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Message from the Chairman

Since its establishment in 1917, The Yokohama Rubber Co., Ltd. (YRC) has introduced numerous products including tires, industrial products and golf products. Intent on enriching and contributing to the lives of every customer as well as society as a whole, YRC is investing all of its energies in all production, sales and technology development processes.

This is an ongoing process within the YOKOHAMA Group both in Japan and across the globe.

We must earn an even more solid reputation worldwide in order to achieve further growth as a global company. In doing so, corporate value could well be considered the most concrete benchmark. I believe that the mission of a manufacturer is to "deliver the best products at competitive prices and on time," which will in turn contribute to enhancing our corporate value.

Needless to say, the foundation for this mission requires the utmost attention to "safety" and the "environment." We will imbue the leading technologies of every era with the passion of each and every member of the YOKOHAMA Group and contribute to the greater happiness and well-being of individuals, society and the world.



Tadanobu Nagumo
Chairman, CEO and Representative Director



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Yokohama Rubber's Value Creation Story

Yokohama Rubber's operation environment

Economic conditions

< World >

- Slowdown in growth in China and emerging countries
- Recovery trend in Europe
- Economy stable in the US

→ Gradual recovery in the global economy

< Japan >

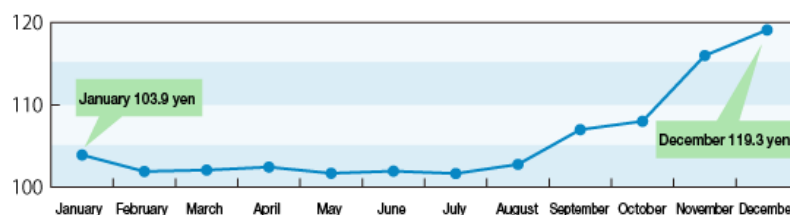
- Continued improvements in employment and corporate profits as a result of factors such as the government's economic policy

→ Gradual recovery in the economy

Status of the tire industry

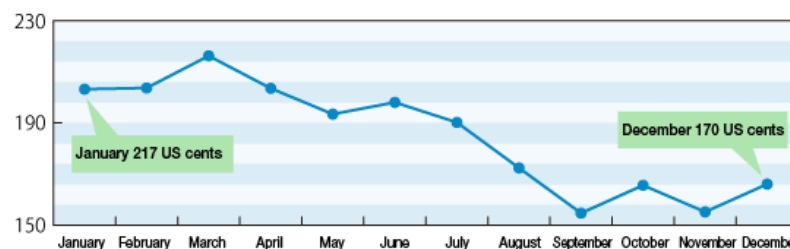
While the advance of yen depreciation has continued from last year and the prices of raw materials such as natural rubber and crude oil have fallen, the operating environment remains difficult due to intensifying price competition. We continued to respond by working to strengthen sales capabilities, improve operational efficiency, and reduce costs.

< Exchange rates >



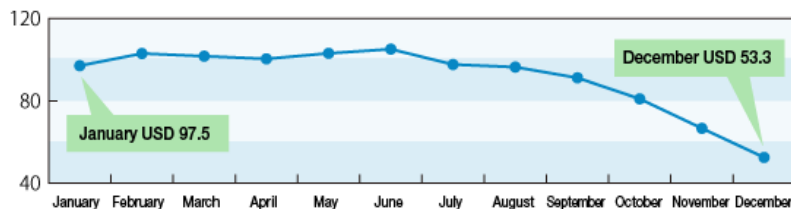
* Monthly average foreign exchange rate (yen/dollar) Source: Bank of Japan

< Natural rubber price >



*No. RSS3 Month-end final price (US cent/kg) Source: Singapore Commodity Exchange

< Crude oil price >



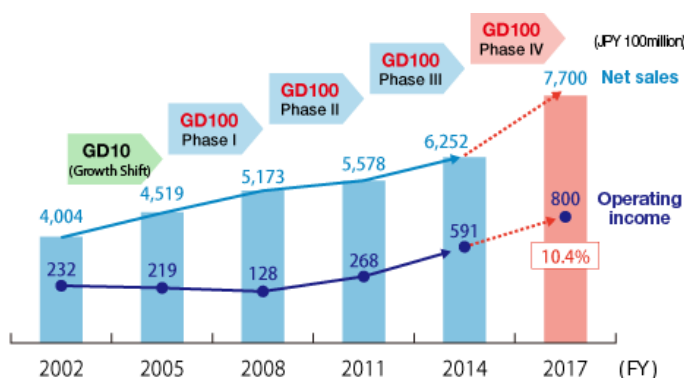
*WTI month-end final price (USD/barrel) Source: New York Mercantile Exchange

The strategy of the medium-range management plan is executed based on future predictions in consideration of this situation and an analysis of strengths, weaknesses, risks, and opportunities.

Medium-range Management Plan Grand Design (GD100)

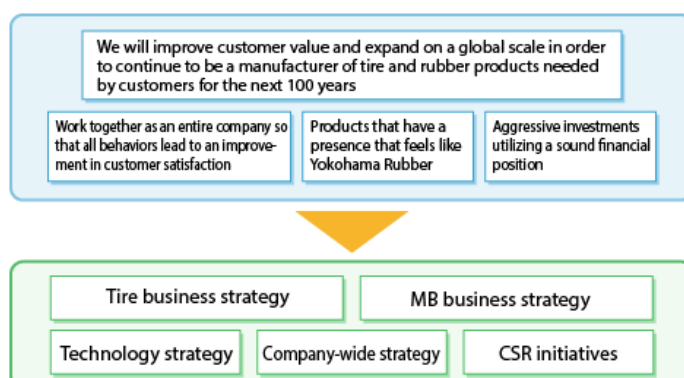
GD100 is the Yokohama Rubber Group's medium-range management plan that was started from 2006. With the vision of "we will evoke a distinctive global identity in building corporate value and in building a strong market presence" to mark the Yokohama Centennial in FY2017, net sales of 1 trillion yen, operating income of 100 billion yen, and an operating margin of 10% were set in FY2006 as the initial long-term financial targets for FY2017.

GD100 is separated into four phases of three years, and Phase III (nine years) was completed in FY2014. For Phase III from FY2012 to FY2014, while net sales of 1,800 billion yen, operating income of 150 billion yen, and an operating margin of 8.3% were set as the targets for three-year totals, the results were net sales of 1,786.6 billion yen, operating income of 165.4 billion yen, and an operating margin of 9.3%, meaning that while net sales fell short of the target, the target was exceeded for the other two benchmarks. Currently, we are working towards the targets for net sales of 770 billion yen, operating income of 80 billion yen, and an operating margin of 10.4% for Phase IV.



Phase IV: All for Growth

Phase IV (2015 to 2017) is the culmination of GD100 and is positioned as the phase for setting the stage for progress in our company's second century and resolving issues that have arisen up until now based on the theme of "All for Growth—Open the way for the next 100 years by bring together the potential of Yokohama Rubber". We hope to bring together all forms of growth in our business activities, including the growth achieved each phase, growth of the Group overall, and individual growth. Net sales of 770 billion yen, operating income of 80 billion yen, and an operating margin of 10.4% were set as the quantitative targets for 2017.



We promise to create the value as we implement the GD100 strategy and provide value to society.

Value provided to stakeholders (Yokohama Rubber's Important Issues)

- Customers
We supply safe and secure products through manufacturing focused on the heart and technology.
- Employees
We value and develop our people, and create opportunities for people.
- Shareholders and investors
We improve our company value by growing business opportunities.
- Local communities
We build a trusted identity as a contributing member of the global community by making contributions to the development and prosperity of local communities.
- Environment
We challenge to build a sustainable society in harmony with the environment, to protect our blue planet and human beings.
- Business partners and suppliers
We promote CSR activities throughout the value chain.

Development of technologies for a sustainable society

Receipt of the "Raifen 2014" Innovation Award for tire simulation technologies

Yokohama Rubber is actively pursuing the development of next-generation environmental technologies utilizing simulations. The hydraulic sound simulation technologies developed with Professor Kozo Fujii (Japan Aerospace eXploration Agency, Institute of Space and Astronautical Science) received the grand prize "Innovation Award" in the field of "Technology/Products" at "Raifen 2014 (Germany)" that is one of the world's largest tire shows.

The tires became the first in the world to capture the noise that is generated from the air turbulence around tires that rotate on the road at nearly real scale. It is hoped that pursuing this technology will make the living environment better by decreasing noise from driving vehicles that are passing by and that lowering the air resistance of tires that are running will lead to further improvements in fuel efficiency performance.

Furthermore, as this technology can accurately simulate the flow of air around tires, proposals for concept tires such as fin tires are gaining much attention.

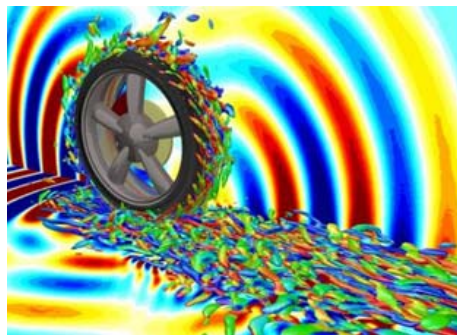


Figure 1: First in the world to capture the noise generated around tires when actual tires run



Figure 2: Grand prize "Innovation Award" plaque in the field of "Technology/Products"

<http://www.yrc.co.jp/release/?id=2257&lang=en&sp=20&year=2014>

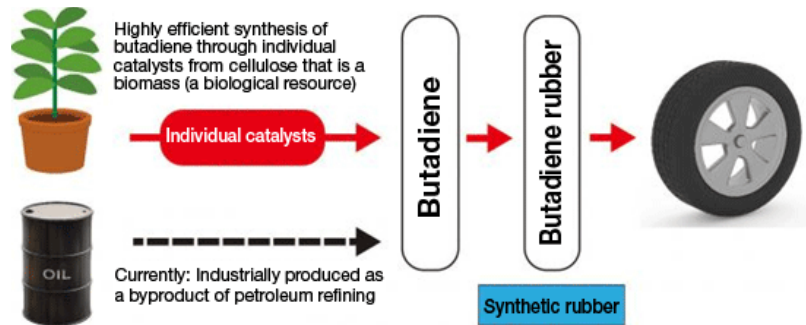
Development of new technologies for biomass-derived synthetic rubber (butadiene rubber)

Through joint research with the Tokyo Institute of Technology (Interdisciplinary Graduate School of Science and Engineering, Professor Toshihide Baba), we succeeded in developing catalysts that are composed of direct butadiene from cellulose (sugar that is the main component of plant fiber) that is a biomass (a biological resource).

Butadiene that is industrially produced from petroleum is used as a raw material for synthetic rubber (butadiene rubber) that serves as the raw material for automobile tires.

We will continue with catalyst design for mass production as we aim to achieve practical application with the first half of 2020 as a target. The development of this new technology will lead to a reduction in fossil fuel use and contribute to reductions in carbon dioxide that contributes to global warming.

Image of synthetic rubber (butadiene rubber) with biomass as a raw material



Four engineers awarded by the Society of Rubber Science and Technology, Japan for research in rubber technology

The "53rd Rubber Technology Merit Award" and "62nd Excelling Paper Award" from the Society of Rubber Science and Technology, Japan were received for rubber technology research by four of our engineers. The "Rubber Technology Merit Award" recognizes technologies that have contributed to the industry among members through significant achievements that improve production technology related to the rubber and plastic industry, and it was received by only Asahi Ahagon of Yokohama Rubber. The "Excelling Paper Award" recognizes particularly excellent papers published in the Society's journal over the past three years, and two papers from Naoya Amino, Masaki Sato, and Yasuhiro Ishikawa of Yokohama Rubber were selected from among 28 papers to receive this award.

Yokohama Rubber's prepreg for aircraft structures registered as a Future Technology Heritage

Our prepreg for aircraft structures was registered as Essential Historical Materials for Science and Technology (nicknamed: Future Technology Heritage) for FY2014 certified by the National Museum of Nature and Science in Taito Ward, Tokyo (registration number 00154). The conferment ceremony for the certificate of registration and commemoration plaque was held at the National Museum of Nature and Science in September.

Prepreg is a sheet of glass fiber and carbon fiber impregnated with resin that is layered in the prescribed shape and cured by heat to create fiber-reinforced plastic. The prepreg developed by our company in 1978 cleared the stringent quality control requirements of Boeing (US) and has been well received after being the first Japan-made materials certified as aircraft structure materials, and a prepreg sample from the time that still survives at the Hiratsuka Factory (Hiratsuka City, Kanagawa Prefecture) that is the production base for the product became the registered heritage.

During FY2014, 49 items were registered as Future Technology Heritage, and there is now a total of 184 registered items.



Future Technology Heritage commemoration plaque and certificate of registration

Development of colorless and highly transparent blue light cut film that is ideal for applications such as tablet devices

We have developed "YF-R Series" film that is colorless, transparent to enable reproduction without losing the original color of the liquid crystal display while cutting (damping) blue light that is emitted from LED light sources used in the backlight of liquid crystal displays. It is the world's first technology that can effectively cut the overall wavelength area of blue light with a colorless and transparent film. As it is easy on the eyes and easily reproduces natural colors, we aim to promote use for tablet devices, PCs, and smartphones.

"Urban Roof NX-3 Method" for urethane coating waterproof materials

Our "Urban Roof NX-3 Method" waterproof materials for buildings, apartments, etc. acquired a verification number in the FY2014 Environmental Technology Verification Project (ETV) on Heat-Island Mitigation Technologies conducted by the Ministry of the Environment. The Environmental Technology Verification Project is a project that promotes the spread of environmental technology among local public organizations and companies through evaluation tests on advanced environmental technologies that are recruited and the objective verification of the environmental conservation effects.

With the acquisition of the verification number, we will make more active proposals to businesses including contractors and design offices active in heat-island mitigation in addition to our original clients.

These demonstration results have been released on the "List of Demonstrated Technologies" on the website of the Ministry of the Environment.

*Urban Roof NX-3 Method

"Primer U-300KZ" is used as an undercoating material, the low-thermal-conductivity urethane rubber waterproof material "Urban Roof NX" is used as middle coating, and highly-reflective "Urban Top H Thermal Insulation" paint for the paint finish.

In addition to the heat-island mitigation effects, because of its low-specific-gravity (specific gravity of 1.0), longer building life is achieved as it makes lower-weight buildings possible and CO₂ emissions kept low at the time of shipment. Furthermore, it is an environmentally-friendly product as it does not contain any harmful organic solvents such as benzene, toluene, or xylene.



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Stakeholder Dialogue

Topics (Consolidating our Growth Potential)

Stakeholder Dialogue

Toward the Final Phase of Striking a balance between CSR and business operations



From left to right

Outside Expert Ms. Mariko Kawaguchi
Chief Researcher,
Research Division, Daiwa Institute of Research Ltd.

The Yokohama Rubber Co.,Ltd. Ichirou Suzuki
Associate Corporate Officer
CSR & Environmental Affairs Department CSR Division

The Yokohama Rubber Co.,Ltd. Fumio Morita
Director and Managing Corporate Officer
Head of CSR Division

Outside Expert Mr. Hideto Kawakita
International Institute for
Human Organization and the Earth (IIHOE)

Actions Needed to Achieve More Strategic CSR

Yokohama Rubber is currently implementing its medium-term management plan called Grand Design (GD) 100^{*1}, which leads the company to its centennial celebration in FY 2017. To mark the start of the Phase IV, the last phase, Yokohama Rubber has identified materiality (important issues) it must address in order to balance CSR^{*2} with its business activities.

The objective of this year's stakeholder dialogue is to revisit Yokohama Rubber's strategic approaches to CSR going forward utilizing outside perspectives. Mr. Hideto Kawakita of International Institute for Human Organization and the Earth and Ms. Mariko Kawaguchi of Daiwa Institute of Research Ltd. joined this year's dialogue session to views based on their broad perspectives.

At first, the dialogue recognized that automakers, who are the main customers of Yokohama Rubber, are stepping up their oversight of the supply chain^{*3}, including Yokohama Rubber, to ensure thorough compliance with their environmental, social and governance (ESG) initiatives, which in turn has drawn greater attention to ESG information globally.

Ichiro Suzuki, head of Yokohama Rubber's CSR & Environmental Affairs Department, stated, "I feel strong pressure to satisfy the information requests that come in from our customers. I believe we need to effectively use this pressure to provide a spark toward making our own changes." Suzuki also explained how Yokohama Rubber is already undertaking studies on water risk and human rights issues on a worldwide scale given its recognition that its activities have a large impact on society.

Mr. Kawakita pointed out the importance of producing value through proactive CSR based on a clear understanding of materiality. Ms. Kawaguchi spoke about the perspectives that investors use to evaluate ESG information, based on her stance as a professional in the field of socially responsible investing.

After hearing these views, Fumio Morita, Director and Managing Corporate Officer in charge of CSR, stated, "We need to create a future roadmap for what and how to rollout CSR initiatives that are broad reaching and unique to Yokohama Rubber. Going forward, we will emphasize dialogue with outside stakeholders to promote CSR that is consistent with our business activities."

^{*1} Medium-term Management Plan (GD100) :

Grand Design 100 is the name of the medium-term management plan launched by the Yokohama Group in fiscal 2006. The 12-year plan spans until fiscal 2017 when the company will celebrate its 100th anniversary and comprises four phases. Fiscal 2015 to fiscal 2017 is Phase 4, the final phase of the plan.

^{*2} CSR :

An acronym for corporate social responsibility. At Yokohama Rubber, we view CSR - as the trust placed in a company by society. Toward that end, we are working to build a trusted identity as a contributing member of the global community.

^{*3} Supply chain:

The series of activities or stakeholders providing products and services to an organization.



Opinions from Ms. Mariko Kawaguchi

— Deepen Company-wide Understanding of CSR

The question "Why?" should be examined more in-depth within Yokohama Rubber because this needs to be answered before CSR initiatives are officially initiated. Making an effort because a corporate customer asked for ESG information without understanding the importance or background more than likely will end in paperwork that simply reports predetermined matters in form alone. Whenever you start a new environmental activity, it's essential that each and every employee begins to think about how protecting forest biodiversity in a faraway country can come back to affect the company's business activities.

Upon implementation, it is important to strike a balance between the accountability of departments in charge of each material issue and management's commitment to linking initiatives organically. In recent years, stronger emphasis has been given to the latter, so I would like Yokohama Rubber to be mindful of this when disclosing information.

— Broadly Share the Importance of Using Resources Effectively

Recently, companies have tended to focus only on reducing CO₂ emissions when it comes to their environmental initiatives, but effective use of resources is also a theme that should not be overlooked. Reducing the amount of raw materials used and increasing the rate of recycling will address cost issues as well as support the continuity of the business through raw materials acquisition. In particular, Yokohama Rubber, as a tire manufacturer, faces the major challenge of securing stable supplies of natural and synthetic rubber. I hope you can share the importance of pursuing resource efficiency with consumers in an easy-to-understand manner.

— Accept Accountability as a Multinational Corporation

The more broadly a company's businesses are globalized, the further you get from being able to say that doesn't involve us when it comes to problems or suspicions. As a multinational corporation, Yokohama Rubber must be prepared to deal with every type of voice when it comes to CSR. Automakers, which are your main customers, have already firmed up this stance and they prefer to do business with companies in the supply chain that are doing the same thing.

Also, Yokohama Rubber continues to expand aggressively under GD100, with particular emphasis given to M&A strategy. It will be important to evaluate, with greater certainty, the companies you will be working with from an ESG perspective, in order to fully understand the hidden risks with these companies.

Response from Yokohama Rubber

Shifting Business Activities to Provide Value Required by Stakeholders^{*4}

One of Yokohama Rubber's most important missions is to provide products and services packaged together in support of traffic conditions in regions and the lifestyles of each age group. For this reason, we will look to develop products and services that incorporate our strengths of material recycling technology and design technology that seeks to balance safety with drivability. At our production sites with water risks, we will protect biodiversity and move forward with activities that integrate our business activities with CSR so that we can contribute to the sustainable growth of our business and local communities.

^{*4}Stakeholders :

The individuals, groups and concerned interests with a stake in the activities of a company or any other organization.



Opinions from Mr. Hideto Kawakita

- Increase Transparency for the Disclosure of ESG Information

External pressure about ESG compliance will only continue to grow going forward. Instead of responding as an individual company to the requests of automakers as they are made, Yokohama rubber needs to set up a system that first and foremost understands the consumer, investor and society, which are found further

downstream.

In many cases, automakers do not demand their business partners to be engaging in advanced ESG initiatives at the current point in time. Instead, they want business partners to make it clear their progress as of today using thorough visualization. This makes increased transparency one of the major issues of late.

- Make Contributions to the Value of Safety

CSR should not be viewed as something to carry out from a defensive posture to combat risk. CSR should focus on producing value using a proactive approach. For example, Yokohama Rubber's tire business provides the two values of reduced environmental impacts and improved safety. In particular, safety is a very important value for the automotive industry given the reality that the largest cause of death in the world among those age 15 to 30 is traffic accidents. Contributing the improved accuracy of vehicles' driving, turning and stopping has direct, positive impacts on society, so it is important to appeal this fact.

- Specify the Scope of Materiality (important issues)

It is extremely important to specify just who your definition of materiality is for. Simply put, if you say "customers," this actually entails a wide swath of possibilities, so greater detail and specification is necessary. To become a company that is continually selected by society over the long term, you will need to think about priorities based on the vantage point of which customers you will emphasize.

In the case of Yokohama Rubber, perhaps you should think first about seniors living in the Tohoku Region as your target. In a society where depopulation and aging is picking up speed, seniors need access to safe and secure mobility options and this importance increases particularly in areas where there is snowfall. Continually supporting senior drivers in Tohoku is a very significant initiative in terms of gaining contact with society and users through safety.

Response from Yokohama Rubber

Fully Conveying Yokohama Rubber's Philosophy and Culture

We believe in the importance of sharing the fact with all shareholders that we engage in business activities following the action guidelines based on our philosophy and culture created over the last 100 years. Toward that end, we will work with those outside the company to determine the path Yokohama Rubber should take, while also bolstering transparency and governance. We will continue to offer more ESG information so that achievements of these activities can be recognized as long-term corporate value.

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Topics (Consolidating our Growth Potential)

Topics (Consolidating our Growth Potential) Consolidating YOKOHAMA's potential to pioneer the next 100 years



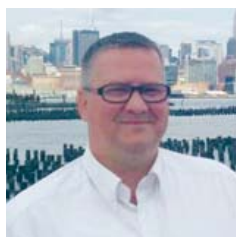
Winning the Trust of Automobile Manufacturers All over the World

We will continue to provide our fuel-efficient "BluEarth" tires to consumers around the world, so that they may continue to enjoy driving with peace of mind. The technology behind our "BluEarth" tires earned credibility in the marketplace by satisfying both maximum fuel efficiency and wet grip capacity, and the tires have been used widely, in private cars and buses as well as in trucks and construction vehicles.

In the ground transportation industry, the increased dependence on automobiles associated with the expected population growth has made the further reduction of carbon-dioxide emissions an increasingly challenging issue, and the installation of fuel-efficient tires is strongly desired. While the standards for endurance and safety have become increasingly strict, our products meet those requirements and have been adopted by many automobile manufacturers. We will continue to improve the environmental performance of our products.

Message from the person in charge

In terms of tire uniformity (weight balance) in general, the quality of our tires is at the top of the industry. The speed of our new-product development is also highly regarded. Our delivery of SL class products for Daimler AG is a prime example of the confidence in our tire technology, as the performance of our tires must match the performance of vehicles on which they are used.



Mr. Mathias Fink
YEU General Manager OE Business

Our Onomichi Plant, which produces large-size tires for construction machinery, was granted the Platinum certificate, the highest certificate in Caterpillar Inc.'s Supplier Quality Excellence Process (SQEP), for the third consecutive year, in recognition of our production capacity and distribution service network, as well as the global provision of our products and services.



Left: Mr. Andrew Zeisser YTC OE Director
Right: Mr. Tsuyoshi Johnson
YTC Manager OE Accounts



International Public Relations and Our Social Contributions

We signed a sponsorship agreement with the prestigious CHELSEA Football Club in the English Premier League, because we feel agree with their approach as a sports team that encourages both each member's day-to-day efforts to improve his skills and the teamwork necessary to play fair games against competitors. Following the example of the Chelsea FC, will also continue to "play fair games" in a variety of arenas,

beginning with motor sports.

Chelsea FC established The Chelsea Foundation in order to promote Football as a way of addressing various social problems, such as education, character building, and crimes by young people. The Chelsea Foundation supports more than 1 million children and young people in more than 30 countries worldwide every year. We also support their activities and continue to conduct community support activities with Chelsea FC as a good partner.



A commemorative photo taken in Stamford Bridge, the home stadium of Chelsea FC. From right to left: Jos Mourinho, the manager of Chelsea FC; John Terry, the captain of Chelsea FC; Tadanobu Nagumo, Chairman and CEO and Representative Director, Yokohama Rubber; and Hideto Katsuragawa, Director and Corporate Officer, Yokohama Rubber.