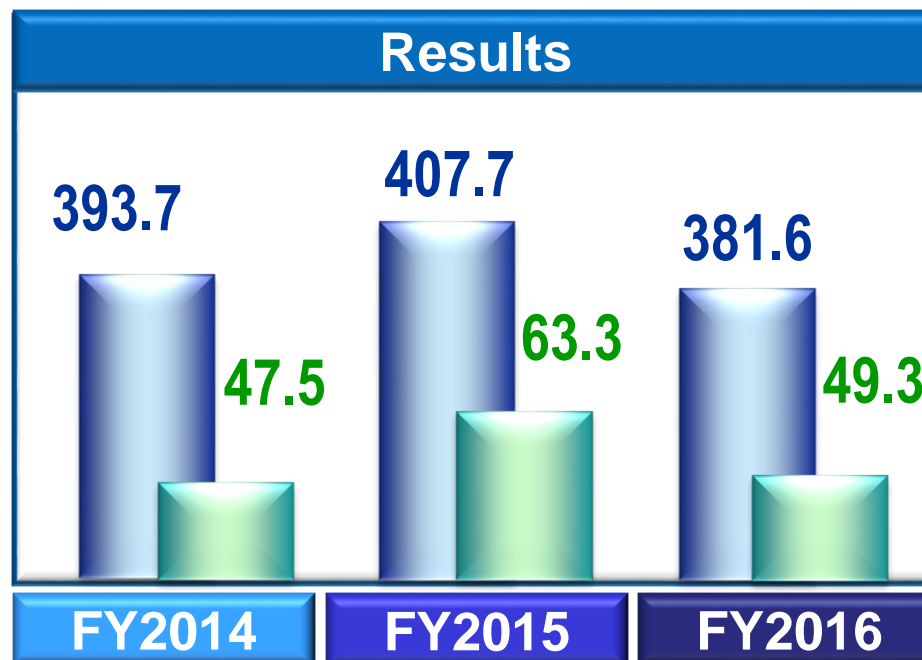
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1. Review of Mid-Term '14

1) Net Sales and Operating Income Trends

(Billions of yen)

 Net Sales
 Operating Income



Operating Income Margin		FY2014	FY2015	FY2016
		12.1%	15.5%	12.9%
Exchange Rate	US\$	105 Yen	121 Yen	110 Yen
	€	140 Yen	136 Yen	121 Yen

- ✓ Generated operating income mainly in N. America and achieved 12% plus operating margins
- ✓ Net sales and operating income levels were impacted by fluctuation in exchange rates and raw material costs
- ✓ Continued cash dividend payments of 45 yen/share

Tire Business

Mid-Term '14 Business Strategy

- Establish firm brand position in the SUV/CUV market, where Toyo Tires has strong presence
- Realize distinctive technologies to achieve top-class product competitiveness
- Strengthen product development capabilities for truck and bus tire category

Mid-Term '14 (FY2016) Targets

Net Sales	¥380.0 billion
Operating Income	¥46.0 billion
Operating Income Margin	12.1%

Primary initiatives during the period

- Completed expansion of U.S. and Malaysia plants
- Expanded Pickup truck/SUV/CUVs tire sales in key North American Market
- Developed new customers in North America and Europe
- Developed and launched SUV products in North America
- Advanced our new design platform technology: Nano Balance Technology
- Launched our fuel-efficient NANOENERGY truck and bus tires

FY2016 Results

Net Sales	¥303.9 billion
Operating Income	¥45.4 billion
Operating Income Margin	14.9%

DiverTech Business

Mid-Term '14 Business Strategy

- Establish a profit structure to promote growth by business units
- Fortify businesses with key advantages and build a solid foundation in Japan
- Strategic expansion of overseas markets focused on improved cost competitiveness and growth foundation

Mid-Term '14 (FY2016) Targets

Net Sales	¥90.0 billion
Operating Income	¥6.0 billion
Operating Income Margin	6.7%

Primary initiatives during the period

- Acquired new customers for automobile rubber parts
- Promoted a global supply structure for automobiles rubber parts
- Improved profitability by reorganizing production bases
- Overseas expansion of railway car components business and rigid polyurethane business
- Rebuilt our quality assurance system

FY2016 Results

Net Sales	¥77.5 billion
Operating Income	¥3.8 billion
Operating Income Margin	4.9%

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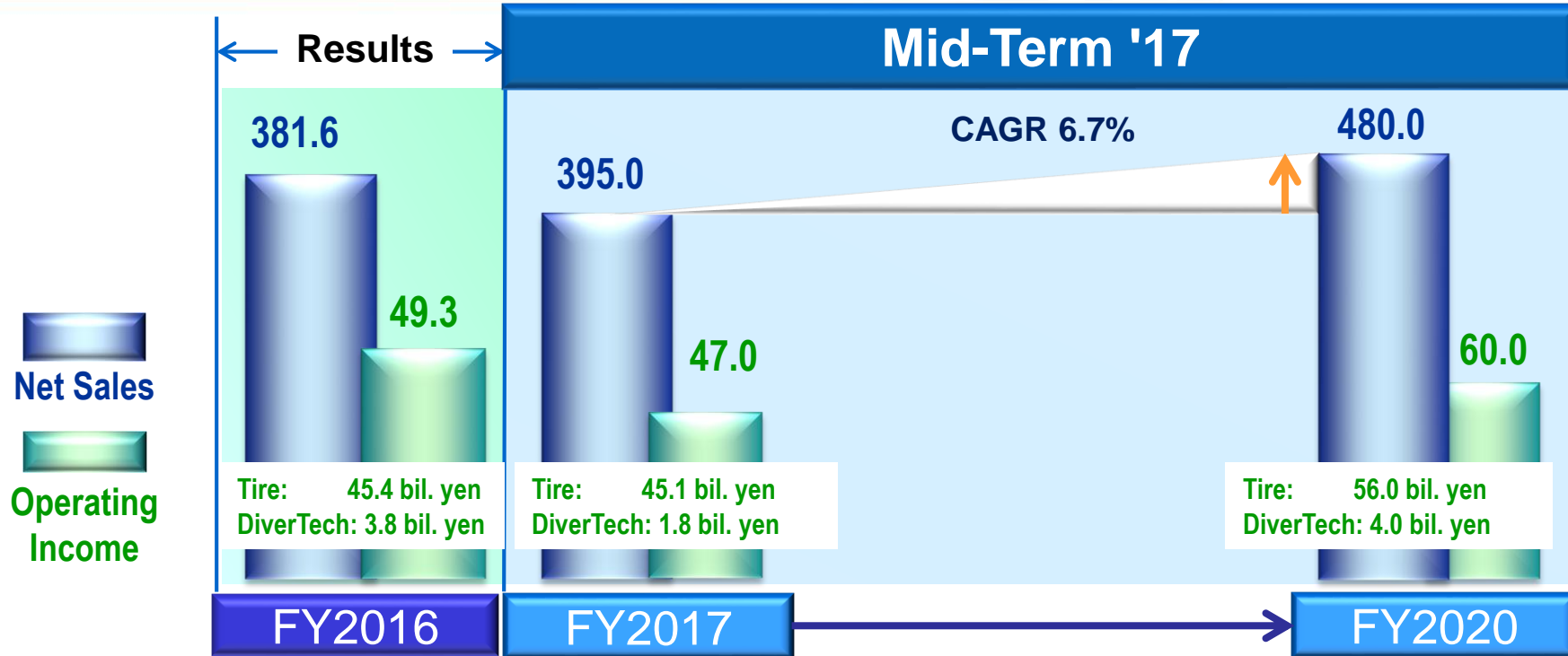
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2. Mid-Term '17

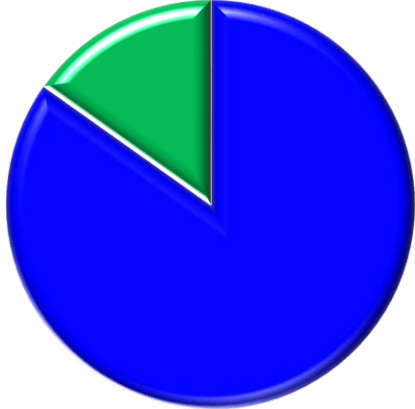

1) Management Objectives



Operating Income Margin	12.9%	11.9%	[Exchange rate]	12.5%
Tire	14.9%	14.1%	1US\$ = 110 Yen	14.0%
DiverTech	4.9%	2.4%	1€ = 115 Yen	5.0%

- ✓ 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

On-going investment in order to achieve business growth focusing on mobility

Capital investment	FY2013-FY2016 (4-year) Results	FY2017-FY2020 (4-year) Plan
	132.8 bil. yen	Approx. 128.0 bil. yen
<u>Review of Operations</u>	 <p> ● Tire 113.0 bil. yen ● DiverTech and other 19.8 bil. yen </p>	 <p> ● Tire 112.0 bil. yen ● DiverTech and other 16.0 bil. yen </p>

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Our challenges; Targets & Policies

Our awareness of business environment

- ✓ North America: demand is robust for large-size vehicles, but competition is intensifying
- ✓ Europe: improving technological competitiveness is essential
- ✓ China: the growth rate of tire market is high, but competition is severe
- ✓ Asia: growth is robust, but low-priced products are the mainstay
- ✓ Emerging markets: a slowdown in rate of growth

Our challenges for Mid-Term '17

- Bolster product portfolio
- Enhance sales force and promote brand strategy
- Develop distinctive technology
- Strengthen product and cost competitiveness
- Develop new global production methodologies
- Restructuring our plants in Japan

Mid-Term '17 Targets (FY2020)

Net Sales	400.0 bil. yen
Operating Income	56.0 bil. yen
Operating Income Margin	14.0%

Mid-Term '17 Business Policies

Bolster business foundation for maximizing profit

- Fortify structure to bolster product strength and increase sales in the North American market
- Optimize product mix responding to market trends
- Advance development and technological capabilities to help create products that surprise the world
- Improve brand strength and establish efficient supply system

Technological Strategy

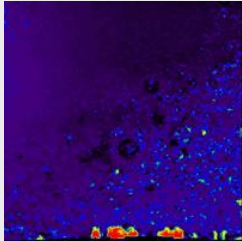
(1) Advance our original tire design technology

Nano Balance Technology

Boost to a new level the coexistence of low rolling resistance and conflicting performance goals

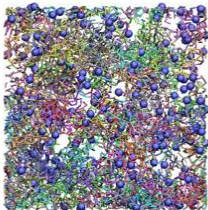
Nano-level analysis

observation of real time tire rubber road surface fitness by synchrotron radiation imaging technology



Nano-level simulation

quantitative tan delta evaluation



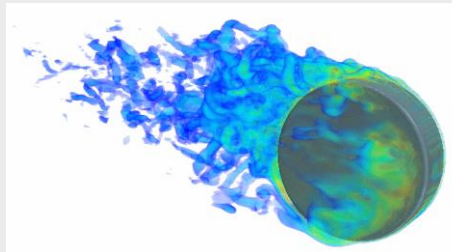
Computer Simulation Technology

Improve prediction accuracy for technological innovation

Tire & vehicle simulation



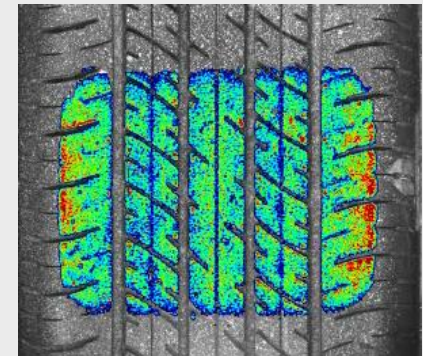
Aerodynamic simulation



Measuring and Evaluation Technology

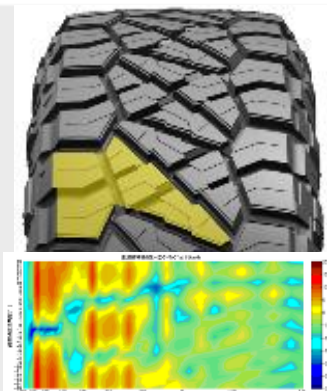
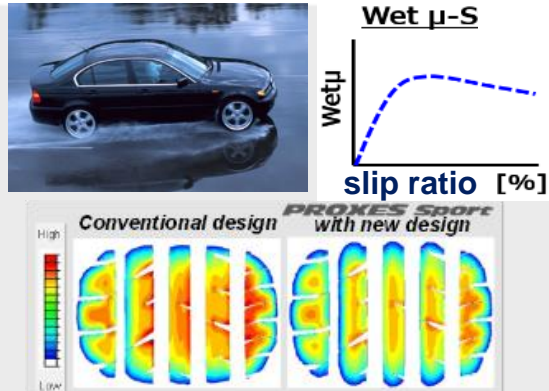


Visualization of contact area
Solve technological challenges to improve performance

Observing and evaluating the contact behavior under braking



Technological Strategy

(2) Innovating our Underlying Technology to Create New Products

Aggressive Design Technology	Wet Performance Enhancing Technology	Long-life Technology
Breakthrough realizing competing goals of distinctive design(tread, sidewall) and performance(wear life, noise, wet)	Breakthrough realizing competing goals of world-leading wet performance (such as μ , braking, handling), and low rolling resistance	Breakthrough realizing competing goals of improved wear life fuel efficiency, endurance
<ul style="list-style-type: none"> ➤ Design technology ➤ Rubber material technology 	<ul style="list-style-type: none"> ➤ Structure/shape design technology ➤ Pattern design technology ➤ Rubber, fiber material technology 	<ul style="list-style-type: none"> ➤ Structure/shape design technology ➤ Pattern design technology ➤ Rubber material technology
 <p>Example of noise optimization</p>	 <p>Example of optimization of contact behavior under braking</p>	<p><New material and processing technology> Reduction of energy loss through development of filler ultra-dispersion technology</p> <p>Conventional product (with agglomerations)</p>  <p>↓</p> <p>Developed product (Ultra dispersion capability)</p> 

Product Strategy

(1) Strengthen Product Development Expertise

Pickup Truck Tires	Passenger Car Tires	Truck and Bus Tires
<p>Bolster product competitiveness that further leverages our strengths</p> <ul style="list-style-type: none"> ➤ Pickup truck/SUV/CUV tires Continually launch distinctive products <p>Key expansion area: North America</p> <div>   <p>OPEN COUNTRY C/T</p> <p>RIDGE GRAPPLER</p> </div>	<p>Bring about technological expertise with a global presence</p> <ul style="list-style-type: none"> ➤ Launch high-performance products (including OE products) capable of recognition in Europe <p>Key expansion area: All markets</p> <div>  <p>PROXES Sport</p> </div>	<p>Establish position with superior technology</p> <ul style="list-style-type: none"> ➤ Launch premium products for N. America ➤ Launch fuel-efficient products for Japan <p>Key expansion area: North America, Japan</p> <div>  <p>NANOENERGY M166</p> </div>

Brand Strategy

Increase presence in the global market by expanding communications that utilize sponsorship activities

Appeal to the high performance levels of our tires



[Pickup trucks, SUVs]



[UHP]

Appeal to the aggressive nature of our brand through sports



[Soccer]



[Major League Baseball]

Sales Strategy

(1) Optimize product mix in response to market trends

North America

Further leverage our product strengths and sales force as sources of income

Europe/Middle East/Africa

Refine our technology and expand sales in the global market with products developed in Europe

Japan/China/South East Asia

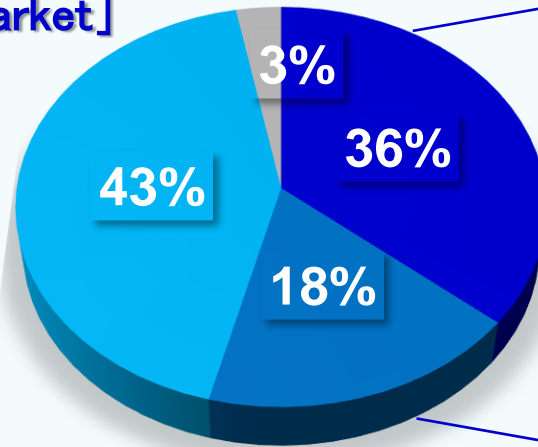
Increase high-value-added products centered on expanding SUV/CUV categories

Oceania/Latin America

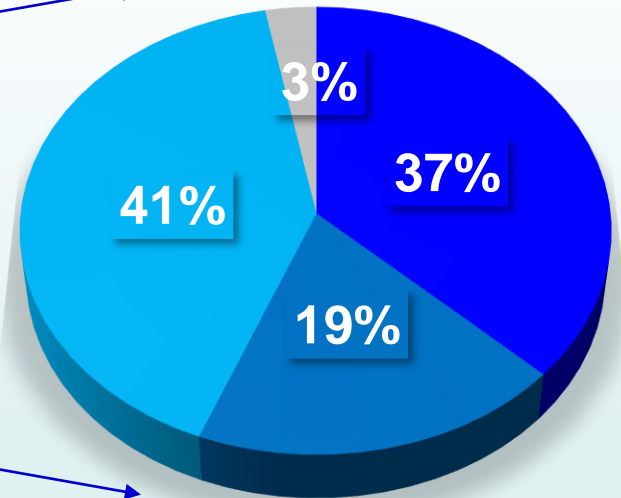
Markets in which to develop a foundation in the medium term by identifying market characteristics

[Tire sales ratio in each market]

- North America
- Europe/Middle East/Africa
- Japan/China/South East Asia
- Oceania/Latin America



FY2016



FY2020

3. Growth Strategies

1) Tire Business

TOYO TIRES
driven to perform

Sales Strategy

(2) Improving upon our strengths

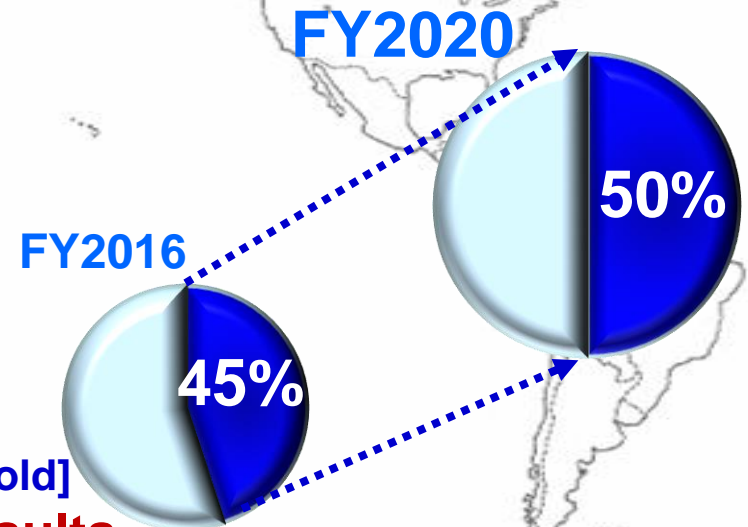
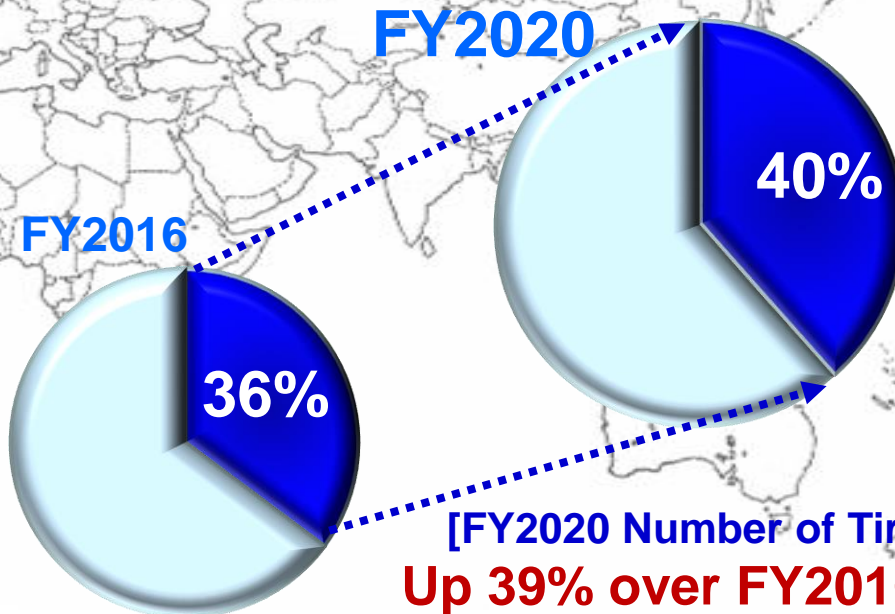
**Pickup truck/SUV/CUV
product category**

Our strengths



Composition ratio of pickup
truck/SUV/CUV tire sales
among global tire sales

Composition ratio of pickup
truck/SUV/CUV OEM tire sales
among global OEM tire sales



Market Strategy

(1) U.S. market: Raise our profile in the large-diameter Pickup truck tire segment

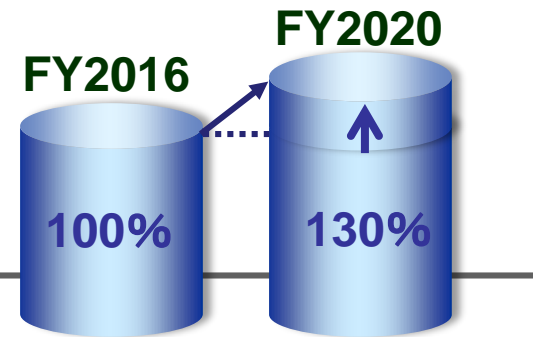
U.S./CANADA 2016		Sales(Bil.\$)
1	Bridgestone	\$7.7
2	Goodyear	\$6.7
3	Michelin	\$6.5
4	Continental	\$2.9
5	Cooper	\$2.1
6	Hankook	\$1.6
7	Toyo Tire	\$1.4
8	Yokohama	\$1.1
9	Sumitomo	\$0.8
10	Pirelli	\$0.5

source) MTD January 2017



Boost share in U.S.
in 2020 to 6% or above ,and build
the foundation for 5th position
(market share is based on the Company's estimates)

Establish firm brand position
in Pickup truck/SUV/CUV tire segment



Market Strategy

(1) North American market: Local operations that capture market trends

Strengthen marketing and R&D functions



Collect precise market information and analyze



Quickly develop and propose more advanced products



Supply high-quality, high-function, high-value-added tires in a timely fashion

Market Strategy

(1) North American market: Flexibility of supply to meet market trends

Automated construction method that accommodates small lot production of high-value-added tires



Market strategy

(2) Strengthening our technological foundation and pursuing global development out of Europe

European markets demand the highest performance specs

Strengthen marketing expertise

Aggregate information gathered on markets and technology with an eye on the future

Strengthen technological expertise

Establish European R&D functions

Europe

Japan

Strengthen tie-ups

Build strong platform technology

Strengthen product line to win globally

Deploy European-developed products globally

Supply Strategy : Optimize operations and strengthen portfolio

- Clearly define the features of each plant
- Optimize our supply chain management
- New production bases to ensure sustainable growth beyond 2020

New production bases

Japan

Strengthen production of
high-value-added products

North America

Flexible supply responding
to market trends

Malaysia

Strengthen cost competitiveness
of commodity products

China

Production focused
on local strengths



Our challenges; Objectives & Policies

Recognizing the business environment

- ✓ Acceleration of overseas expansion by Japanese automakers
- ✓ Graduated transition to next-generation products with environmental and energy friendly features
- ✓ Expanding mobility and infrastructure markets mainly in emerging markets
- ✓ Intensifying competition in global markets

Our challenges for Mid-Term '17

- Enhance lineup of highly functional products
- Promote establishment of a global supply structure
- Develop new customers (regions)
- Increase technical idea creation
- Strengthen cost competitiveness

Mid-Term '17 Targets (FY2020)

Net Sales	80.0 bil. yen
Operating Income	4.0 bil. yen
Operating Income Margin	5.0%

Mid-Term '17 Business Policies

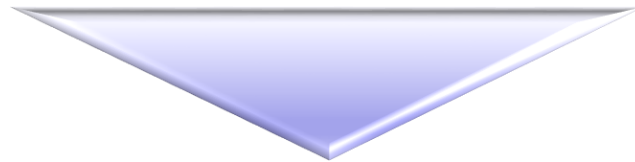
Establish position as a global supplier while emphasizing highly functional products

- Advance highly functional products leveraging our superior technology, while also decreasing manufacturing costs
- Establish a global supply structure through a customer-focused strategy
- Acquire new customers through a new organizational structure

Basic Strategy

Focus resources on fields offering future growth.

- (1) Synergies with Tire Business (sales, rubber technology, etc.)**
- (2) Propose comprehensive solutions to automakers (modularization)**
- (3) Aim for global growth through customer-focused strategies**

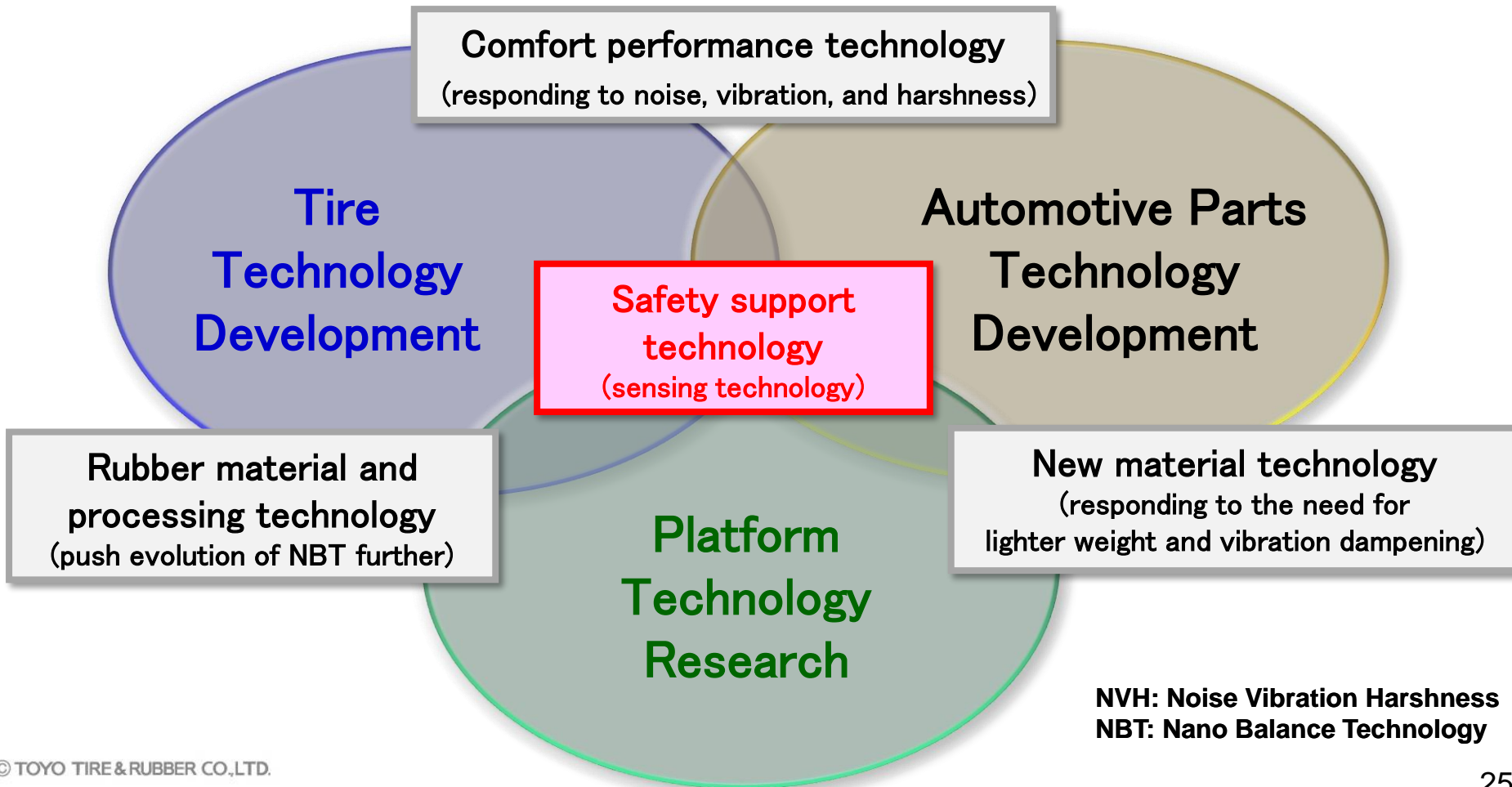


Accelerate global growth of automotive parts

Technology Strategy

A framework of new collaboration that ensures business growth, focusing on mobility

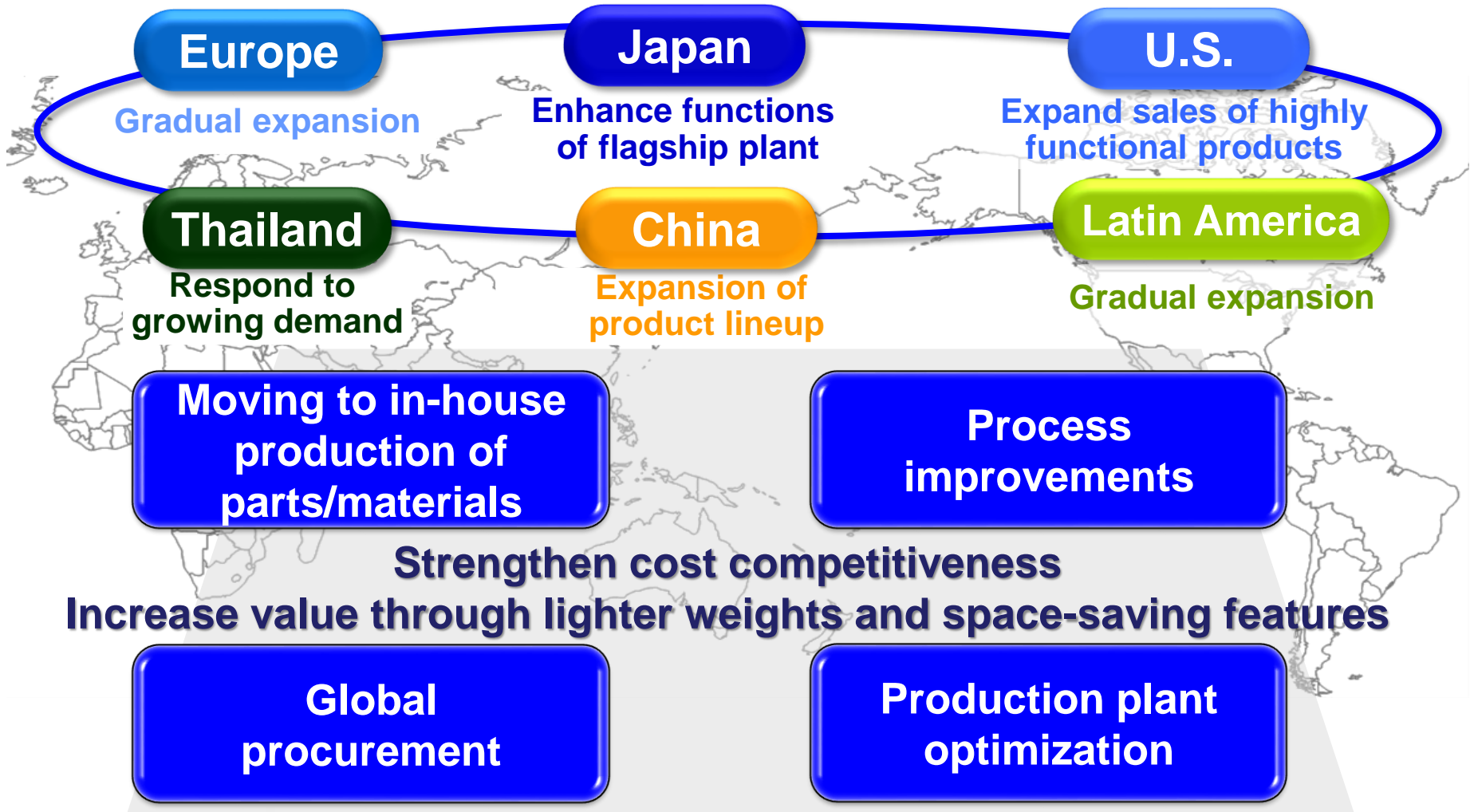
Maximize technological expertise by combining resources and know-how



Automotive Parts Business

[Customer-focused strategy]

Maintain position as a global supplier by keeping close connections to automakers



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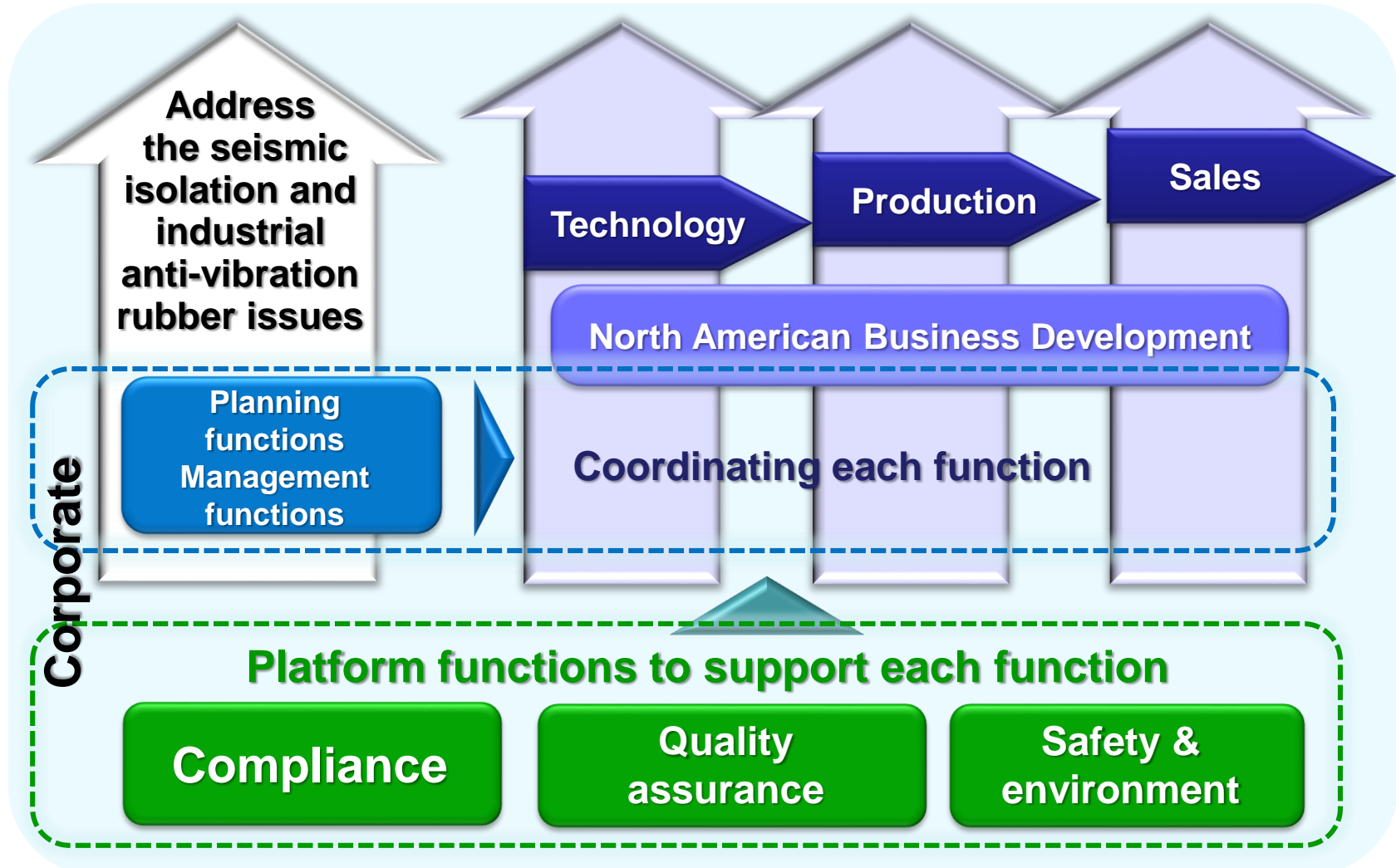
4. Corporate Reform

1) Strengthening Our Management Foundation

TOYO TIRES
driven to perform

Reorganize to functional divisions to strengthen management foundation

Each function to develop professional skills, and deliver as one team



4. Corporate Reform

1) Strengthening Our Management Foundation

We will fulfill our social responsibilities as a manufacturer and corporate functions will assume their roles as leaders towards sustainable growth

Fully maximize business organizational functions and skillfully coordinate harmonization and integration

Planning functions

Management functions

Support business organizational activities as "platform functions" prerequisite to business management

Compliance

- Education that spreads Our awareness of legal compliance to everyone without exceptions.
- Establishment of a crisis management system that includes early detection of improper behavior.

Quality assurance

- Quality assurance framework that allows customers to use our products with peace of mind.
- Greater visibility through improvement of methods for self-audits and regularly receiving third-party audits.

Safety & environment

- Strengthen rules, frameworks, and training giving safety top priority
- Reduce CO2 emissions 15% (compared to FY2005) by FY2020

Reformation and enhancement of work platforms that serve as sources of growth

Reformation of executives and employees awareness and improvement of team strength

Cultivate a good organizational culture and align vectors

- Promotion of management based on principles
- Spread and align Our awareness of our new principles in order to bring group cohesiveness

Unify awareness and functions as a single team

- Encourage organizational coordination for each business function
- Vitalize cross-divisional communication

Create the foundation for an open-minded human resources organization

- Fostering and strengthening professional human capital (training, placement, evaluation)
- Hiring practices for acquiring diverse human resources

Establishing a positive job environment

- Enhance executives and employees health management
- Encourage support for the careers of female employees
- Support the active participation of seniors

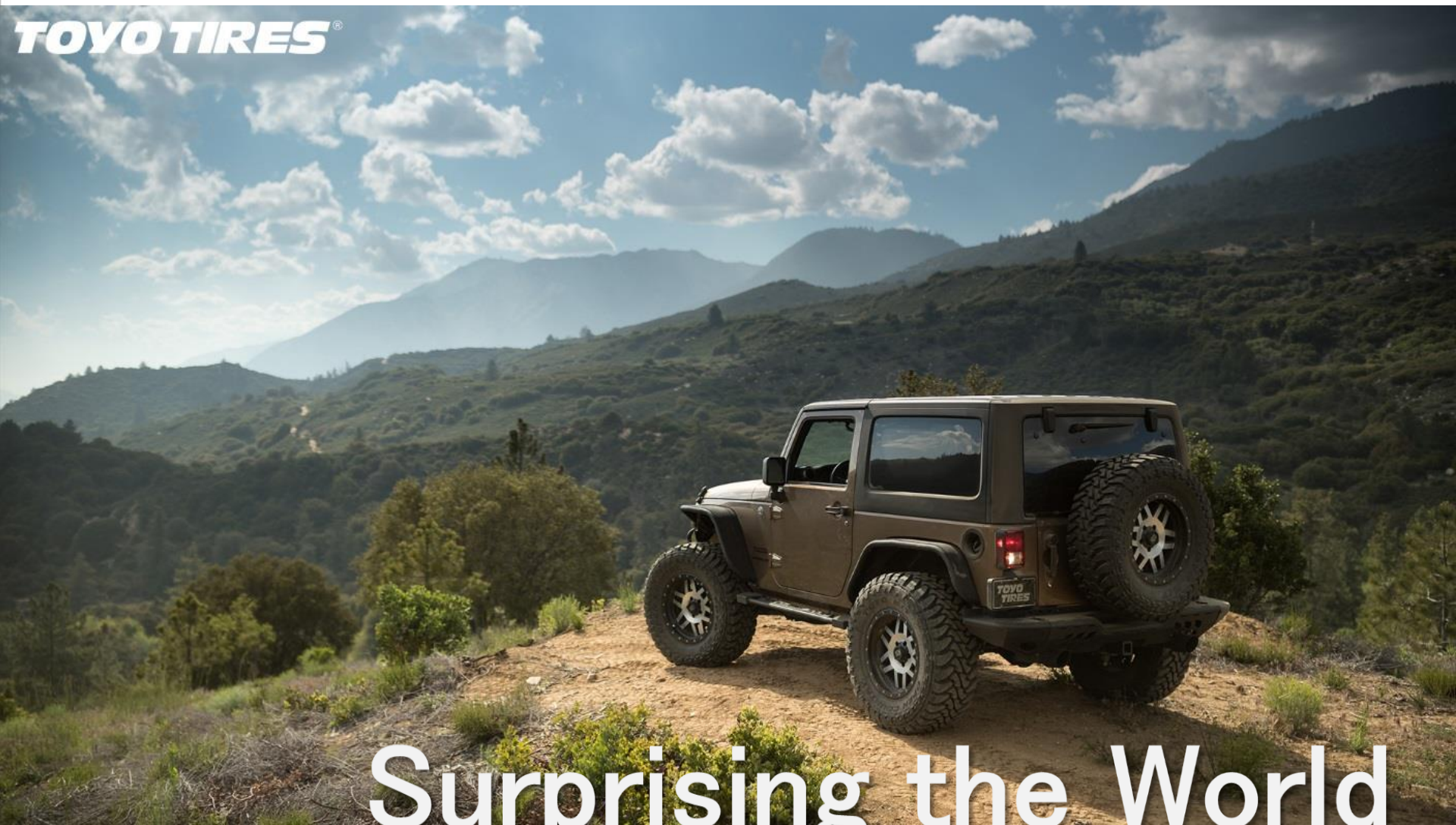


New principles enacted (January 1, 2017)

Cultivate a good corporate culture and reform our consciousness to become a company desired by society

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	Our goal is to be a company that: <ul style="list-style-type: none"> ✓ 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

TOYO TIRES®



Surprising the World

TOYO TIRES
driven to perform