

Message From The President

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Yokohama Rubber's Important Issues for Earning the Trust of Society for its Next 100 Years of Growth



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President and Representative Director

Ushering in the Phase IV of Medium-term Management Plan Grand Design 100 (GD100)

As we move toward our centennial in 2017, Yokohama Rubber is working to establish a distinctive global identity in building corporate value and a strong market presence. Toward this end, FY 2015 marks the beginning of Phase IV (FY 2015 to FY 2017) of GD100¹, the final phase of the medium-term management plan.

During the three-year period of Phase III (FY 2012 to FY 2014), which aimed for "robust and responsive growth," we made steady progress with the development and expansion of our worldwide tire production system. Using this foundation, in FY 2015 we will concentrate further efforts on cultivating overseas markets in the United States, Europe, China and Russia, among others. Our lineup of fuel efficient tires that offer great wet grip² performance coupled with reduced rolling resistance represent one of our greatest strengths. We need to fully harness this lineup to capture demand around the world and steadily increase our market share not only for after-market replacement tires, but also for new vehicle tires.

Today, creating products with excellent environmental performance has become second nature and going forward we will need to continually deliver even greater added value. We will look to develop tire products that please drivers with a more enjoyable driving experience and peace of mind. Key to these efforts will be aggressive investments in future-oriented R&D. Safety is also of the utmost concern because tires affect lives. In 2014, we initiated a recall of BluEarth AE-01 tires in 38 countries mainly in Europe. Safety and quality initiatives cannot be overdone. We will assume nothing and work to find the cause so that we can prevent any and all reoccurrences. We are committed to using lessons learned from this recall for the future.

Our business environment continues to change sharply, as symbolized by the depreciating yen, fluctuating raw materials costs, the ups and downs of economic conditions in each country, and the rise of emerging manufacturers. We will work to realize further growth by leveraging our ability to analyze macro and micro economic conditions as well as identify new trends as they emerge.

Leveraging Our People and Working with Communities to Accelerate Growth Globally

To expand in global markets, we need to carefully examine the unique traits and characteristics of each. We cannot simply push Japanese style beliefs and approaches on such markets while ignoring obvious differences in business practices. It is critical that we set out the necessary rules while respecting the culture of each region. When opening a new location, we always base our actions on the UN Global Compact³ and ISO 26000⁴ in order to establish a common ground. For procurement as well, we ensure that we buy primarily from business partners that have obtained ISO 9001⁵ or ISO 14001⁶ certification. When we must engage in business with companies that do not have these international certifications, we will carry out audits under our own responsibility. It will also be important to create an accounting system that links contracts and payments to eliminate any possible room for fraud or other compliance⁷ improprieties.

We will also continue to system our business operations to improve efficiency. Establishing an ability to centrally manage data globally for human resources and finance as well as ESG is an urgent task we have to address to accelerate our overseas expansion. Furthermore, we will eliminate jobs dependent on individual

skills or expertise to every extent possible. We will try our best to automate work that does not produce added value and dedicate more time to working with our customers.

Ultimately, I believe our people are the driving force behind all corporate activities. It is important to develop our people through safety, environmental, quality and compliance activities and excellent products are most often produced during the process of personal growth. Our goal is to become a company where every employee is proud to work and where people believe its employees are highly talented and trustworthy. To continue our global business expansion, we will need to foster a corporate culture that embraces diversity and transcends differences in nationality, culture or religion. We will focus on developing leaders who are highly mobile and can drive our business forward regardless of location.

Enhancing Corporate Value and Addressing Important Issues in Ways Only Yokohama Rubber Can

In FY 2014, we established a number of company-wide important issues for each stakeholder^{*8} to be addressed with priority by the entire Yokohama Rubber Group and initiated specific activities for each. These are important issues for each stakeholder, including the environment, local communities, customers, shareholders/investors, business partners, and employees and they must be addressed with certainty within the framework of GD100.

FY 2015, which marks the start of the final phase of GD100, is a year in which we need to get off to a good start aimed at the next 100 years in our company's history. Our mission of creating high quality products with the least amount of resources and energy as possible will continue to become even more important as we move forward. As is the case where some of our plants have started making tires based on local road conditions, it is essential that we continue to respond to the needs of each market. Each of our business sites will seek to harness its uniqueness to help us expand into a company beloved within their respective region. We will now turn our attention toward promoting a Yokohama Rubber approach to manufacturing that leverages the collective strengths of the entire group to focus on the customer in all aspects of business. We will continue to build our brand value and establish a presence as a corporate group truly indispensable to society like no other.

^{*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} Wet grip :

Wet grip indicates the braking force of tires on a wet road surface. This is a key performance indicator for achieving fuel efficient tires and improving the rolling resistance of tires in both the front and rear directions.

^{*3} UN Global Compact :

A voluntary initiative in which companies participate in a worldwide framework for realizing a sustainable society by taking action as a good corporate citizen through creative and responsible leadership.

^{*4} ISO26000 :

A set of guidelines created by the International Standards Organization (ISO) on the social responsibilities of companies and other organizations.

^{*5} ISO9001 :

An international standard on quality management systems established by ISO.

^{*6} ISO14001 :

An international standard on environmental management systems established by ISO.

^{*7} Compliance :

The act of abiding by laws, regulations, and social norms.

^{*8} Stakeholder :

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