



The Yokohama Rubber Co., Ltd

CSR Report 2008



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Notes Concerning Forward-looking Statements

This report contains projections, statements regarding plans and objectives, and other forward-looking statements. All such statements are made based on assumptions and judgments derived from information available as of July 2008, and are subject to risks and uncertainties that could cause actual performance to differ, including not only the business activities of the Yokohama Rubber Group but also global and economic trends and changes in the global environment. Please be aware of this when you read this report.

Editorial Policy

The purpose of this report is to provide a review of the Yokohama Rubber Group's activities as they relate to the economy, environment, and society in order to build solid trust with our stakeholders.

The Yokohama Rubber Group aims to become a global company with a distinctive presence in terms of corporate value and market position in the company's centenary 2017, and we recognize the growing importance of practicing corporate social responsibility, or CSR, to achieving this goal. With this in mind, this year's "CSR Report" was designed to provide a general overview of the Yokohama Rubber Group's CSR activities in accordance with the third-generation international guidelines for CSR reporting launched by the Global Reporting Initiative in 2006.

The Yokohama Rubber Group published its first environmental report in 2000, expanding the scope of information covered to include social activities in 2004. From 2008, the report is being positioned as a vehicle for disclosure of information on CSR, and the title has been accordingly changed from "Environmental and Social Report" to "CSR Report."

Period Covered

April 2007 to March 2008 ("FY 2007").

Major developments up to July 2008 are also included.

Scope of Content

Yokohama Rubber and Japanese and foreign group companies.

<Economy>

Yokohama Rubber and its consolidated subsidiaries.

<Environment>

Yokohama Rubber's eight domestic production operations. Some information on other domestic and foreign group companies is also included.

<Society>

Some activities undertaken by Yokohama Rubber's head office, eight domestic production operations, and domestic and foreign group companies.

*The scope of the report does not differ significantly from "Environmental and Social Report 2007"

Reference Guidelines

Ministry of the Environment of Japan, Environmental Reporting Guidelines 2007.

Global Reporting Initiative, Sustainability Reporting Guidelines (G3 2006).

Frequency of Publication

Annually in September

Editorial Responsibility

CSR Reporting Bureau of the CSR & Environmental Information Committee

Online Data

A CSR report on each site (site information) can be found on our website (http://www.yrc-pressroom.jp/env/_en).

The Yokohama Rubber Group in Overview

91 years after its establishment, Yokohama Rubber is now a global company with net sales of ¥551.4 billion and a combined group workforce of 16,099.

Yokohama Rubber at a Glance (as of 31 March, 2008)

Company name: The Yokohama Rubber Co., Ltd.

Established: October 13, 1917

Head Office: 36-11, Shimbashi, 5-chome, Minato-ku
Tokyo 105-8685, Japan

Paid-in Capital: ¥38,900 million

Consolidated Net Sales: ¥551,400 million

Consolidated Workforce: 16,099

Number of Shareholders: 17,037

Number of Shares Issued and Outstanding: 342,598,162

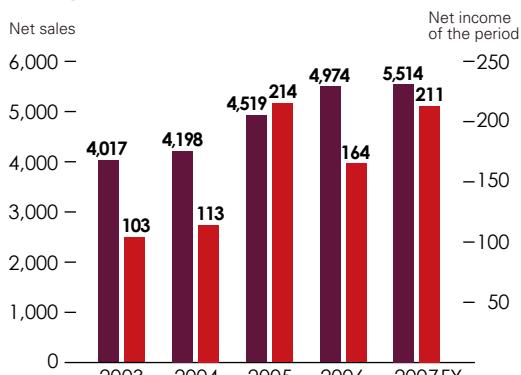
Number of Consolidated Group Subsidiaries: 155

Number of Affiliates Accounted for by the Equity Method: 2

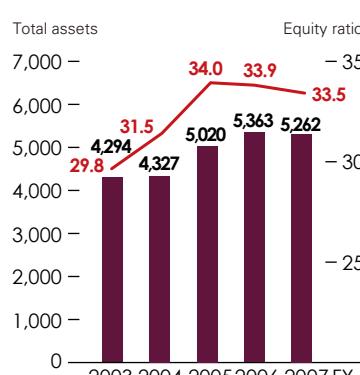
Listed Stock Exchanges: Tokyo, Osaka, Nagoya

Net sales, Total Assets, and Number of Employees

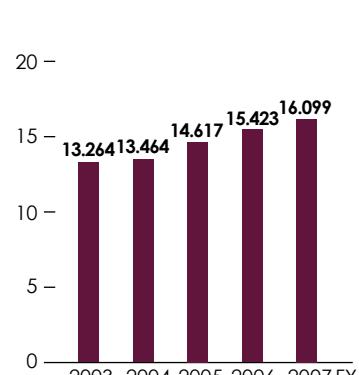
Trends in net sales and net income of the period (Unit: ¥100 million)



Trends in total assets and equity ratio (Unit: ¥100 million)



Changes in consolidated workforce (Unit: Persons)



Economic dividends to stakeholders

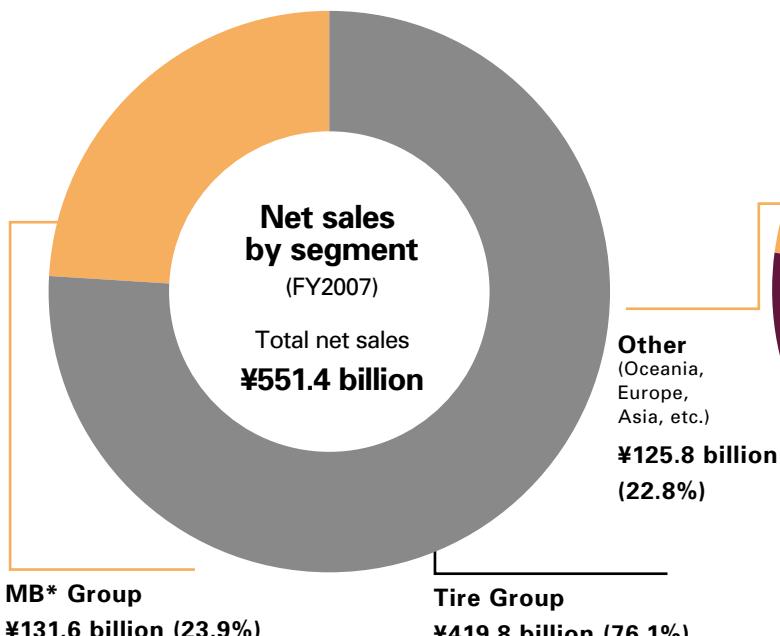
The economic dividends to stakeholders were estimated by grouping the revenues and expenses given in our financial statements according to stakeholder based on GRI recommendations and practice at other companies. Data on society and the environment were estimated independently by Yokohama Rubber. In FY2007, the economic dividend to business partners rose in tandem with growth in net sales compared with the previous fiscal year, while the dividend to employees and government increased due to growth in revenue. The economic dividend to shareholders also rose due to the increase in the annual dividend paid by Yokohama Rubber.

Economic dividend to stakeholders

Category of stakeholder	Value (million yen)		Method of calculation
	FY2007	FY2006	
Business partners*	295,393	266,090	Cost of sales (excluding personnel costs) and selling, general, and administrative expenses (excluding personnel costs)
Employees*	49,571	48,432	Cost of sales and payroll component of selling, general, and administrative expenses
Shareholders	4,693	3,356	Payment of dividends according to cash flow statement
Creditors	3,898	3,247	Interest expense component of non-operating expenses
Government	5,334	2,734	Corporation income tax, etc.
Society	32	18	Expenditure contributing to society as estimated by Yokohama Rubber
Environment	4,315	3,794	Expenditure contributing to the environment as estimated by Yokohama Rubber (see p. 35)
Internal	16,367	13,007	Net current profit less dividend payments

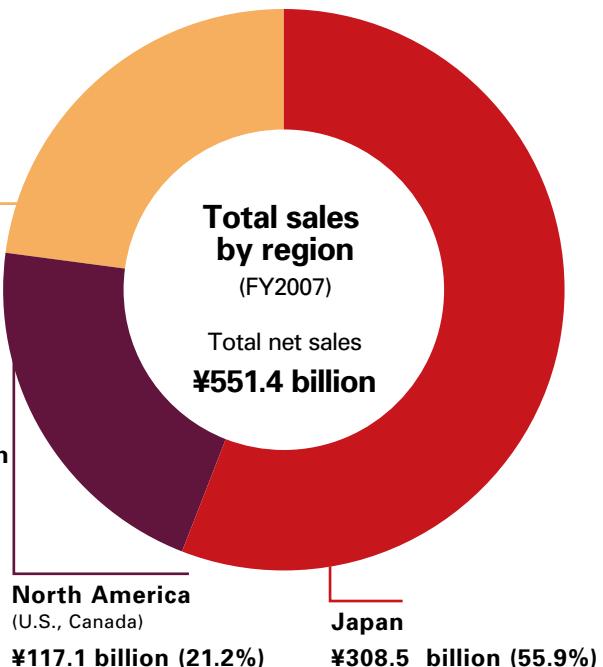
*Based on non-consolidated results.

**Tires account for 76%
and MB products for 24%
of net sales**



**"MB" stands for "multiple business" (i.e., diversified and expanded operations).

**56% of net sales in Japan,
44% overseas**



Tire Group



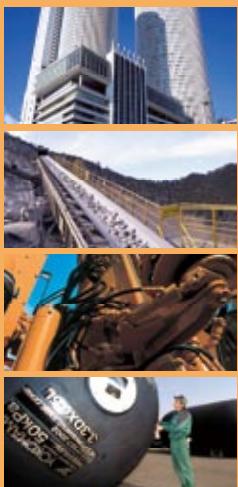
Segment content

Manufacture and distribution of Yokohama brand tires, tubes, aluminum wheels, and automotive products for passenger cars, trucks and buses, light trucks, construction and mining equipment, and air craft, etc.

Subsidiaries and Affiliates: 193

10 manufacturing and sales companies, including
Yokohama Tire East Japan Retread Co., Ltd.
Yokohama Tire Corporation
Yokohama Tire Philippines, Inc.
Hangzhou Yokohama Tire Co., Ltd., etc.
183 distributors, including
Yokohama Tire Tokyo Hanbai, Co., Ltd.
Yokohama Tire Kinki Hanbai Co., Ltd.
Yokohama Tire (Canada) Inc., etc.

MB Group



Segment content

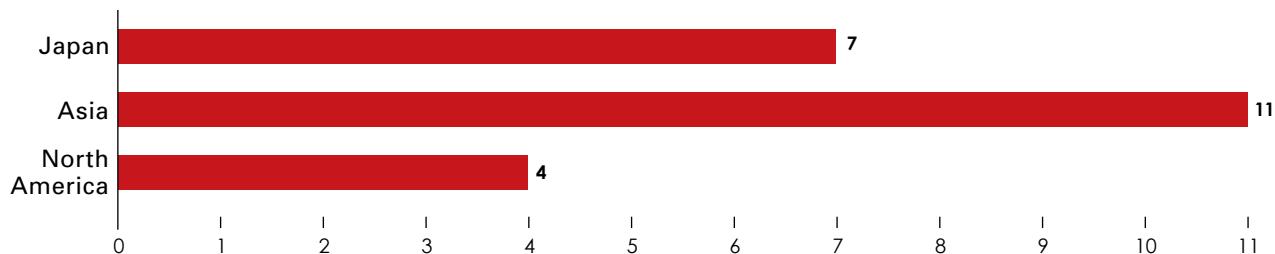
Manufacture and distribution of conveyor belts, hoses, pneumatic fenders, marine hoses, bridge rubber bearings, noise- and vibration-proofing products, adhesives, sealants, aerospace products, and PRGR brand golf products.

Subsidiaries and affiliates: 40

Subsidiaries and affiliates: 40
11 manufacturing and sales companies, including
SAS Rubber Company
YH America, Inc.
SC Kingflex Corporation, etc.
11 distributors, including
Yokohama Rubber MBE Co., Ltd.
PRGR Co., Ltd., etc.
18 other operations, including
Hamagomu Aicom Inc.
Hamagomu Real Estate Co., Ltd., etc.

22 manufacturing and sales companies in Japan, Asia, and North America

Number of core manufacturing and sales companies by region



History

	Key developments in business	Key developments in globalization	Key developments in CSR
1917	Established under the name "Yokohama Rubber Manufacturing" in Uratakashima-cho, Yokohama, Kanagawa Prefecture, as a joint venture between Yokohama Cable Manufacturing Co., Ltd. and BF Goodrich of the United States		
1920	Hiranuma Plant established in Yokohama City, Kanagawa Prefecture		
1929	Yokohama Plant established in Yokohama City, Kanagawa Prefecture		President Suekichi Nakagawa explains the "founding spirit"
1943	Mie Plant established in Watarai-gun, Mie Prefecture		
1946	Mishima Plant established in Mishima City, Shizuoka Prefecture		
1952	Hiratsuka Factory established in Hiratsuka City, Kanagawa Prefecture		
1958			First environmentally sound product developed (pneumatic fender)
1964	Shinshiro Plant established in Shinshiro City, Aichi Prefecture		
1969		Yokohama Tire Corporation established in the U.S.	
1973	Ibaraki Plant established in Higashi-Ibaraki-gun, Ibaraki Prefecture		Environmental Improvement Dept. established
1974	Onomichi Plant established in Onomichi City, Hiroshima Prefecture		
1987		YH America, Inc. established in U.S.	
1988		GTY Tire Company established in U.S.	
1989		U.S. tire manufacturer The Mohawk Rubber Company acquired	
1990		Stake acquired in SC Kingflex Corporation in Taiwan	
1992	Basic philosophy of "contributing to happiness and affluence through spirited and skillful manufacturing" adopted	SAS Rubber Company in U.S. established	Environmental Conservation Dept. established
1996		Yokohama Tire Philippines, Inc. established in the Philippines Yokohama Rubber (Thailand) Co., Ltd. established in Thailand	
1998			Mishima Plant is first in the Yokohama Rubber Group to be ISO14001 certified Launch of DNA eco-tire
2001		Hangzhou Yokohama Tire Co., Ltd. established in China	ISO14001 certification of all eight production sites in Japan completed
2002	"Grand Design" (GD10) announced		
2003	Shinshiro-Minami Plant established in Shinshiro City, Aichi Prefecture		
2004		Yokohama Tire Manufacturing (Thailand) Co.,Ltd. established in Thailand Yokohama HAMATITE (Hangzhou) Co., Ltd. and YOKOHAMA Hoses& Coupling (Hangzhou) Co., Ltd. established in China	Action to achieve ISO14001 certification of all overseas manufacturing and sales companies begins in earnest
2005		Yokohama Rubber (China) Co., Ltd. established in China	Corporate Compliance Dept. established
2006	"GD100" new medium-range management plan unveiled	Suzhou Yokohama Tire Co., Ltd. and Shandong Yokohama Rubber Industrial Products Co., Ltd. established in China	Goal of "asserting world-class strengths in technologies for protecting the environment" announced "Yokohama Rubber Code of Conduct" established Zero emission target achieved by eight domestic production operations
2007	Second plant established at Onomichi Plant	Yokohama India Pvt. Ltd. established in India	Internal Control Dept. and Health & Safety Management Dept. established YOKOHAMA Forever Forest project launched
2008		Yokohama Rubber Latin America Comercio Ltd. established in Brazil	CSR & Environmental Affairs Council, CSR Div., and CSR & Environmental Affairs Dept. established ISO14001 certification of 10 overseas manufacturing and sales companies completed

Message from the Top

Aspiring to be a Trusted Global Company



I used to believe that the ultimate objective of a business was to achieve growth with profits, and that the point of business activities lay in the pursuit of this objective. Now, however, I have come round to thinking that it is important that enterprises fulfill their corporate social responsibilities (CSR), and that it is by practicing CSR that sustainable growth can be achieved. Environmental issues are a prime example of this. The world today faces numerous problems requiring urgent action, including global warming, environmental pollution, and resource depletion. At such a critical time, a business that failed to properly discharge its corporate social responsibilities on the environmental front would be a hindrance to a society seeking to become sustainable, and its continuation in business would cease to be tolerated.

CSR does not concern only environmental matters. Global standards are being developed for a range of fields based on the ISO26000 standard, including corporate governance, labor practices, human rights, and product liability. The

Yokohama Rubber Group is already developing arrangements covering economic, environmental, and social aspects in accordance with international standards (such as ISO14001) and domestic and foreign legislation, and we intend to further develop and enhance these arrangements in the light of global standards on CSR as well.

In order to firmly embed the concept and practice of CSR in the Yokohama Rubber Group, it is important that everyone genuinely understands that CSR is something that should be an everyday part of their work. That's why I like to think of the "R" in CSR as standing for "reliability" rather than "responsibility." Responsibility conjures up images of having to do things out of a sense of duty. Reliability is a much more straightforward concept. I want to call on all our employees to work to build an enterprise that is trusted by the world, and that values people and does not pollute the environment. A prerequisite for doing that is firm corporate governance and thorough awareness of compliance.

I believe that the biggest contribution that enterprises make to society is by paying taxes, and paying more taxes increases their corporate value. Taxes are used to improve society and are not something for which one should seek a quid pro quo. In this sense, investment in the environment is a bit like paying taxes. Even if investing in improving the environment may not be good value for money financially, it is a necessary cost socially and one that we will actively pursue.

By practicing CSR, the Yokohama Rubber Group aims to create a sustainable society with its stakeholders. I hope that you, our stakeholders, understand this stance we have taken, and will continue to work together with us toward achieving this objective.

A handwritten signature in black ink, appearing to read "Tadanobu Nagumo".

Tadanobu Nagumo
President and Representative Director

About the Establishment of the CSR Division

Contributing to the creation of a sustainable society that balances economic, environmental, and social needs

In June of this year, Yokohama Rubber established the CSR Division in order to pursue business activity harmonizing economic needs, environmental needs in terms of contributing to the global environment, and social needs in the terms of contributing to the development of a dynamic society so as to create a sustainable society.

Future action by Yokohama Rubber to enhance CSR will be pursued within a new framework based on the ISO26000 guidelines on CSR activities currently being formulated by the International Organization for Standardization.

We are already fully committed to environmental action with the aim of "asserting world-class strengths in technologies for protecting the environment" as declared in the GD100 new medium-range management plan announced in FY2006. In addition, however, we will be boosting action in areas such as customer response, health and safety, compliance, and risk management in accordance with our aim of enhancing measures to help the "people" who support the Yokohama Rubber Group and becoming a "trustworthy enterprise that contributes to the earth."

I look forward to hearing the frank views of you, our stakeholders, and your continued support and encouragement for our endeavors.



Tatsunari Kojima

*Director and Senior Managing Corporate Officer
General Manager of CSR Division*



Corporate Philosophy and New Medium-range Management Plan

Contributing to happiness and affluence through manufacturing and a commitment to our corporate philosophy

Corporate Philosophy

Basic Philosophy

To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products.

Management Policies

- Take on challenge of new technologies to produce new value.
- Develop proprietary business fields to expand the scope of business.
- Create a workplace that values, improves and energizes people.
- Deal fairly with society and value harmony with the environment.

GD100 New Medium-range Management Plan

The Yokohama Rubber Group has commenced a new medium-range management plan called "GD100." The aim of this plan is to transform the group into a global company with a distinctive presence in terms of corporate value and market position in the company's centenary in 2017, and it adopts as

specific targets for attainment in FY2017 net sales of ¥1 trillion and operating income of ¥100 billion. Phase I of the plan, which will run from FY2006 to FY2008, is presently in progress.

GD100 Vision and Basic Policy

By Centenary in FY2017

To evoke a distinctive global identity in building corporate value and in building a strong market presence

Long-term Financial Targets (year to March 31, 2018)

Net sales: ¥1 trillion, Operating income: ¥100 billion,

Operating return on sales: 10%



Basic Policy for Fulfilling Vision

- To deliver the best products at competitive prices and on time
- To assert world-class strengths in technologies for protecting the environment
- To foster a customer-oriented corporate culture that honors rigorous standards of corporate ethics

Numerical targets of GD100 Phase I (Unit:¥100 million)

	FY2006 actual result	FY2007 actual result	FY2008 projection	"GD 100" FY2008 target
Net sales	4,974	5,514	5,650	5,600
Tires	3,727	4,198	4,320	4,330
MB	1,247	1,316	1,330	1,270
Operating income	211	331	260	350
Ordinary income	201	252	225	270

Action on CSR Management

Pursuing a balanced triple bottom line practicing CSR in line with the basic principles outlined in GD100

CSR Management Vision

To become a trustworthy enterprise that contributes to the earth

CSR Action Guidelines Identify continually changing social trends.
Spot ways of contributing.
Act swiftly to earn firm trust.
Practice CSR in one's own work.

Basic Approach to CSR

We interpret the "responsibility" in "corporate social responsibility" (CSR) in terms of the "recognition and trust of society of the practice of CSR"; or, in other words, trustworthiness and reliability. It is not simply a matter of duty. Rather, it is only through management from the standpoint of "meeting stakeholders' expectations" that any

rise in corporate value is possible. On top of our pioneering practice of environmental management, we aim to pursue a form of management that balances the triple bottom line—the economy, environment, and society—by developing organizations and other mechanisms for "action contributing to society" established in June 2008.

Enhancing CSR Management in Accordance with GD100

Having adopted "delivering the best products at competitive prices and on time," "asserting world-class strengths in technologies for protecting the environment," and "fostering a customer-oriented corporate culture that honors rigorous standards of corporate ethics" as the three basic principles of the GD100 new medium-range management plan launched in April 2006, the opportunity was taken in 2008 to overhaul

the organizations and framework responsible for pursuing CSR management. We began by establishing the CSR Division to take executive responsibility for enhancing legal compliance, contribution to the environment, corporate governance, risk management, and internal control. Also established was the CSR & Environmental Affairs Council, chaired by the president, to oversee CSR management.

The founding spirit

Yokohama Rubber's founding spirit may be found in a talk given by then president Suekichi Nakagawa at the opening of the Yokohama Plant in Yokohama in 1929, in which he advocated a balancing of social and economic needs that is shared by the CSR management of today.

Suekichi Nakagawa (1874-1956)
Industrialist. Joined Furukawa Honen in 1888. Attracting the interest of Ichibei Furukawa for his potential, he studied at Yale University before later becoming a director of Yokohama Electric Wire. President of Yokohama Rubber from 1924 to 1939.



The founding spirit

1. Production is a social service. Its purpose is to make people's lives more convenient and enjoyable. Its aim should be to offer good, useful products at moderate prices.
2. There must be a basic commitment to delivering quality products unrivaled by those of competitors.
3. Management should adhere to the principles of fairness and consideration. The mission of a fair, honest management is to ensure capital, share the fruits of endeavor with its workers, and fulfill its responsibilities to consumers – to act, in other words, rationally.
4. A company should have as few employees as possible and make the best use of the productivity of machines. This is the great secret for improving efficiency.
5. The success or failure of a business depends on how much one is willing to study, and with how much determination, to mutually improve and grow. Accordingly, one must make a great effort.

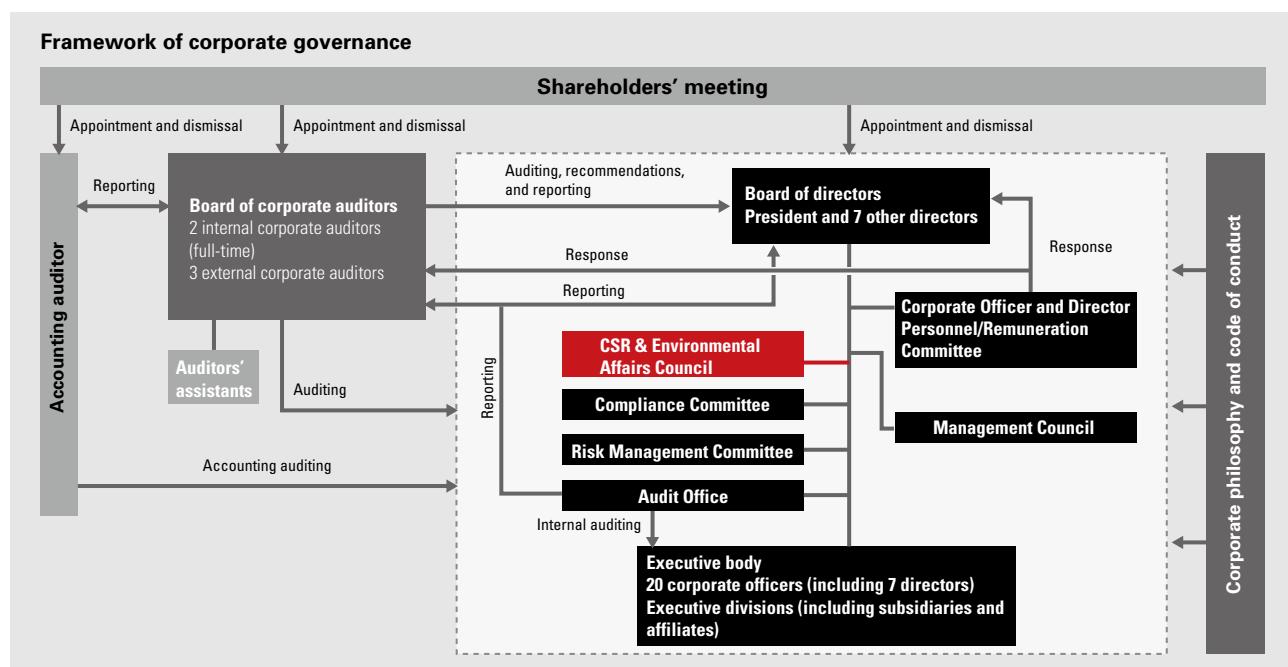
Corporate Governance

The CSR & Environmental Affairs Council, chaired by the president, was established in June 2008 to strengthen CSR management.

Strengthening of Framework for Corporate Governance

Yokohama Rubber Group has developed a management structure to ensure sound and highly fair and transparent management in pursuit of increased corporate value in pursuit of its corporate philosophy and the GD100 new medium-range management plan. In order to fulfill all our stakeholders' expectations, we also established a CSR & Environmental Affairs Council, chaired by the president, on June 27, 2008. Responsibilities to society, such as legal

compliance, contribution to the environment, corporate governance, risk management, and internal control, were at the same time clarified, and a CSR Division was newly established to actively pursue CSR activities. Its task will be to promote CSR management in partnership with the existing Compliance Committee, Risk Management Committee, Central Accident Prevention Council, and Export Control Committee.



Management Framework to Expedite Management Decision-making and Execution

Rigorous action is taken to clarify the roles of directors and corporate officers and to speed up management decision-making and execution.

Board of directors

The board of directors audits management decision-making and the performance of their duties by directors and corporate officers.

Management council

The council's main members are the president and directors. Its role is to deliberate the performance of key business and important matters of risk management based on the basic management principles, and it supports the strategic functions of management.

Corporate officer and director personnel/remuneration committee

This committee ensures the transparency and fairness of corporate officer personnel and remuneration matters

Auditing framework

Auditing is performed by three mutually independent bodies.

<Auditing by corporate auditors>

Five corporate auditors, including three from outside the company, attend meetings of the Board of Directors and the Management Council to audit directors' performance of their duties.

<Accounting auditors>

Accounting audits are subject to outside auditing, and the company retains Ernst & Young ShinNihon as its accounting auditor.

<Auditing by Internal Audit Department>

The accounts and operations of each executive division and group company are audited at the instruction and request of the president.

Pursuit of Stronger Internal Control since 2006

In order to further strengthen arrangements for independent checking of business management following the entry into effect of the Company Law in May 2006, the Board of Directors adopted a basic policy reaffirming and continuing to develop the existing internal control system. Leading the way in ensuring the propriety of financial

reports and strengthening internal control will be the Internal Control Department, which was established in January 2007. In FY2007, some 30 briefings and roundtable discussions on resolving specific were held for the Yokohama Rubber Group as a whole, and these were attended by more than 500 participants.

Thorough Compliance throughout the Yokohama Rubber Group

Basic stance on compliance

Compliance is regarded as the bedrock of CSR management, and we see it as "conduct based on the values and ethics needed by a good corporate citizen and by society," rather than simply compliance with laws, ordinances, and other rules.

Compliance framework

Activities to put compliance into practice were systematized by the establishment of the Compliance Committee in 2005 and the adoption of the "Yokohama Rubber Group Code of Conduct." Based on this framework, compliance promoters are appointed in each organization and compliance officers are assigned to each group company in order to organize training to prevent violations of laws and ethics before they arise.

Education and awareness-raising activities and response to consultations

In FY2007, education and awareness-raising activities were organized using e-learning channels. Due to the diversifying nature of the compliance challenges faced, we continue to provide education on subjects such as changes in the social environment. 14 reports were made to the Compliance Advisory Center in FY2007 (seven from within and seven from outside the group),

Discovery of marine hose sale cartel

An internal audit in 2006 revealed Yokohama Rubber's involvement in a cartel involving the sale of marine hoses, and the findings of an investigation were reported to the Japan Fair Trade Commission and a request made for application of the charge reduction and exemption system. We regret and apologize for the concern and inconvenience caused to everyone by this incident, and would like to assure everyone that mechanisms and framework and internal training will be strengthened to eliminate such improprieties, and that the entire Group will be working to ensure rigorous compliance management.

e-learning training in FY2007 (no. of participants)

Course name	Number of participants
Introduction to compliance	1,600
Antimonopoly Law Compliance Course	500
Information Security	1,300

all of which were reported to the Compliance Committee and handled with the utmost seriousness. The Compliance Committee met three times in FY2007.

Response to Various Risks Led by Risk Management Committee

The Risk Management Committee was established to manage risks having a material impact on business across the Group and to develop appropriate responses,

and the response to constantly changing risks face each year is being strengthened.

Incidence of health problems caused by asbestos (as of October 2008)

Two former workers at the Hiratsuka Factory were found to be eligible for workers' compensation in October 2006 and May 2007 respectively. A health survey of all employees identified as having been involved in work handling asbestos in the past has now been completed. Yokohama Rubber investigated for the presence of spraying materials containing asbestos at all buildings owned by the

Yokohama Rubber Group, and the removal of such materials has now been completed at all buildings in which such materials were found. No claims or consultations regarding health problems caused by asbestos in and around plants of the Yokohama Rubber Group were received. Asbestos-related consultations will continue to be taken.

Medium to Long-range CSR and Environmental Plans

Plans on social activities up to FY2017 have been added to enhance CSR management

State of Progress in FY2007

State of progress: FY2007 targets that have been attained are marked by a circle (○), and targets that had not been achieved are marked by a cross (x).

	Challenges	FY2007	Progress*	Page in this report
Improvement and innovation of environmental management	Global environmental management	Adoption of consistent environmental management at all operations worldwide.	Domestic and foreign production operations (18 ISO14001 certified), non-production operations (environmental management in accordance with GD100 environmental guidelines and self-assessment scoring). Establishment of environmental policy by all group companies.	○ 16 ○ See online
	Delivery of environmentally sound products	All products to be environmentally sound products by FY2017. To spread the concept of environmentally sound products among users.	90% of newly developed products to be "environmentally sound." LCA to meet auto industry demands.	○ 20 ○ 22
	Compliance with additional government measures with entry into force of Kyoto Protocol	Compliance with Law Concerning the Promotion of Measures to Cope with Global Warming. Compliance with amended Law Concerning the Rationalization of Energy Use. Introduction of renewable energy sources.	Announcement of emissions of 6 greenhouse gases (accumulation of data on consolidated subsidiaries in Japan). 0.3% reduction from FY2006 through continuation of activities to reduce e/f by 1% compared with previous year, introduction of CGS, and maintenance of high-efficiency operation. Start of study (including use of green power certificate).	○ 30 × 30 ○ 41
	Development and operation of mechanisms for data accumulation and disclosure.	Enhancement of content of CSR report. Appropriate calculation and disclosure of data in accordance with laws and ordinances. Disclosure of information to promote mutual understanding with local communities.	Establishment and meeting of Environmental Information Committee. Expansion of data disclosure to 19 operations (up 8 from previous year).	○ 14
	Promotion and expansion of green procurement	Meeting of standards sought by auto industry.	Entry into effect of revised Green Procurement Guidelines.	○ 19
	Contribution to environment and society	Creation of urban woodland (for relaxation, safety in emergencies, and adding to town character).	Tree-planting festivals held in turn at Mishima, Mie, Nagano, Onomichi, and Ibaraki Plants.	○ 42
	Reduction of industrial waste emissions	Target of lowering emissions to less than 50% of FY1996 level to prevent wasteful use of natural resources.	Target not attained despite 16.0% reduction from FY1996 in FY2007(not including a merger of subsidiary in 2005).	× 32
Improvement of environmental performance	Zero emissions	Rapid attainment of target of 100% recycling of industrial waste.	Continuation of zero landfill emission campaign. 99.6% recycling of industrial waste in FY2007 (compared with target of 99.0%).	○ 32
	Reduction of emissions of organic solvents (base year for amended VOC Law = 2000 benchmark for voluntary control)	70% reduction in toluene emissions compared with 2000, 47% reduction from 2000 in emissions of organic solvents containing rubber.	87% reduction in toluene emissions from 2000.	○ 34
	Physical distributions (as specified shipper)	Contribution to prevention of global warming under amended Law Concerning the Rationalization of Energy Use.	3.5% reduction from FY2006 in CO ₂ emissions (emission factor).	○ 31
	Water resources	Preservation of water resources.	Introduction of target management of volume of water use.	○ 33
	Development of mechanisms for control of "substances of concern" (SOCs)	Control system meeting auto industry demands (compliance with REACH Registration and RoHS Directive). Swift response to central and local government legislation and regulations.	Establishment of guideline structure for compliance with ELV Directive. Prohibition of use of substances covered by ELV Directive and establishment of guarantee system. Development and operation of centralized system of management of SOC data on chemicals contained in products (MS-InC). Establishment of Yokohama Rubber analysis system.	○ 34
Minimization of environmental risk	PRTR	Controlled based on safety impact indicator.	Disclosure of data on safety impact indicator data on individual plants.	○ 34
	Asbestos	Prevention of damage to employees' health.	Comprehensive investigation of installation in buildings.	○ 11
	Atmospheric pollutants	Targets in excess of VOC standards voluntarily adopted by industry.	54% reduction from FY2000 in emissions of organic solvents containing rubber achieved (central government target of 30% already achieved).	○ 34
	Soil and groundwater	Prioritization of coexistence with neighboring communities.	Confirmation of non-pollution by all plants in Japan (observation well method).	○ 33
	Minimization of complaints	Minimization of sensory nuisance (intrinsic prevention of noise and odors).	6 complaints compared with target of 12.	○ 18
	Measures to prevent illegal dumping of industrial waste	Promotion of mutual understanding with communities.	Organization of regular "risk communication" events.	○ 18
		Monitoring of all contractors at individual plants.	Formulation and implementation of guidelines on management of contractors.	○ 32
		Internal auditing of manifest management.	Confirmation and auditing of recycling and reuse.	—
Society	Communication of Yokohama Rubber Group's stance on CSR management	Communication by CSR Div.	Swift commencement of operations by CSR Div.	○ 9
		Communication by head office organization.	—	—
		Communication to all establishments in Japan.	—	—
		Communication to overseas production sites.	—	—
		Communication to overseas distributors.	—	—
		Education of suppliers and employees.	—	—
	Standardization of accumulation and disclosure of CSR data	Disclosure of information on CSR management through committee activities.	Commencement of CSR & Environmental Information Committee.	○ 14
		Improvement of CSR and environmental ratings and outside evaluation.	Publication of CSR Report 2008.	○ 2
	Organization (governance)	Reorganization of CSR-related committees and executive organizations.	Collection of appropriate information from outside consultants.	○ —
		CSR management in accordance with ISO26000 guidelines.	Establishment of CSR & Environmental Affairs Council.	○ 9
	Action on ISO26000	Top-level monitoring (targets) and identification of issues.	Establishment of CSR Div.	○ 9
			Survey of developments concerning ISO26000.	○ —
			Monitoring of current issues and levels (domestic).	○ —

Plans for FY2008 Onward

Phase I (~FY2008)	Phase II (FY2009~2011)	Situation in FY2017 (Phases III~IV)
ISO14001 certification of all operating domestic and overseas production operations by end FY2009	Accreditation as an integrated environmental management system (EMS), including global organization, and entrenchment of consistent environmental management as work framework.	Indices for attainment of objectives and targets in CSR and environmental management to serve as industry benchmarks. Development of ISO26000 systems at all production operations worldwide and practice of standardized CSR management.
Appropriate disclosure of environmental data on all operations	85% of products sold to be environmentally sound products.	
All newly developed products to be environmentally sound products.	Practical use of LCA in MB Group. Expansion of LCA database (for auto industry).	Implementation and entrenchment of global LCA activities.
Expansion of product groups covered by LCA calculation.		
Announcement of emissions of 6 greenhouse gases (accumulation of data on all domestic consolidated subsidiaries).	Compliance with 2008 revisions to Kyoto Protocol. Maintenance of 12% reduction from 1990 by domestic group companies (2010).	
Continued action to reduce e/t by 1% compared with previous year. Introduction of CGS and maintenance of high-efficiency operation. Introduction of small-scale power generation and consideration of expansion (solar, wind, and water power generation).	Continued improvement of e/t. 5% reduction from 2005 in CO ₂ emissions in physical distribution in FY2010.	Formulation and implementation of plans to reduce CO ₂ emissions (including at overseas operations). Completion of compliance with post-Kyoto Protocol. Effective use of CO ₂ emissions trading. Investment in CDM.
Purchase of green power credits (target of at least 2).	Establishment of targets for use of renewable energy sources.	
Enhancement of activities of CSR & Environmental Information Committee. Development of database of performance reports. Publication of reports for overseas stakeholders.	Publication of reports for overseas stakeholders. Development of database of information on environmental legislation overseas.	Risk communication with residents around overseas operations. Mechanisms for incorporating views of third parties into CSR and environmental management practices.
Implementation of revised green procurement guidelines (horizontal expansion to overseas plants).	Compliance with new standards (e.g., REACH). Introduction of system of accreditation of green suppliers.	Attainment of green procurement rates of at least 100% in Japan and 95% overseas.
Progressive expansion of tree planting and woodland development at domestic and overseas plants up to 2017. Unveiling ceremonies.		
35% reduction from FY1996 figure by end FY2008. Control of quantity of waste produced by overseas production operations.	55% reduction from 1996 figure by end FY2011. Attainment of FY2001 emission factor. Management by emission target by overseas production operations.	Migration to emission factor management. Establishment of emission factors adopting 2011 as base year, and establishment of reduction targets for each plant (1% reduction from previous year). 6% emission factor reduction by 2017 (compared with 2011). Maintenance of 2008 figure at overseas plants.
Continuation of zero emission of landfill waste. Establishment of system of verification of final disposal and recycling of industrial waste.	Attainment of zero landfill emissions by overseas production operations. Continuation of complete recycling of zero final disposal waste. Implementation of system for verification of recyclers.	95% resource recycling rate at all production operations worldwide (100% in 2017). 2% reduction from previous year in cost of processing industrial waste.
80% reduction in toluene emissions compared with 2000.	90% reduction in toluene emissions compared with 2000.	Reduction of emissions of all PRTR substances (emission target: not more than 1ton/year).
Annual 1% reduction in unit energy consumption compared with previous year.	5% reduction in unit energy consumption in 2010 (compared with 2005).	Compliance with post-Kyoto Protocol.
1% reduction in unit water use compared with previous year.		
Launch and completion of REACH preliminary registration. Global implementation of MS-InC (2008).	Establishment of monitoring framework in collaboration with suppliers: 1) Introduction into effect and enforcement of guidelines on control of chemicals contained in global products (2009). 2) Globalization of guidelines on prohibited and controlled substances (environmental management standard: 2004). 3) Globalization of entry into effect of "green procurement guidelines" (March 2005). 4) Downstream application of molded product data sheets (REACH compliance: 2009).	
Action to achieve "5-VIII" safety impact* at Hiratsuka Factory. (*See website for details.)	Control of PRTR substances at overseas production operations (1ton max. transfer).	
Formulation and implementation of plans for elimination.	Planned removal from facilities of all group companies.	Removal of asbestos from facilities of all group companies.
Reduction of emission of organic solvents containing rubber (VOCs) (target 50% reduction from FY2000).	55% reduction in emissions of VOCs (compared with FY2000).	60% reduction in emissions of VOCs (compared with FY2000).
Activities to guarantee zero discharge beyond site boundaries.		
Total number of complaints: not more than 10.	Total number of complaints: not more than 10.	Target of zero complaints.
Regular risk communication events organized.		Organization of risk communication events at overseas operations.
Formulation and implementation of guidelines for management of overseas contractors.	Auditing of resource recyclers (including overseas).	Monitoring and auditing of level of contractor compliance. Establishment of system for verifying zero illegal dumping.
<p>1) Identification of challenges adopting "trustworthiness" as watchword. 2) Establishment and operation of CSR & Environmental Council at headquarter operations. 3) Commencement of plant education and publicity activities. 4) Fact-finding survey of CSR and commencement of education and publicity activities at overseas establishments. 5) Establishment of CSR procurement guidelines and organization of briefings.</p>		
Systematization of accumulation of internal CSR data (Data Disclosure Standardization Committee).	Publication of reports involving entire group.	Trust and support of stakeholders earned through following. Customers and markets: 1)Putting customers first 2)Innovative environmentally sound products 3)Provision of safe and high-quality products and services 4)Protection of personal data
Expansion and standardization of community communication.		Employees 1)Respect for human rights 2)Dialogue with employees 3)Prosperity through mutual understanding 4)Equal opportunities 5)Elimination of discrimination 6)Fair working conditions 7)Safe and secure working environment 8)Elimination of forced and child labor
Preparations for stakeholder dialogue in FY2009.	Stakeholder dialogue.	Business partners 1)Fair and free 2)Mutual trust and co-prosperity 3)Equality of opportunity
Reallocation of functions among CSR Div. and individual divisions.		Shareholders and investors 1)Attainment of GD100 financial targets 2)Stable long-term growth and increase of corporate value
Clarification of roles with existing organizations. Development of standardization (guidelines and manuals).		Local and global communities and international bodies 1)Assertion of world-class strengths in technologies for protection the environment 2)Strong sense of ethics and respect for international standards, declared goals, and norms 3)Respect for cultures, histories, customs, and laws of individual countries and regions 4)Eradication of improper transactions 5)Appropriate contribution to controlling global climate change 6)Maintenance of health of humankind 7)Contribution to maintenance of indigenous cultures of countries and regions
Survey of developments in ISO26000 and groundwork.	Practice of CSR management in accordance with ISO26000.	
Detailed investigation and confirmation of current situation including at overseas plants.		

■ Environmental Aspects

- 14 Framework for Promotion of CSR and Environmental Management
- 15 GD100 Basic Policy and Guidelines for Action on the Environment
- 16 Environmental Management Systems
- 19 Reinforcement and Rigorous Enforcement of Green Procurement and Purchasing
- 20 Development of Environmentally Sound Products that can be Trusted
- 28 Environmentally Conscious Production
- 35 Environmental Accounting

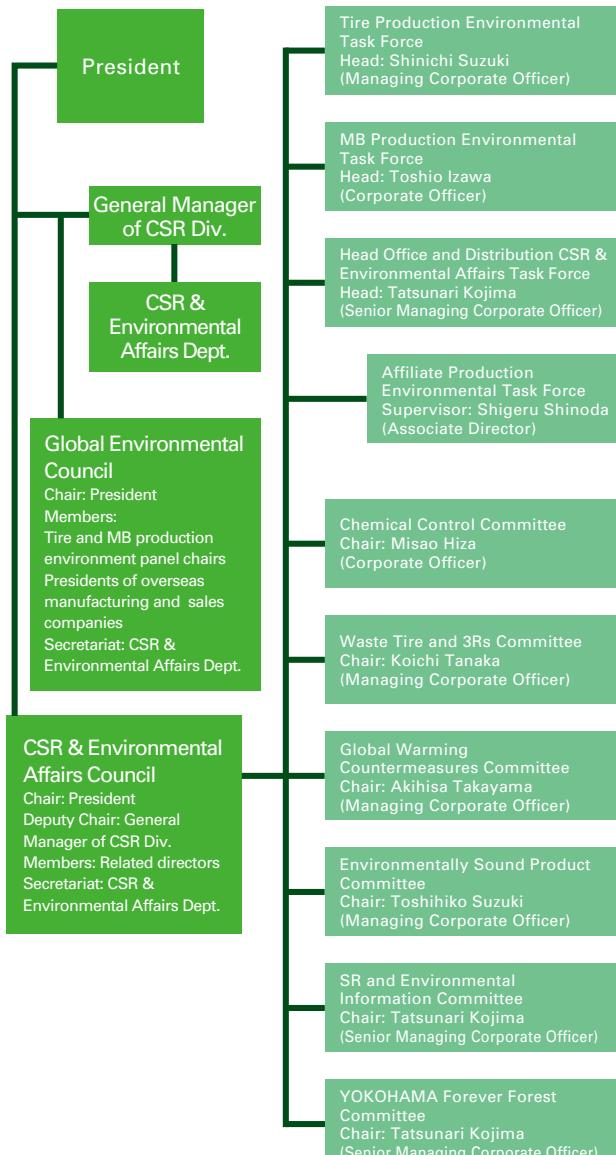
Framework for Promotion of CSR and Environmental Management

Yokohama Rubber has established a new framework for pursuit of CSR and environmental management integrating environmental and social needs.

Development of New Framework in Conjunction with Strengthening of CSR

The Yokohama Rubber Group has sought to enhance and expand its CSR activities to develop as “an environmentally friendly enterprise that enjoys the firm trust of society,” and a framework for promotion of CSR and environmental management was established in June 2008 with the aim of further promoting activities and strengthening collaboration on social activities.

CSR and environmental management promotion framework



GD100 Basic Policy and Guidelines for Action on the Environment

GD100 Basic Policy on the Environment

Following the principle of "dealing fairly with society and valuing harmony with the environment," we shall assert world-class strengths in technologies for protecting the environment.

- Continued improvement of environmental management
- Action to combat global warming
- Contribution to creation of a sustainable recycling society

GD100 Guidelines for Action on the Environment

For the sake of future generations and this irreplaceable planet,
we shall act to protect the environment.

Practice of global environmental management

We will adopt consistent, high-level environmental management practices at all operations worldwide.

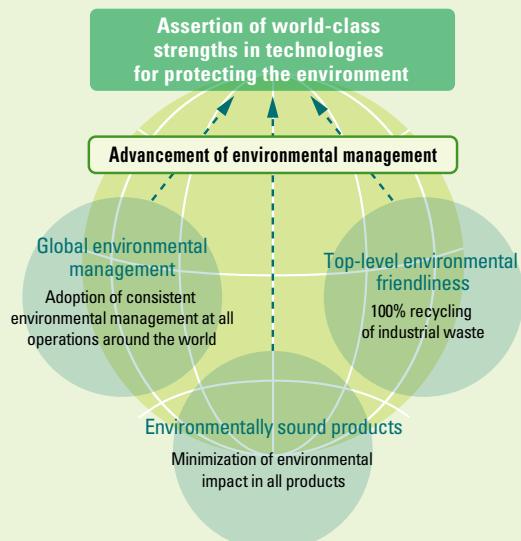
Contribution to society through manufacturing

We will take action to minimize the environmental impact in all products.

We will take action to protect the environment as a duty to society by practicing top-level environmentally conscious production.

All industrial waste will be recycled.

Improvement of communication with society and local communities



Recognition by society (April 2007 to May 2008)

- Selected for inclusion in SRI's "FTSE Good Global Index" for the third year running (May 2007)
- Hamatite Division and Tire Material Development Department double winners of the 3R Promotion Council President's Award (October 2007)
- Manufacturing Division ranked 19th in Nikkei Inc.'s "Environmental Management Index Survey" (December 2007)
- Mie Plant awarded the Chairman's Award in the industrial category of the Japan Cogeneration Center Awards (May 2008)



Environmental Management Systems

We will practice global environmental management by adopting consistent, high-level environmental management practices at all operations worldwide.

Promotion of Global Environmental Management

We will practice global environmental management focusing on the following areas.

Organization of first global environmental conference

In December 2007, the CEOs of all the Yokohama Rubber Group's overseas production operations met for the first global environmental conference, where the

president of Yokohama Rubber spoke about the importance of implement consistent environmental management practices and concrete plans for future activities were deliberated.

Main resolutions

1. Commencement of zero emission campaign at overseas operations in 2008 and attainment of zero emissions by 2011
2. Publication of environmental reports for each overseas operation (company) by 2011
3. Expansion of YOKOHAMA Forever Forest project to other countries

Adoption of ISO14001 certification as basis of environmental management

The Yokohama Rubber Group's global environmental management strategy is founded on ISO14001 certification of each of its operations. In FY2007, four operations were newly certified: Yokohama Tire Corporation in April and SAS Rubber Company in December in the U.S., Yokohama Tire Manufacturing

(Thailand) Co., Ltd. in July in Thailand, and Yokohama HAMATITET (Hangzhou) Co., Ltd. in January in China. As a result, 95.2% of employees engaged in production activities in Japan and overseas now practice environmental management in accordance with ISO14001, and steps are in progress to have the remaining production operations certified as well.



Global environmental auditing

In order to ensure the adoption of consistent, high-level environmental management practices at all operations worldwide, the Yokohama Rubber Group has since FY2006 audited GD100 environmental practice and compliance with ISO14001 standards by overseas production operations as well.



Audits in progress at SAS Rubber Company in the U.S. (left) and Hangzhou Yokohama Tire Co., Ltd. (right)

Practice of Environmental Management at Administration and Distribution Operations

Yokohama Rubber's head office operations^{*1} have identified 17 core areas of activity impacting on the environment to tackle in accordance with ISO14001 standards. Since 2007, 32 group distributors in Japan have practiced environmental management in accordance with GD100 guidelines, and each has adopted its own environmental policy. All distributors have also introduced systems for data accumulation and target management of

specific areas of environmental management, and as a result self-assessed environmental management scores calculated in accordance with guidelines rose 18% compared with FY2006. In FY2008, environmental management in accordance with GD100 environmental guidelines will be expanded to include overseas distributors as well.

*1. Yokohama Rubber's headquarters operations and the head office operations of a wholly owned subsidiary engaging in contingent business.

Comprehensive Environmental Auditing

Continuous improvements to environmental management, increases in environmental performance, and minimization of environmental risk are audited by conducting three kinds of audit: company-wide audits, external ISO14001 audits, and internal ISO14001 audits. From FY2007, self-assessed scores calculated in

Company-wide audits

Each year, the CSR & Environmental Affairs Department conducts audits of all operations concerning selected issues for priority auditing. In FY2007, it was confirmed that there had been 109 environmental "near misses"^{*2} in the past three years and that countermeasures remain effective. The results of company-wide audits are reflected in the choice of winner of the Eco Factory Award (see p. 18).

*2. Incidents such as leaks and dispersions of substances within processes that did not develop into environmental accidents beyond the plant, but that might have done so had countermeasures not been taken.

External audits (ISO14001)

All of Yokohama Rubber's plants underwent regular and renewal inspections conducted by the ISO certification body, resulting in all having their accreditation renewed.

accordance with GD100 environmental guidelines by 32 domestic group distributors have been audited by the CSR and Environmental Affairs Department, and the results reflected in the selection of recipients of the Eco Office Award (see p. 18). No infringements of environmental legislation were detected by any audits in FY2007.

Internal audits (ISO14001)

32 days of inspections were conducted at all plants in FY2007 in accordance with the ISO14001 manual. Action on "core areas of activity to improve the environment" is being stepped up through internal audits. With the increase in internal auditing capabilities, so too have increased the number of non-conformities identified as "impacting on the environment" in FY2007.

Number of non-conformities at Hiratsuka Factory

	FY 2006	FY 2007
Opportunities for improvements	39	45
Minor shortcomings (requiring improvement)	7	19

Enhancement of Environmental Training and Awareness raising

In addition to incorporating environmental training into the education provided to new hires, Yokohama Rubber also organizes a "Techno College" to provide environmental training targeted mainly at engineers in their second and third years at the company. In FY2007, 35 employees participated in the program.

In order to raise understanding of ISO14001, training is also provided to develop internal auditors, of which there are now 315 internal auditors, including 44 who qualified in FY2007. General environmental training has also been commenced. This is taught via e-learning, and has been completed by 581 employees. Two activities organized to raise environmental awareness are Energy Conservation Month, which is held every February, and Environment Month in June, when the president delivers a message to the entire workforce.

Involvement in Environment Month events

For Environment Month, employees are invited to submit their ideas for environmental slogans and environmental posters. In FY2008 there were 2,664 slogan entries (up by 35% from FY2007) and 117 poster entries (up by 85% from FY2007).



Entry by Masakazu Aoki of the No. 3 Manufacturing Section at the Shinshiro Plant

Raising Employee Awareness through the Eco Award Scheme

In order to foster wider understanding of activities contributing to the environment in the Yokohama Rubber Group as a whole and to encourage further action, companies and divisions that produce outstanding results are awarded the President's Eco Award under the award scheme of that name established in November 2006. This scheme consists of awards in three categories: the "Eco Factory Award" for establishments

and companies involved in manufacturing, the "Environmentally Sound Product Award" for research, development, and technology divisions, and the "Eco Office Award" for establishments and companies involved in non-production distribution and administration activities. At the second awards ceremony held in May 2007, 12 divisions and affiliates received awards out of 25 entries from Japan and abroad.

Award winners at the second environmental awards

Eco Factory Award	Outstanding Performance Award	Mie Plant Yokohama Tire Corporation	Eco Office Award	Outstanding Performance Award	Physical Distribution Subcommittee of the Global Warming Countermeasures Committee
	Award for Effort	Yokohama Tire Philippines, Inc. Yokohama Tire Manufacturing (Thailand) Co., Ltd.		Award for Effort	Kagoshima Yokohama Tire Co., Ltd. Yokohama Rubber MBC Co., Ltd.
Environmentally Sound Product Award	Outstanding Performance Award	PC No.1 Designing Dept/Tire Materials Designing Dept	Special Eco Award	Acorn Award	Shinshiro Plant
	Award for Effort	Tire Materials Development Dept. Industrial Products Engineering Dept.			

Promoting Mutual Understanding with Local Communities

Yokohama Rubber continues to provide opportunities for hearing the views of local residents and raising understanding of plant activities. In FY2007, 85 people visited our domestic plants, and gave us their insightful

views. Through participation in environmental exhibitions and similar events, we are introducing our environmental activities to a wider audience, and in FY2007, distributors, too, participated in local environmental fairs.

Activities to develop mutual understanding with communities

Dialogue with local residents	Hiratsuka Factory	Opinion meetings (see p. 52)
	Mie Plant	Opinion meetings (see p. 52)
	Mishima Plant	Informal discussion meetings
	Shinshiro Plant	Visits by environmental monitors
	Ibaraki Plant	Tours of plants' environmental facilities and informal discussion meetings
Participation at environmental exhibitions	Hiratsuka Factory	Shonan Hiratsuka Techno Fair
		Hiratsuka City Environment Fair
	Onomichi Plant	Environmental Festival in Onomichi
	Hiratsuka East Plant	Hiratsuka CO ₂ CO ₂ Plan
	Yokohama Tire Shizuoka Hanbai Co., Ltd.	Shizuoka Environment and Forest Fair
Head Office		Minato-ku Corporate Environmental Exhibition
		Eco Products 2007

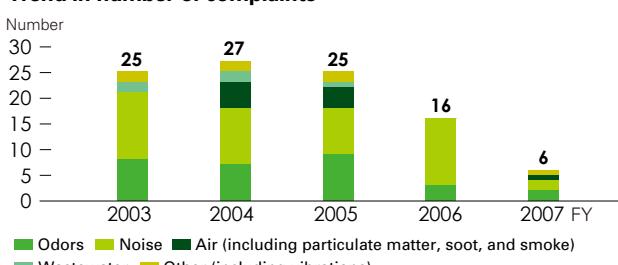


Shizuoka Environment and Forest Fair
(Yokohama Tire Shizuoka Hanbai Co., Ltd.)

Complaints Fall by 10 in FY2007

As a result of measures to reduce incidence through both rigorous routine management and measures to identify the root causes of complaints, there were 10 fewer complaints in FY2007 than in FY2006. Action is also being taken to encourage the horizontal expansion of 1) company-wide audits to prevent recurrences of past cases and 2) prevention through visualization of environmental near misses in order to prevent environmental accidents.

Trend in number of complaints



Reinforcement and Rigorous Enforcement of Green Procurement and Purchasing

Arrangements for cooperation with suppliers are being strengthened and procurement and purchasing of environmentally friendly materials and parts are being rigorously enforced.

Basic Principles on Green Procurement and Purchasing

Following its "Green Procurement Guidelines" for procurement of raw materials established based on the principle of procuring clean and safe raw materials and parts, Yokohama Rubber pursues procurement of raw materials, parts, packaging materials, and other supplies that have less of an impact on the environment while strengthening collaboration with suppliers. In order to ensure that the basic policy on purchasing founded on openness and fairness is properly followed, materials and procurement personnel receive training in the requirements of the Subcontracting Law.

Green Procurement Principles
Procurement of safe, clean, and environmentally friendly raw materials, parts, and packaging, etc.
1.The state of adoption and implementation of environmental management systems by suppliers shall be used as one criterion when purchasing supplies.
2.Rigorous implementation of measures to avoid use of SOCs shall be sought.
3.Purchase of environmentally friendly supplies ("green procurement") shall be promoted.
4.Emissions of industrial waste shall be reduced.

Collaboration along the Supply Chain

Suppliers are requested to take action concerning the following in the Green Procurement Guidelines.

Development of environmental management systems (EMS)

Since 2001, suppliers that have yet to be ISO14001 certified have had their environmental protection activities assessed in accordance with Yokohama Rubber's own survey items. On-site audits of suppliers have also been conducted on a planned basis since FY2006, and assistance is provided to help suppliers develop EMS through, for example, proposal of suggestions on how to make improvements.

Control and reduction of SOCs

Suppliers are requested to provide empirical data certifying the absence of substances that prohibited or controlled under Yokohama Rubber's "Guidelines on Prohibited and Controlled Substances," and substances prohibited by the ELV Directive*2 and RoHS Directive,*3 together with reports on the types and quantities of chemicals that they contain.

*2. ELV Directive: The EU End-of-Life Directive, which provides for recycling of end-of-life vehicles and controls use of hazardous substances.

*3. RoHS Directive: The EU Restriction of Hazardous Substances Directive, which controls use of hazardous substances in electrical and electronics equipment.

Lifecycle assessment (LCA) compliance

LCA*1 has been adopted as a key component of Yokohama's environmentally friendly design process. Suppliers are requested to submit data on the manufacturing environment (such as data on energy consumption, such as power and gas use, required during manufacturing) for newly used procured products and products whose specifications have been amended.

*1. LCA: A method for analyzing using numerical data the impact of a product on the environment at each stage of its life, from procurement of raw materials to production, use, and disposal.

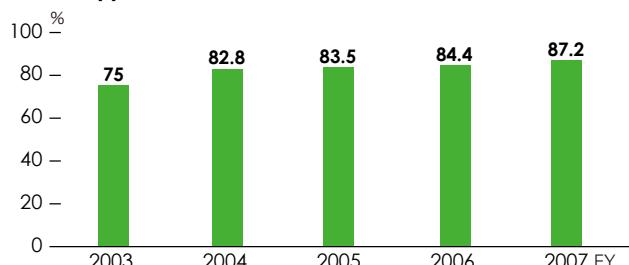
Reduction of waste

Suppliers are encouraged to switch from use of wooden to steel or resin pallets, resulting in a 36.5 ton reduction in waste emissions in FY2007. Use of recyclable steel and resin products will continue to be promoted.

Promotion of Green Purchasing

Purchasing of environmentally friendly supplies is promoted, and accounted for 87.2% of purchases in FY2007. We also purchase mainly environmentally friendly vehicles for use as test vehicles in Japan for tire development, and low fuel consumption and low emission vehicles made up 88.9% of purchases in FY2007. To prevent destruction of the natural environment, we in addition encourage FSC-certified paper derived from managed forests to be ordered for use in printed materials.

Proportion of purchases of environmentally friendly office supplies



Development of Environmentally Sound Products that can be Trusted

Action was commenced to make our entire range environmentally sound in FY2006, and already 60% of our products are environmentally sound.

Definition of Environmentally Sound Products

Aiming to Make All Our Products Environmentally Sound

Yokohama Rubber adopted "delivering the best products at competitive prices and on time" as a basic principle of its GD100 new medium-range management plan launched in FY2006. Contributing to society through the provision of the "best products" contributing to the prevention of

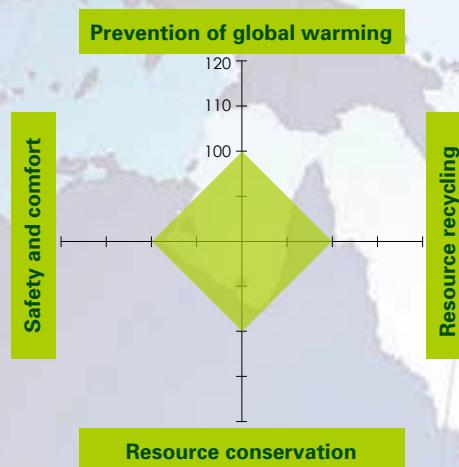
global warming is, we believe, an important duty of a manufacturer. In order to achieve this, we have adopted the concrete target of making all tires and MB products made and sold by the Yokohama Rubber Group environmentally sound products by FY2017.

Definition of Environmentally Sound Products According to Four Environmental Functions

Yokohama Rubber has defined four functions (prevention of global warming, resource recycling, resource conservation, and safety and comfort) as criteria for making all products environmentally sound products. Newly developed products are required to be on average at least 5% superior to conventional products in terms of environmental functionality, and a new product will not be introduced if its environmental performance is inferior in even just one of the four categories. This definition of environmentally sound products was introduced in FY2006.

Environmental functions	Environmental metrics
Prevention of global warming	Rolling resistance, Emission of CO ₂ , Energy conservation, etc.
Resource recycling	Recyclability, Retread performance, Proportion of natural materials, etc.
Resource conservation	Reduction of weight, Wear life, Reduction coefficient, Uneven wear resistance life, Development period, etc.
Safety and comfort	All-weather and braking performance, Noise performance, Pleasantness (odor, hue), Reduction of SOCs, Reduced pollution and environmentally friendlier (air, sea, water, soil), Care and nursing applications, etc.

Four environmental functions defining environmentally sound products

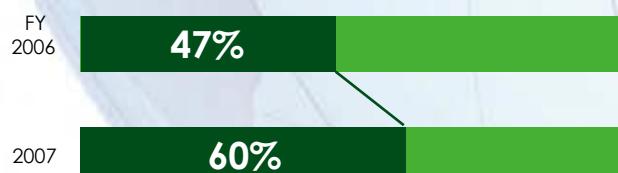


Proportion of Environmentally Sound Products in FY2007

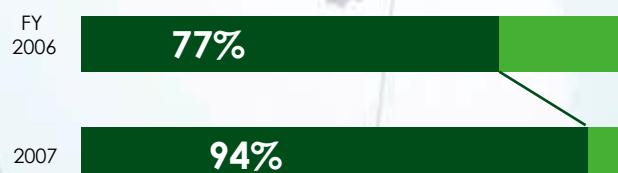
Yokohama Rubber began calculating the proportion of environmentally sound products in its range in FY2006. The proportion of our entire range defined as environmentally sound was 60% in FY2007 (compared with 47% in FY2006),

and the proportion of all new products that were environmentally sound was 94% (likewise compared with 77% in the previous year). Our target in FY2008 is 73% of our entire range and 100% of new products.

Proportion of environmentally sound products in entire range



Proportion of environmentally sound products among newly developed products

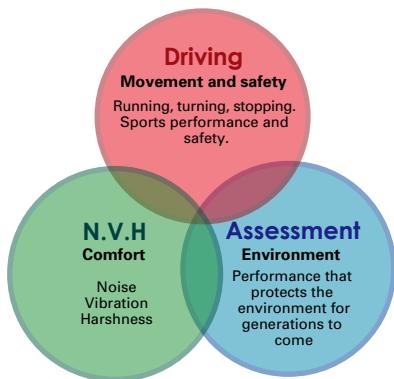


Tires

Yokohama Rubber has marketed "DNA" eco passenger car tires since 1998.

The three concepts behind the development of Yokohama Rubber tires

ECO tires



Continuing to change "in order not to change"



Toshihiko Suzuki
Director and Managing Corporate Officer
General Manager of Tire Technology Div.

Driving a car is intrinsically fun. We at Yokohama Rubber have always sought to make driving fun through our tire manufacturing. With the future of the global environment now viewed with concern, we believe that we must continue to change in order to maintain this unchanged stance. One solution is the DNA eco-tire series, which marries driving performance with environmental performance. Technology innovations since the launch of the first tire in the series a decade ago have seen the series evolve, and the latest tire, the DNA dB super E-spec, is made from 80% non-petroleum resources and features an orange oil compound and lightweight inner liner. We are constantly changing, never forgetting that it should be "fun to drive."

DNA Earth-1 launched in February 2008 in Japan



Diverse Technologies for Realizing Environmental Performance

A lot of advanced technologies for raising the environmental performance of tires were employed to create the DNA dB super E-spec launched in July 2007 in Japan.



Combination of Low Fuel Consumption and Grip Due to Natural Rubber and Orange Oil

Lowering rolling resistance to improve fuel efficiency also weakens grip. By creating a new compound made from orange oil, however, Yokohama Rubber has succeeded in combining advanced performance in both respects. Orange oil has a similar molecular structure to rubber, and is characterized by the ease with which it can be mixed with oil and rubber. Applying juice from orange peel to a rubber balloon, for example, softens the area concerned and causes the balloon to burst. Injecting orange oil into the gaps between firmly intertwined polymers softens the movement of rubber. Using orange oil has thus made it possible to create a high-ratio compound with natural rubber. Natural rubber offers lower rolling resistance than synthetic rubber, but has the disadvantage that heat generation is lower and grip is poorer. The addition of orange oil, however, helps the rubber to adhere to even minute projections on the road surface, producing excellent grip.

Natural rubber + **Plant-derived orange oil**

Lower rolling resistance and better wear resistance

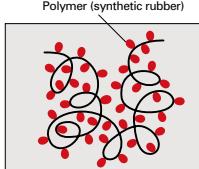
1. Makes rubber more flexible
2. Accelerates heat release of rubber in action mode

Lower fuel consumption

Grip

Super Nano-Power Rubber

Rolling resistance slashed (20%)
while maintaining grip and wear resistance



Polymer (synthetic rubber)

<Schematic view>

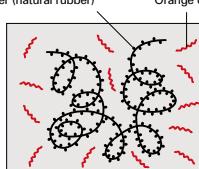
Synthetic rubber used in conventional products made by Yokohama Rubber

Ordinary synthetic rubber does not adhere well to minute projections.

<Schematic view>

Tire

Road surface



Polymer (natural rubber)

Orange oil

<Schematic view>

Tire

Road surface

Greater reductions in CO₂ Emissions Produced while Driving through LCA

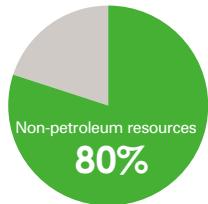
Lifecycle assessment (LCA) is a method of quantitatively measuring the impact of a product on the environment (in terms of CO₂ emissions) at each stage from production through to disposal. In the case of tires, CO₂ emissions during use account for 80-90% of emissions produced throughout the entire lifecycle, and so Yokohama Rubber is stepping up its efforts to improve fuel efficiency by lowering rolling resistance in particular.

CO₂ emissions during the tire lifecycle



*The above graphically represents approximate figures for tire products made by Yokohama Rubber.

80% Made from Non-petroleum Resources



Switching to use of mainly non-petroleum raw materials has reduced dependence on finite petroleum resources. Care is taken to reduce CO₂ emissions throughout the tire lifecycle, from production of raw materials to disposal.

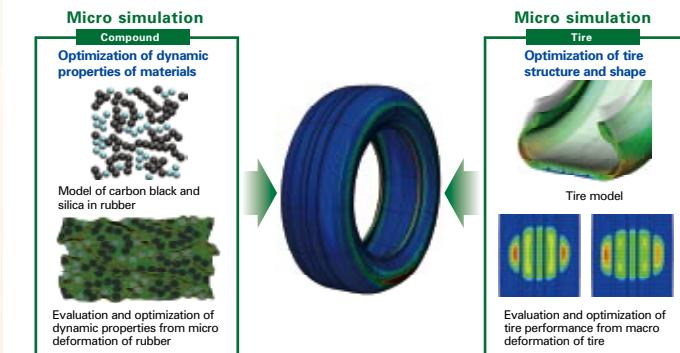
Made using mainly non-petroleum resources to reduce the burden on the environment

Synthetic rubber	▶ Natural rubber
Petroleum-derived carbon	▶ Coal-derived carbon
Petroleum-derived oil	▶ Orange oil
Synthetic polyester fiber	▶ Recycled rayon fiber

Optimization through Multi-scale Simulation

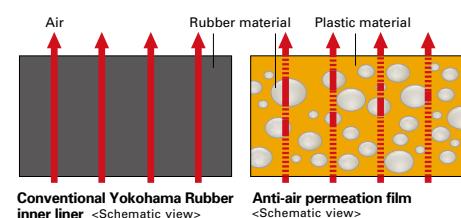
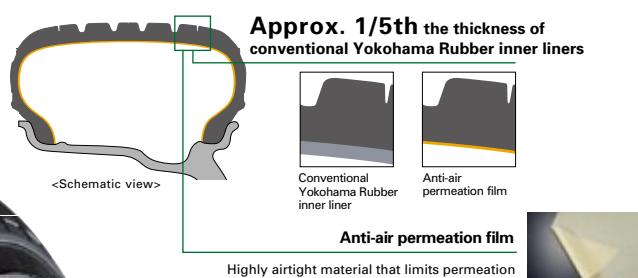
Multi-scale simulation is a technique for design evaluation from multiple perspectives, ranging from the macro level through to the nano scale. This technique makes it possible to analyze, for example, tire deformation during motion from the macro perspective of structure, while at the same time analyzing the deformation of carbon black and silica in compounds from a micro perspective. Taking full advantage of this technique, we are working to optimize tire performance and simultaneously reduce development times.

Application of multi-scale simulation technique (in case of DNA Earth-1)



New Anti-air Permeation Film Making Possible Drastically Reduced Weight

Using this new anti-air permeation film in the inner liner found inside tires reduces air pressure loss. As it is around one fifth of the thickness of conventional materials, it helps to reduce tire weight.



Eco-tires in All Genres



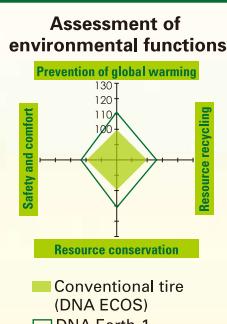
Passenger Car Tires

DNA Earth-1



Launched in February 2008 in Japan.
21% lower rolling resistance than conventional products (DNA ECOS) thanks to orange oil compound.

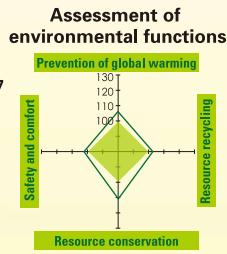
LCA: 8.782 per distance travelled (gCO₂/km/tire)



W.drive

This winter tire launched on the European market in September 2007 produces 7% less rolling resistance than conventional tires (A.V.S. WINTER).

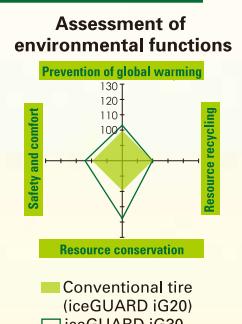
LCA: 8.655 per distance travelled (gCO₂/km/tire)



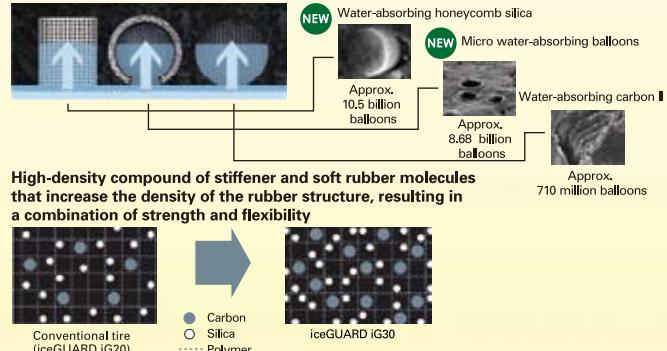
iceGUARD iG30 (dubbed "iceGUARD Triple")

Launched in September 2008 in Japan. This studless passenger car tire is made from "triple water-absorbing rubber," which drastically improves wear performance on ice.

LCA: 8.910 per distance travelled (gCO₂/km/tire)

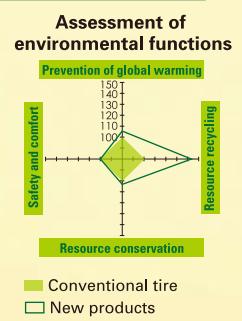


Three water-absorbing materials are employed to absorb water more quickly and efficiently, drastically improving wear performance on ice.



Aircraft Tires

Environmental performance has been improved by lowering weight and raising wear life. Aircraft tires are retreaded, making them outstanding from a recycling perspective.



Products Offering Improved Safety and Comfort



Truck and Bus Tires

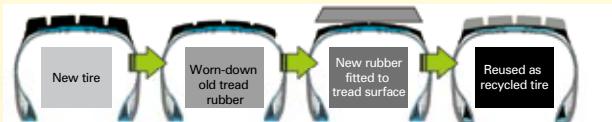
ZEN 702ZE

Launched in April 2007 in Japan. Reusable as retreaded tires due to their longer casing life, improved wear resistance due to prolonged tread life, and better fuel efficiency thanks to reduced rolling resistance.

LCA: 271.3 per distance travelled (gCO₂/km/tire)

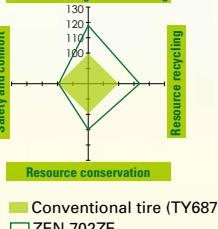
The ZEN series is ideal for retreaded use

Retreaded tires are tires that have had new tread rubber fitted once the old tread has worn down. Due to their greater casing life, ZEN series tires make ideal casings for retreading.



Assessment of environmental functions

Prevention of global warming



■ Conventional tire (TY687)
■ ZEN 702ZE



"ADVAN Sport Z.P.S." side-reinforced run-flat tire

Run-flat Tire

ADVAN Sport Z.P.S.

Run-flat tires are tires that are designed to enable the vehicle to continue to travel a certain distance even when deflated due to a puncture. They consist of a strong stiffener in the side wall and high rigidity bead wire to prevent the tire from coming away from the rim (marketed in Japan only).

Air pressure Monitoring System

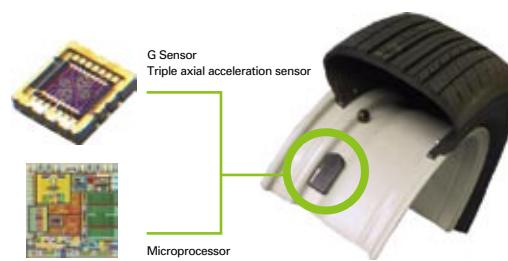
Yokohama Rubber is developing a system for monitoring air pressure in truck and bus tires called "HiTES." Sensors in the tires transmit data by radio wave, which is received by the system and displayed to the driver (marketed in Japan only).



HiTES display screen

"G Sensor" Vehicle Behavior Detection System

The G Sensor has sensors fitted directly in the tire (wheel), making it possible to detect lateral skidding more rapidly (marketed in Japan only).



G Sensor module installed in the wheel. Weighing only around 10g, it can withstand speeds of up to 300km.

Light Truck Tires

PROFORCE STUDLESS SY01V

Launched in September 2007 in Japan. The main focus of design was on improving wear life for commercial use.

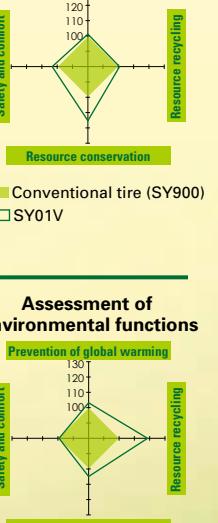
LCA: 6.063 per distance travelled (gCO₂/km/tire)

Racing Tires

These newly developed racing tires were first used in race conditions in the Tokachi 24-hour endurance race held in Hokkaido in July 2008.

Assessment of environmental functions

Prevention of global warming



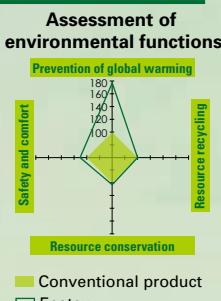
■ Conventional tire
■ New products

MB Products

Energy-saving Conveyor Belt (Ecotex)



Ecotex in use at a limestone mine in Japan

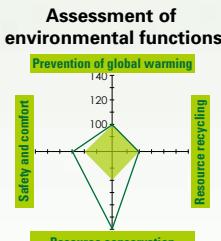


Yokohama Rubber is developing an energy-saving conveyor belt called "Ecotex" that reduces the amount of power required by the motor to drive the conveyor belt by drastically lowering the resistance encountered when the belt passes over the rollers. A range of models is available for both long and short to medium-distance use, and reductions in power consumption of 30% and 25% have been achieved in long-distance use and short to medium-distance use respectively.

Air Cushion for Preventing Wheelchair Pressure Sores (Medi-Air)



Two types with different heights of air cell are available, giving users a choice according to their level of disability and symptoms.



The Medi-Air is a type of air cushion equipped with a sensor that was developed by Yokohama Rubber to prevent wheelchair pressure sores. Due to the concentration of the user's upper bodyweight on the ischial tuberosity, wheelchair use is considered more likely to cause pressure sores than lying in a prone position. When the Medi-Air cushion is placed on the seat of the wheelchair, a sensor detects when the user sits down and causes air to be automatically injected, raising the seat and preventing pressure.

Looking 5 to 10 years ahead when developing technologies



Misao Hiza
Corporate Officer, in Charge of MB Technical and General Manager of Hamatite Div.

The present rise in petroleum prices make rapid change almost inevitable, leading to the advent of a resource recycling society that is less dependent on fossil fuels. Looking 5 to 10 years ahead, we will see clean energies such as fuel cells and solar cells spread rapidly and material recycling become commonplace. The MB Group boasts world-class technologies in the fields of adhesives and metal processing, and we intend to share and apply these elemental technologies in all divisions of the MB Group.

High-pressure Hydrogen Gas Hose for Hydrogen Refueling Stations (ibar HG35)



ibar HG35 high-pressure hydrogen gas hose

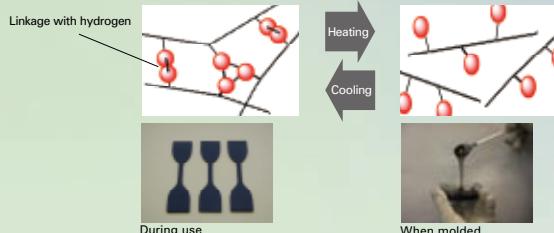
The ibar HG35 is a high-pressure hydrogen gas hose developed jointly by Yokohama Rubber and Iwatani Industrial Gases Corporation for use at hydrogen refueling stations that supply hydrogen as fuel for fuel cell vehicles, which are expected to become increasingly widespread in the future. Compared with conventional resin hoses, ibar HG35 offers better permeation performance, handling, and durability, and can be used at 35MPa-class stations.

Reduction, Reuse, and Recycling Technologies

World's First Recyclable Thermoplastic Reversible Rubber

When sulfur is added to normal rubber and the rubber then heated, polymers form crosslinks and can no longer be made fluid again. In thermoplastic reversible rubber, however, the polymers become linked with hydrogen. Even once the rubber has solidified, these crosslinks will collapse when heated, restoring the rubber to its original liquid state and allowing it to be remolded again and again. Uses presently under consideration include grips for golf clubs and adhesives.

Molecular structure when used and molded



Material Recycling of Rubber Waste Generated During the Production Process

At our Mie Plant, a new mass material recycling system has been introduced to reuse vulcanized rubber waste generated during the production process as raw material for tire products, and mass production of recycled material began in earnest in January 2007. This technology does away with the need for chemical processing using chemical agents, and allows the points of crosslinkage of the vulcanized rubber to be selectively decoupled, making it possible to recycle high-quality rubber with workability and physical properties that are almost on a par with new rubber.



Recycling system at Mie Plant (biaxial screw extractor)

Road Paving Made from Scrap Tires Reduces Noise by 90%

Yokohama Rubber is developing a road surfacing material (porous elastic road-surfacing material) made out of scrap tires. Measurements of noise levels on a section of highway surfaced with the material for trials (on City Road 17 in front of the Zama City Office in Kanagawa Prefecture) conducted in December 2006 showed the noise produced to be reduced by over 10 decibels when travelling at 40

kilometers per hour, which is equivalent to an approximately 90% reduction in the volume of traffic. Porous elastic road-surfacing material is made out of rubber chips recycled from powdered scrap tires. Fine sand is then added as an aggregate, and the material glued together and hardened by urethane resin.

Main test-surfaced sections of road

Sponsor	Location	Time of surfacing
Zama City, Kanagawa Prefecture	City Road 17 in front of Zama City Office	November 2006
Sapporo City, Hokkaido	Takinosawa route	October 2007
Hiratsuka City, Kanagawa Prefecture	Minamihara route (Sengen-cho/Hiratsuka City)	July 2008

Section of road in Zama City, Kanagawa Prefecture, test-surfaced with porous elastic road-surfacing material (darker section in foreground)

Environmentally Conscious Production

Making manufacturing as environmentally friendly as possible to reduce the impact on the environment and combat global warming

Basic Approach

The bulk of the resources and energy used and the substances of concern (SOCs) emitted by Yokohama Rubber are associated with production. Recognizing the particular importance of practicing environmentally conscious production, therefore, Production Environmental Task Forces have been established in the Tire Group and the MB Group to establish a clear framework of executive

responsibility in each of these groups. Yokohama Rubber has established manufacturing and sales companies of tires and MB products in Japan and overseas, and they, too, are pursuing ISO14001 accreditation to ensure that environmental management is practiced throughout the group.

The background image shows Yokohama Tire Manufacturing (Thailand) Co., Ltd., which was ISO14001 accredited in July 2007.

■Tire Group

Pursuing activities that produce multiple benefits



Shinichi Suzuki
*Managing Corporate Officer
and General Manager
of Tire Production Div.*

What we as a manufacturer have to do is put in place mechanisms to avoid wasteful use of energy and generating more CO₂ than is necessary at the production stage. As we do so, we should bear in mind the importance of not narrowing down our objectives to just one thing. Take the reduction of waste emissions as an example. One hidden cause of waste emissions is unnecessary work, the elimination of which serves not only to cut emissions but also to reduce unnecessary movement by employees, thus killing two birds with one stone. Through such activities, we hope to contribute to the fight against global warming.

■MB Group

Protecting the environment by raising the level of manufacturing



Toshio Izawa
*Corporate Officer in charge
of MB Production, General Manager
of Hoses & Couplings Div.,
Chairman & CEO of YH America Inc.,
and Chairman & CEO
of SAS Rubber Company*

The MB Division is a synthesis of four product segments—hoses and coupling, industrial materials, Hamatite, and aerospace products—the majority of which are made to order. As the differences in products and production methods make uniform action on the environment across all four segments difficult, our aim is to raise the all-round level of manufacturing rather than focusing solely on the environment. Raising the all-round level of manufacturing in terms of safety, quality, and costs will, I believe, naturally lead to more environmentally friendly manufacturing. The MB-Pi Activities to innovate in production, for example, has been underway for three years, and is already producing results.

Overview of Environmental Load

Manufacturing fit for a recycling-based society

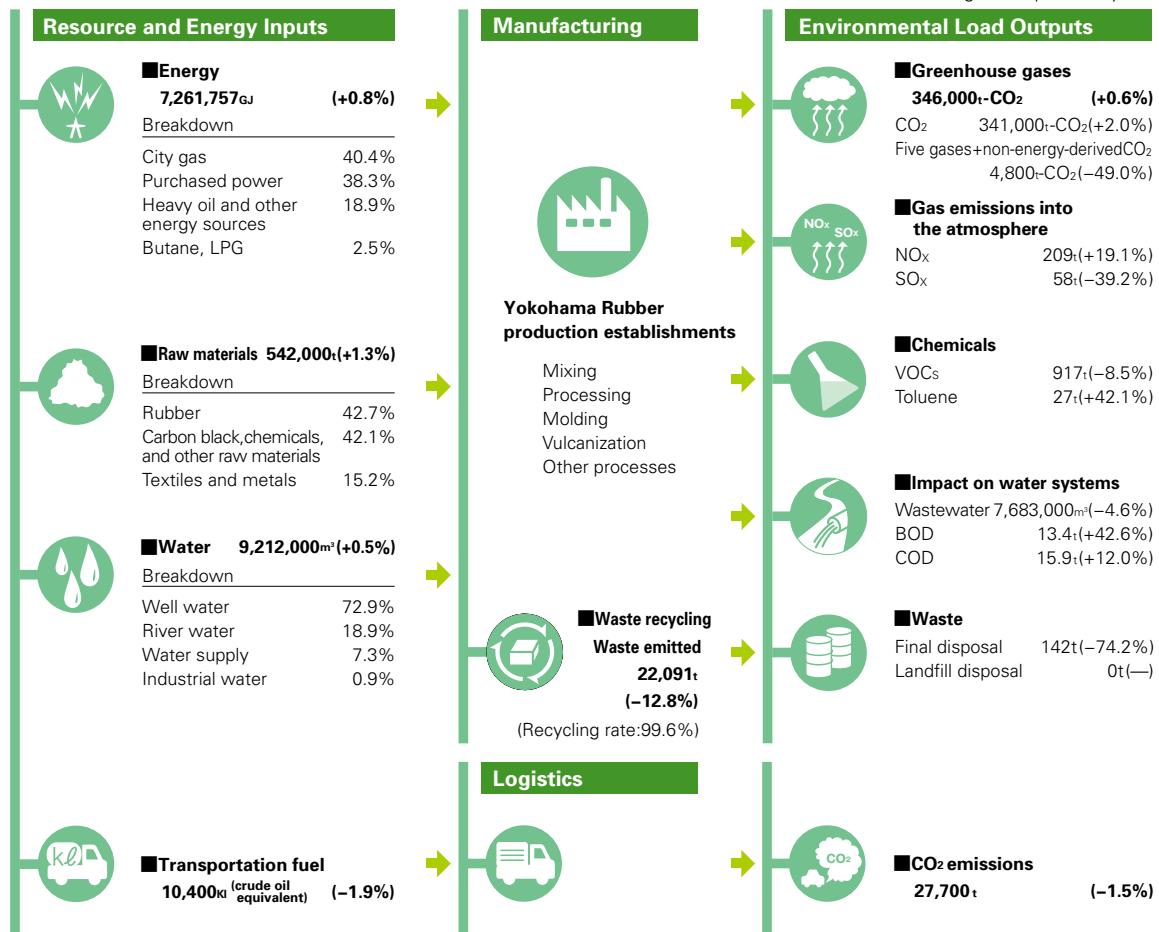
Instead of following the conventional approach of raising productivity, eliminating waste, and as a result reducing the impact on the environment, we approach manufacturing from the opposite angle, taking as our premise the needs of a recycling-based society. What this means in concrete terms is that our ultimate development objective is the development of recyclable rather than disposable passenger car tires. To help us achieve this, there are two cases from which we learn: the first concerns a food manufacturer, which sticks to the tough task of making 1 gram of merchandise out of 1 gram of ingredients, and the second is a small workshop in Ota Ward in Tokyo, which has tackled the problem of noise not by installing soundproofing, but rather by preventing noise from being generated in the first place by increasing the precision of its manufacturing processes. Rethinking manufacturing from these two perspectives leads one to new and unconventional approaches to manufacturing, encouraging one to look at things from the point of view of facilities and the people who operate them, for example, and to value materials. I want our tire manufacturing to waste none of the materials that go into the manufacturing process, just like in the average home it is common sense to make full use of ingredients and to recycle as fertilizer any waste that is produced, and I firmly believe that manufacturing in this way holds the key to creating a recycling-based society that can contribute to the fight against global warming.



Akihisa Takayama
Managing Corporate Officer,
General Manager
of Tire Production
Technology Div.,
General Manager
of Hiratsuka Factory,
and President of Hamagomu
Engineering Co., Ltd.

Overview of environmental load (Scope: Yokohama Rubber's eight production sites)

Figures in parentheses indicate the change from previous year.



Reducing Emissions of Greenhouse Gases

Kyoto Protocol Targets Beaten for Two Years Running

Greenhouse gas emissions by the Yokohama Rubber Group in Japan in FY2007 were 8.5% lower than in 1990, the second year running in which reductions exceeded the target set for Japan by the Kyoto Protocol. This was due principally to the introduction of high-efficiency

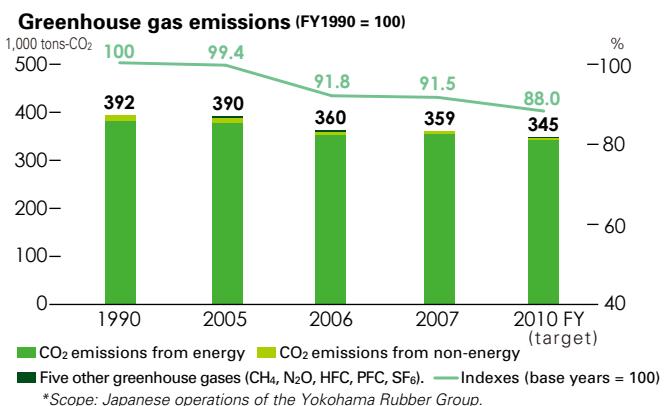
cogeneration systems, as a result of which 47% of total power consumption of production operations in Japan was produced in-house. Looking ahead, Yokohama Rubber plans to introduce renewable energies as well.

Breakdown of greenhouse gas emissions in FY2007

Type of greenhouse gas	Emission (1,000 tons-CO ₂)	Percentage of total
CO ₂ emissions from energy	354	98.7
CO ₂ emissions from non-energy	4.5	1.25
CH ₄	0.06	0.02
N ₂ O	0.2	0.07
HFC	0	0
PFC	0.003	0.0
SF ₆	0	0

*Method of calculation of indices: Calculated in accordance with Guidelines on Calculation of Business Establishments' Greenhouse Gas Emissions (Ministry of the Environment of Japan) up to FY2005, and in accordance with the method provided for by the system for calculation, reporting, and publication of greenhouse gas emissions based on the Act on Promotion of Global Warming Countermeasures from FY2006.

*Base year rate: 1990 is used as the base year for all gases except HFC, PFC, and SF₆, for which 1995 is used as the base year in accordance with the Kyoto Protocol.



*Scope: Japanese operations of the Yokohama Rubber Group.

Mie Plant takes home top Chairman's Award

In May 2008, the Mie Plant, which is at the center of Yokohama Rubber's tire production operations, took home the Chairman's Award in the industrial category of the Sixth Japan Cogeneration Center Awards. This is the top honor awarded for outstanding cogeneration system (CGS) projects, making this the second year in succession that Yokohama Rubber has received one of the Center's awards, the Mishima Plant's CGS being the tire industry's first recipient of the Environmental Protection Encouragement Award in 2007.

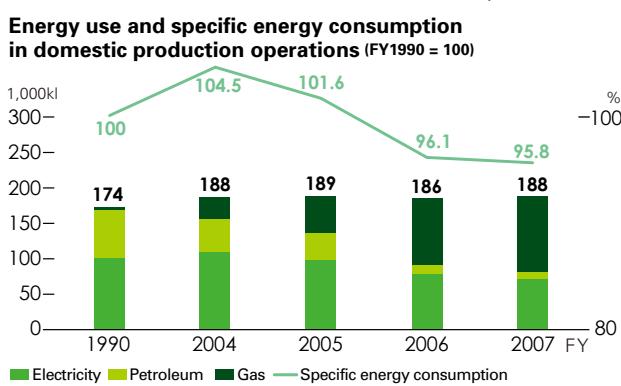


Plant general manager Yoshito Mochinaga (far left) holds the award certificate alongside Hisataka Okada, Director-General of the Environmental Control Secretariat.

Further Enhancing Visualization of Energy Control

Energy control at production operations in Japan has as its target a reduction of at least 1% from the previous year in terms of specific energy consumption (e/t).* Owing to the expansion of plant capacity and installation of large-scale facilities, however, this target could not be attained in FY2007, when e/t was reduced by 0.3% from

the previous year. In FY2008, e/t will be reduced by at least 1% through a combination of 1) sweeping energy-conservation activities, 2) on-site improvements, 3) visualization of energy use, and 4) entry of improvement activities in "blue sheets" in order to share information about them with other sections.



*e/t: Specific energy consumption, where "e" stands for energy use and "t" for the volume of production (quantity of tires replaced during servicing in the case of Yokohama Rubber).

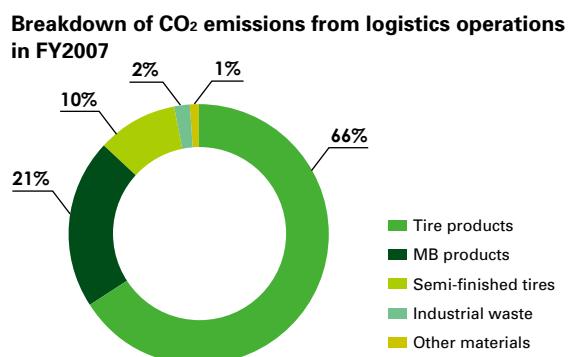


Example of blue sheet activity: Internal manufacture of insulation material for vulcanization process (Mie Plant)

Reduction of CO₂ Emissions in Logistics Operations

Pursuit of Improved Energy Efficiency and Reductions in CO₂ Emissions through Company-wide Integrated Data Collection System

Yokohama Rubber is designated a specified shipper, and so it has developed a system for aggregating information on emissions of CO₂ and other substances to the extent of ownership provided for by law, including finished and semi-finished products and industrial waste. In order to encourage reductions in emissions, 312 carriers used by the company have been provided with copies of the "Yokohama Green Logistics Guidelines," with which they are requested to comply, and a Physical Distribution Subcommittee has been set up under the Global Warming Countermeasures Committee in order to promote stronger action in the Tire and MB Groups.



Annual 3.5% Improvement in Energy Efficiency Achieved

Action is taken to achieve the target of a 1% annual improvement in energy efficiency set by the revised Energy Conservation Law, and this was easily exceeded in FY2007, when energy efficiency was 3.5% better than in FY2006. CO₂ emissions, too, fell by approximately 500 tons.

Environmental performance in logistics operations

	FY2006	FY2007
Total transportation volume (million t-km)	232.0	235.8
CO ₂ emissions (t)	28,200	27,700
Specific energy consumption (kJ/million t-km)	45.6	44.0

Action to Cut CO₂ Emissions

The following measures are being pursued to reduce CO₂ emissions in physical distribution.

■ Expansion of modal shift

In the Tire Group, the rate of use of ferry services for transportation of products was 57.2%, up 4.4% from FY2006. In the MB Group, use of JR rail services expanded 1%.

■ Reduction of pickup and delivery services through introduction of new "milk run" system

Introduction of a new "milk run" system for transportation of hose and coupling products in the MB Group has resulted in a 24% improvement in delivery services between plants and warehouses.

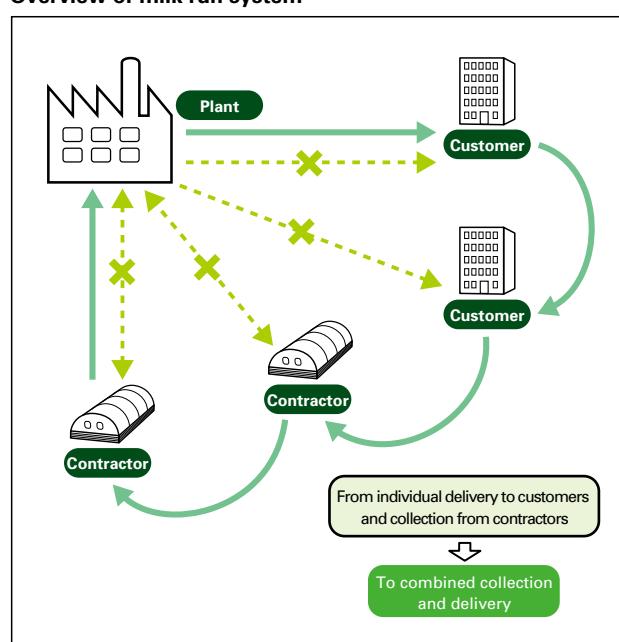
■ Improvement in delivery efficiency

An increase by 731 in the number of shipments from plants to domestic distributors and a 5.5% increase in the ratio of plant "vanishing" (loading directly of goods for shipment into containers at the plant) have yielded improved loading efficiency.

■ Reduction in quantity of industrial waste transported

Collaboration between the Tire and MB Production Environment Subcommittees has resulted in an 18% reduction in transportation of industrial waste in FY2007 compared with FY2006.

Overview of milk run system



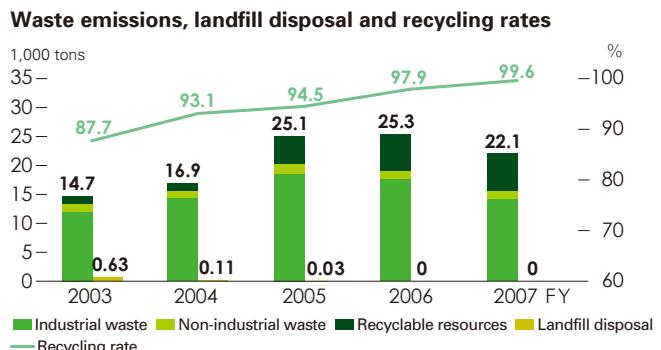
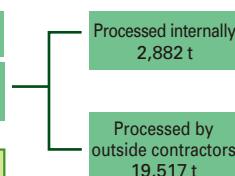
Reduction of Waste

12.8% Less Waste Produced in FY2007 than in FY2006

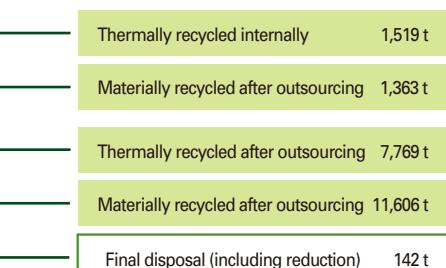
Waste^{*1} emissions in FY2007 were reduced by 12.8% from FY2006 to 22,091 tons. In the Tire Group, a dramatic 20% reduction in waste emissions was achieved despite a 2.5% increase in the volume of production. In FY2008, the aim is to reduce emissions by 25% compared with FY2007 in order to achieve the 35% reduction from FY1996 by the end of FY2008 set as a target for Phase I. From Phase II (beginning in FY2009), we plan to commence target management of emission factors as well as management based on total emission targets as at present.

Waste processing flow (FY2007)

Landfill disposal	22,399 t
Plant emission	22,251 t
Used tires, etc.	148 t
Recycling rate	99.6%
Landfill disposal rate	0%



*In FY2007, 1,216t of waste not subject to waste reduction through target management was produced as a result of the removal of equipment and facilities.



Final disposal (including reduction) 142 t

Aiming Completely Recycle All Industrial Waste

Yokohama Rubber aims to recycle^{*2} 100% of the industrial waste that it produces by the end of FY2010. The resource recycling rate was further improved from 97.9% in FY2006 to 99.6% in FY2007, exceeding our target of 99.0%. In specific terms, thorough surveys were made of waste processors regarding recycling of semi-solid resin waste, wastewater resulting from metal washes, and sludge, which until now have not been amenable to recycling, and repeated studies have been made of processing methods with respect to constituents, properties, and packaging in order to expand the scope of recyclable materials. In FY2008, visualization of the small quantities of waste that could not be recycled was pursued with the aim of achieving a resource recycling rate of 99.7%.

Launch of Activities to Achieve Zero Emissions at Overseas Production Operations

Zero emissions^{*3} have been maintained at Yokohama Rubber's eight production operations in Japan since March 2006, and we have now commenced action to progressively achieve zero emissions at our overseas production operations as well, with the aim to start with being to achieve zero emissions (in terms of a landfill disposal rate of less than 1%) as soon as possible.

Auditing of All Waste Disposal Contractors

In order to prevent illegal dumping by outside waste disposal contractors from occurring, audits are conducted in accordance with internal guidelines. In FY2007, a combined total of 98 audits were made at all production operations. In the case of contractors used by more than one plant, auditing work was shared efficiently between the plants concerned. Outsourcing will continue to be rigorously managed in FY2008 in order to ensure that waste is disposed of in a proper manner.



Yokohama Rubber plant personnel checking the processing process (center left)

State of Processing of PCB Waste

Storage of one container of PCB waste was added in FY2008, completing the early registration of 190 containers of PCB waste containing transistors and condensers throughout the company. This waste will be properly managed and stored in accordance with legislation and internal regulations until processing can commence.

*1. "Waste" is defined as unwanted substances generated in association with normal production activity, and includes all industrial waste, non-industrial waste, and recyclable substances.

*2. "100% resource recycling" is defined as zero final disposal (= direct landfill disposal + incinerated waste produced with effective use).

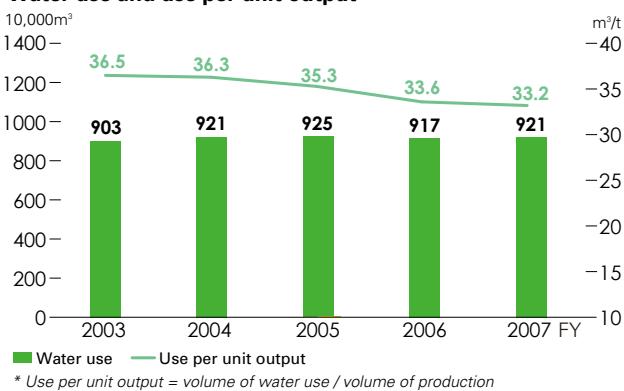
*3. "Complete zero emission" is defined as zero emission of direct landfill disposal of industrial waste.

Protection of Water, Air, and Soil Environments

Performance Exceeding Targets

Our aim from FY2007 is to reduce water use per unit output by 1% year on year. In FY2007, this target was exceeded with a reduction of 1.2%.

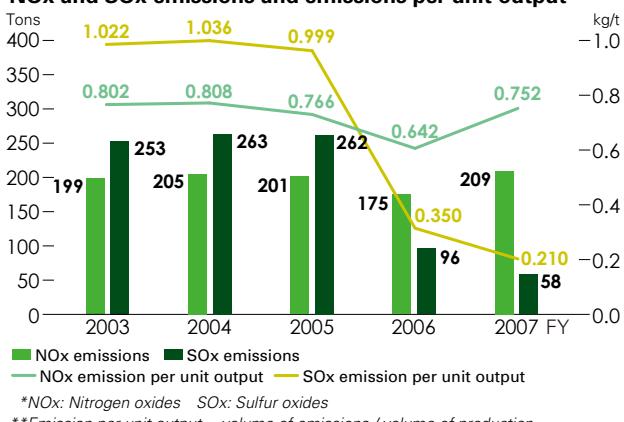
Water use and use per unit output



Significant Reduction of SOx Emissions

The concentrations of NOx and SOx in emissions are kept within legal limits. NOx emissions in FY2007 and the emission per unit output increased compared with FY2006, but SOx emissions and emission per unit output both fell dramatically.

NOx and SOx emissions and emissions per unit output



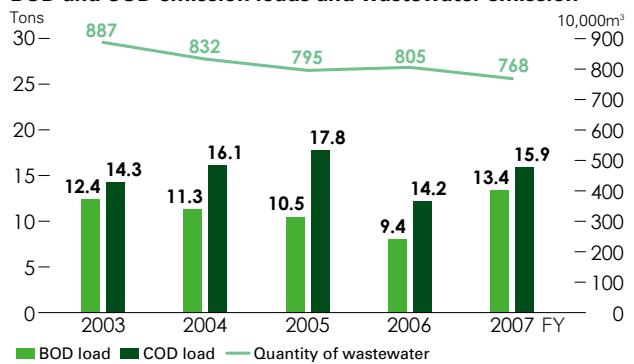
Action Against Soil Pollution

Shallow observation wells had been established at seven domestic operations by FY2006 (at the Nagano Plant, where the water vein is deep underground, direct soil analysis is employed). In FY2007, all standards were again cleared at all production establishments in Japan,

Management of BOC and COD Loads

BODs and CODs have been target managed based on emission concentrations at all plants since FY2007 to ensure legal limits are met. However, BOD and COD loads have increased since FY2006 due to increases in individual emission concentrations.

BOD and COD emission loads and wastewater emission



BOD is a measure of water pollution in rivers, and COD is a measure of water pollution in seas and lakes. The higher the value, the greater is the level of pollution.

*Corrections have been made to the BOD and COD loads in past years due to some establishments not having been equipped with wastewater flowmeters during these periods. The effect of these changes is minimal.

Action against Dioxins

Concentrations are regularly measured once a year at the Mie Plant, which has a waste incinerator, and regulatory values were once again cleared in FY2007.

Dioxin levels observed at Mie Plant (FY2007)

Category	Regulatory value	Measured value
Exhaust gas (ng-TEQ/m³N)	10	0.015
Wastewater (pg-TEQ/L)	10	0.012
Incineration residue (ng-TEQ/g)	3	0.000006
Fly ash (ng-TEQ/g)	3	0.076

and we plan to continue to periodically monitor and measure soil pollution. At the Hiratsuka Factory, where the concentration of chlorinated organic solvents in groundwater used to exceed limits, aerated cleaning is still employed.

Enhanced Chemicals Management

Compliance with REACH Regulations

The Yokohama Rubber Group's compliance activities have been led by the REACH Subcommittee established under the Chemicals Control Committee in 2005. All chemicals found in Yokohama Rubber products requiring registration have now been identified, and sharing of information along the supply chain by the method proposed by the Joint Article Management Promotion-consortium (JAMP) is being considered.

ELV Directive Compliance

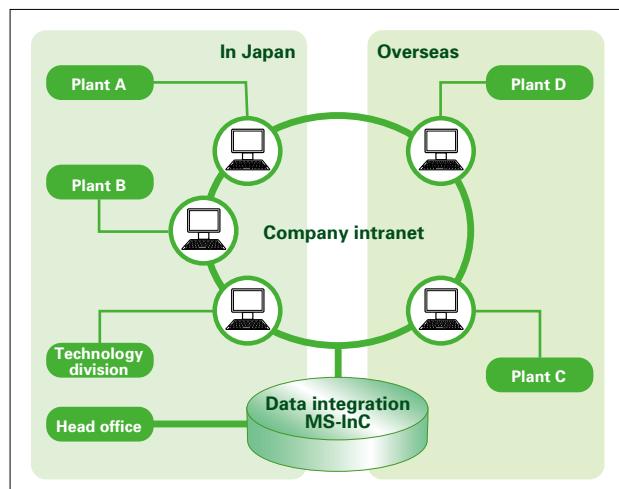
In order to completely eliminate use of lead, hexavalent chrome, cadmium, and mercury, Yokohama Rubber has promoted the use of raw materials and parts that do not contain these four substances in collaboration with its suppliers as well as its own technology development divisions. In FY2007, we finished collecting data certifying that approximately 4,300 brands of supplies do not contain the four chemicals concerned.

Unified Database Management

Sources and procurements along the supply chain are investigated and information on SOCs contained in purchases of raw materials and other supplies is managed in Yokohama Rubber's internal "MS-InC" * database system, allowing information to be efficiently shared between head office, design and development technology divisions, and the eight plants in Japan. Looking ahead, we aim to expand this system to include overseas plants as well.

* The name "MS-InC" stands for "Material Management System Information of Chemicals."

Overview of MS-InC



Regarding purchases containing chemicals that must be registered by the supplier, intention to register was confirmed in advance in December 2007 and responses were received from 164 out of 446 companies in an effort to ensure that no chemicals requiring registration are omitted.

** REACH: The Registration, Evaluation, Authorization and Restriction of Chemicals regulation of the EU.*

Reduction of VOCs

Yokohama Rubber is taking action to reduce emissions of volatile organic compounds (VOCs),*1 which account for the largest proportion of emissions, and in FY2007 a reduction of 54% compared with the base year (FY2000) was achieved, marking the attainment one year earlier than planned of the Phase I target of a 50% reduction.

**1. Organic compounds present as a gas when emitted or dispersed into the atmosphere.*

VOC emissions



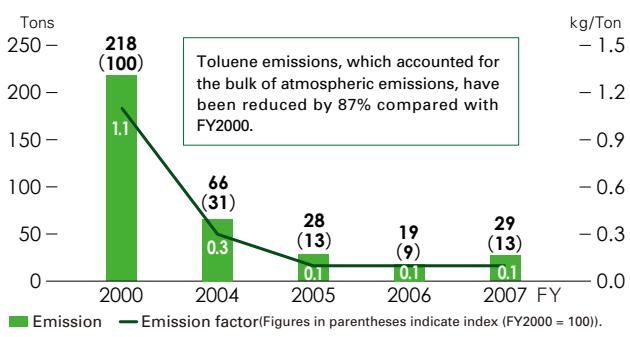
**Emissions in FY2006 have been corrected due to changes in the scope of calculation. The effect of this correction is minimal.*

**Emission factor = volume of emission / volume of production*

Reduction of Use of PRTR Chemicals

Total emissions and movements of PRTR chemicals handled by the Yokohama Rubber Group in FY2007 came to 127 tons, a reduction of 65% from FY2000.

Toluene emissions (all establishments in Japan)



**Emission factor = volume of emission / volume of production*

Environmental Accounting

Efficiently and effectively protecting the environment through quantitative monitoring of activities by environmental accounting

Environmental Conservation Cost

FY2007 saw the launch of the YOKOHAMA Forever Forest project to create woodland on plant sites. As

a result, investment in management activities came to ¥46 million and expenses to ¥667 million.

Environmental conservation cost	Principal measures	FY2006		FY2007	
		Investment	Cost	Investment	Cost
Business area		598	1,604	241	1,624
Pollution prevention cost	Cost of deodorization equipment, dust-proofing equipment, and other environmental measures	198	350	84	349
Global environmental conservation cost	Investment in cogeneration facilities, cost of energy-saving activities, etc.	388	105	103	94
Resource recycling cost	Waste sorting and processing costs	11	1,149	54	1,181
Upstream and downstream costs	Furnishing of environmental supplies, additional expenditures on reducing environmental load	3	309	3	76
Management activity costs	Maintenance and operation of EMS, data disclosure costs	0	459	46	667
R&D costs	Cost of research and development to reduce environmental load	190	617	6	1,636
Social activity costs	Activities contributing to the environment in environmental terms	0	14	0	16
Subtotal		791	3,002	296	4,019
Total		3,793		4,315	

Scope: Yokohama Rubber production sites in Japan in the period from April 2007 to March 2008.

Data compiled in accordance with Japanese Ministry of the Environment, Environmental Accounting Guidelines 2005 and Japan Rubber Manufacturers Association, Environmental Accounting Guidelines 2003. R&D costs consist of expenditures on development work to lower environmental load and development of environmentally sound products. Personnel costs were calculated based on man-hours expended on environmental conservation activities. Environmental damage or loss was zero. Depreciation costs are not included.

Economic Effects and Environmental Conservation Effects

An environmental cost effect of ¥1,159 million was registered as a result of activities to cut costs through energy-saving activities, recycling, and gain on sale of

waste. A 10.8% reduction in CO₂ emissions compared with the base year was achieved.

Economic effect

Category of effect	Details of principal measures	Unit: ¥million	
		FY2006	FY2007
Income	Income from recycling of waste generated in the course of business activities	143	189
Cost reductions	Reduction of costs due to energy savings	1,254	1,398
	Reduction of costs due to use of recycled products	541	540
Total		1,938	2,127

Environmental conservation effect

Category	Reduction compared with previous year	Page in this report
Reduction in greenhouse gas emissions (1,000 tCO ₂)	1	P30
VOC emissions (t)	100	P34
Waste disposed by landfill (t)	Continuation of zero emission	P32
Waste generated (t)	3,247	P32

Environmental accounting of group companies

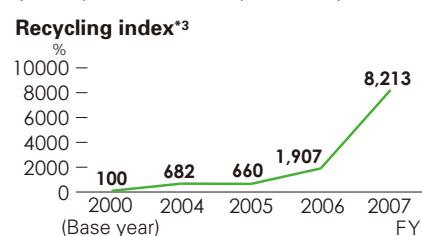
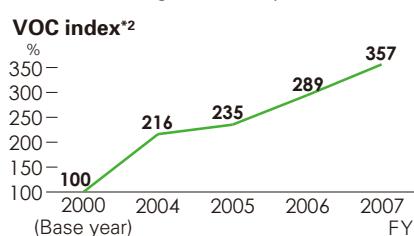
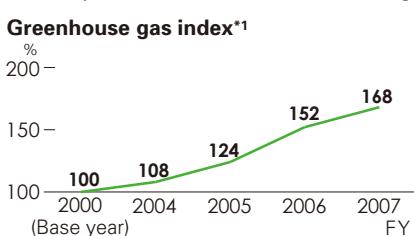
Category	Unit: ¥million		FY2006		FY2007	
	Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	17	59	3.7	57		
Management and social activity costs	0	6	0	5.9		
Subtotal	17	64	3.7	63		
Total			82			67

* Scope: Yokohama Tire East Japan Retread Co., Ltd., Sanyo Retread Co., Ltd., and SC Kingflex Corporation.

Environmental Efficiency

Environmental efficiency is a measure of whether business activities are undertaken efficiently while limiting the impact on the environment. It is calculated by dividing sales by environmental load, with a higher index meaning

that improvements are being made. Yokohama Rubber uses three key indices as indicators of environmental load. In FY2007, the greenhouse gas index continued to improve dramatically compared with the previous year.



*1 Sales/greenhouse gas emissions: Base year (FY2000) = 100. *2. Sales/VOC emissions: Base year (FY2000) = 100.

*3. Sales/final disposal: Base year (FY2000) = 100. (For the definition of final disposal, see p. 32.)

Social Aspects

- 36 With Employees
- 40 With Society
- 45 With Suppliers
- 46 With Shareholders and Investors
- 47 With Customers



With Employees

Creating a safe, clean, enjoyable workplace

Our Basic Objectives Concerning People

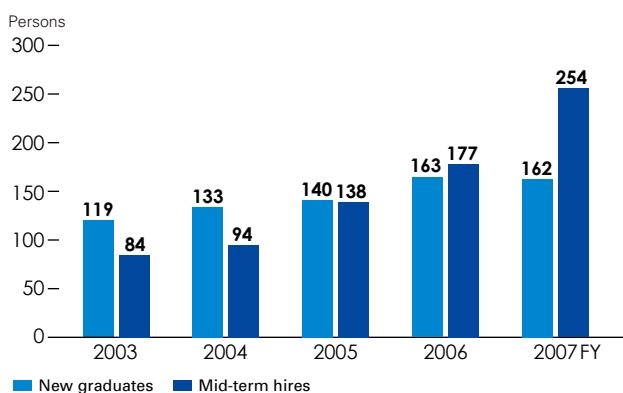
Under a management policy of "creating a workplace that values, improves and energizes people," Yokohama Rubber aims to create an environment where all employees can develop necessary abilities and fully demonstrate them, together with a workplace where they can balance their working and personal lives. The company also strives to develop human resources who can work globally to realize the business and technology strategies of the GD 100 plan.

Use of Human Resources

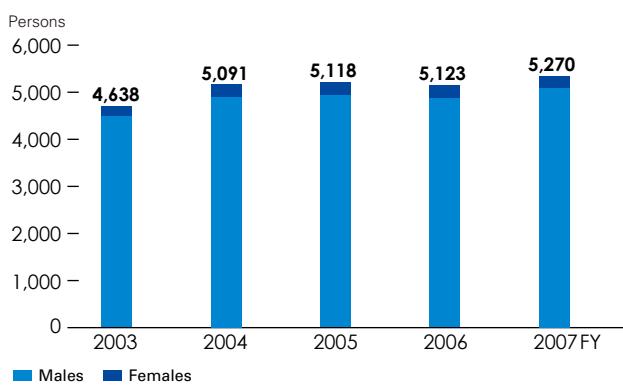
Hiring

Adopting a long-range perspective and in accordance with the needs of the business, we combine the steady hiring of new graduates with employment of experienced workers. We employ various persons for fixed terms at our plants, but we also make efforts to hire many of them as permanent employees, as they acquire sufficient experience.

Trend in number of hires



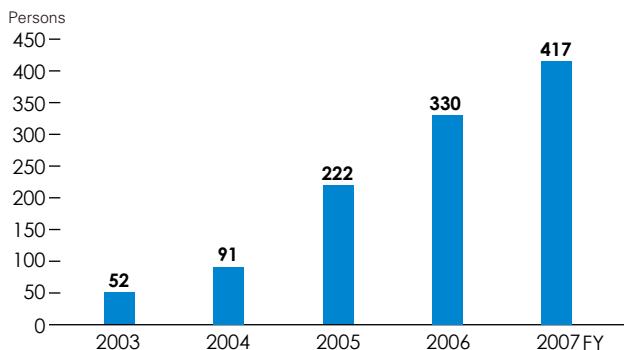
Trend in number of employees



Employment of "Veterans"

Employees hired under the "Partner Program" – introduced in April 2006 to reemploy workers who had reached the mandatory retirement age of 60 – numbered 417 as of the end of March 2008. In FY 2007, 75% of the mandatory retirees were rehired, remaining active as "Meisters" with high levels of technical skills to be passed on to younger employees.

Trend in number of workers reemployed

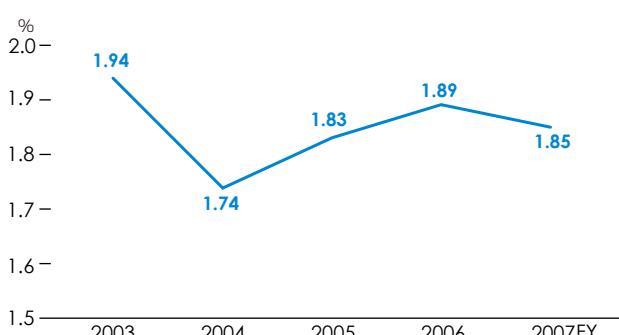


An employee who has been accredited as a technological Meister trains junior employees(Mie Plant).

Employment of the disabled

We also employ people with disabilities at our production facilities.

Trend in proportion of persons with disabilities



Development working environment

<Childcare leave scheme>

Rules on childcare leave were established in 1992, basically providing support for employees with children less than a year old. Arrangements for reduced working hours have also been made for parents of preschool children, and employees with children up to the third grade can take advantage of staggered working hour arrangements.



An employee using the childcare leave program
(PC & LT Tires Products Planning Dept.)

Trend in number of persons taking childcare leave scheme (Unit: persons)

2003	2004	2005	2006	FY2007
9	4	11	16	13

<Nursing care leave scheme>

Since April 1994, we have provided support for employees with family members requiring ongoing nursing care, such as reduced working hour arrangements. Child nursing leave for parents of sick children has also been expanded to include parents of elementary school children. (Under statutory requirements, only parents of preschool children must be included.)

Trend in number of persons taking nursing care leave scheme (Unit: persons)

2003	2004	2005	2006	FY2007
0	1	3	0	0

<Measures against sexual harassment>

The company has a fundamental commitment to maintaining a workplace free of sexual harassment, and a counseling service has been set up to deal with complaints and requests for advice. The system is also included in the Personnel Corner on the intranet.

<Mental health care>

We survey all employees for stress and feed the results back to them, so that they can be aware of their own conditions. We also provide employees with access to counseling by psychiatrists and specialist counselors, both in person and by phone. And in order to prevent physical disorders as a result of overwork, an occupational health physician is available to meet with anyone who desires it.

<Leave for volunteer activities>

In April 2008, we established a leave program that facilitates employees' participation in volunteer activities.

Development of Human Resources

Based on our belief that individual growth translates into corporate growth, a training program has been put in place to develop “professional human resources” – people who display ability, are highly motivated, maintain a broad outlook, and have a positive effect on those around them.

Development of core human resources

Employees are encouraged to develop the mindset necessary to do business in the global marketplace, and to acquire level-specific leadership, presentation, negotiating, and other skills.

Domestic and overseas external study program

In order to develop personnel with high degrees of specialist knowledge and broad outlooks, arrangements have been established to enable employees to undertake postgraduate study at graduate schools in Japan and abroad, and to join outside research institutes on a temporary basis. Two or three employees undertake external study in this way each year.

“C2S” development-oriented personnel program

“C2S” stands for “Challenge & Communication System,” which is aimed at revitalizing both the organization and individuals through fair-minded treatment of employees based on information that is as objective as possible. At the beginning of an evaluation period, each employee talks with their superior and sets their own performance targets. The two then meet again at the end of the period to assess results, achievements and growth.

Repertory and tradition of skills and techniques

High-achieving employees with advanced, specialist skills needed to enhance operations are accredited as “advanced specialists,” to concentrate on the appropriate technical activities (as of March 2008, there were 24). Technical workers who are capable of using their specialist skills and knowledge to provide guidance to junior workers are accredited as “technical Meisters” (as of March 2008, there were 31).

State of Labor-management Relations

Recognizing that the growth of the company and stability in workers’ lives are in the interests of both labor and management, arrangements for joint labor-management consultations on a wide range of matters concerning employment, working conditions, and fringe benefits have been established. Worker-management councils include the

Scholarships for acquisition of official qualifications

In order to encourage more employees to obtain official qualifications essential to our business operations and that are difficult to acquire, a scholarship program has been established.

Training system

Training for Next-Generation Managers	Training for Senior Managers
Level-specific training	Training for new hires and new-recruit follow-up training Leadership training Training for newly appointed management-track employees Training for general managers Senior training
Job-based training	Improvement of workplace problem-solving skills
Skills development training	Global human resource development Development of general business skills Development of particular and specialist skills
Training for all employees	Training in corporate ethics and compliance
Self-development support training	Language training Correspondence training
External study program (individual goals)	Domestic external study program Overseas external study program

MD group activities

MD stands for muda-dori – “waste reduction” in Japanese. MD activities are carried out throughout the production sector of the group, including overseas subsidiaries, to promote effective use of time, materials, space, inventories, etc.



The Niko Niko Shimbun at the Ibaraki Plant.
MD activities are introduced in every issue.

Central Labor-Management Council, regional labor-management councils at the level of individual business establishments, and also various other worker-management committees, which deliberate on and confirm numerous important issues.

Creating a Safe Workplace

Having formulated a basic policy on safety and health management and key measures, we are making our utmost efforts at all business establishments.

Basic Policy

Safety is a fundamental concern that underlies everything. As the starting point in creating a safe workplace, every employ of the Yokohama Rubber Group shall always put safety above all else and strive to create a safe, accident-free workplace under the firm leadership of managers and supervisors

Key Measures

1. Ensuring the safety of all equipment/facilities
2. Development of safe human resources
3. Creating of a comfortable workplace
4. Health and fitness in mind and body
5. Preventing of road accidents

Implementing key measures

<Ensuring the safety of all equipment/facilities>

Using a risk assessment method, we determine all potential risks in regard to equipment/facilities, evaluate them, and strive to minimize them. For new equipment/facilities and for modification, we address safety at the design stage and implement a risk assessment.

<Development of safe human resources>

We aim to develop human resources who are able to understand and recognize danger. While working to train managers, supervisors and leaders who can develop such safety-oriented employees, we encourage everyone working at production sites to join the efforts to prevent accidents, etc.

<Creating of a comfortable workplace>

In order to keep the working environment pleasant, we strive to develop/improve facilities, work processes and methods, and to provide facilities where employees can relieve stress and refresh themselves.

<Health and fitness in mind and body>

To prevent physical disorders caused by overwork and stress, we endeavor to grasp the reality of working hours through a working management system, and to improve working conditions for those working long-term. In the area of mental health, we have established a "Returning to Work" program, including care after illness.

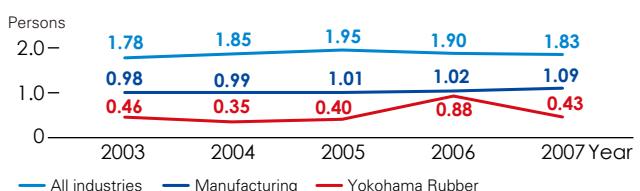
<Preventing of road accidents>

Activities of the company's traffic safety groups have been reinforced at each site, with a special focus on preventing occupational and traffic accidents during commuting. We also carry out educational activities in cooperation with local police and traffic-safety organizations.

Industrial accidents

The rate of lost-work-time injuries* in 2007 was considerably lower than in the year before. In order to totally eliminate accidents wherein people are "caught in a machine" – a description that accounts for half of all accidents – we have carried out thorough risk assessments and are working on improvements, starting with situations involving the highest degrees of risk.

Frequency of industrial accidents



* Lost-worktime injuries = (number of work accidents / total hours worked) x 1,000,000 hours
Data on manufacturing and on all industries (except general contractors) are from Survey on Industrial Accidents.

Industrial health and safety promotion framework

Below the Central Health and Safety Committee, there are site health and safety committees (mandatory) at each business establishment, and departmental health and safety committees in each department and workplace – each reflecting concerted efforts by labor and management. We also ask companies with whom we deal to participate in activities of the relevant committees.

Organizations responsible for health and safety



Companywide safety and disaster-prevention rallies

Companywide Safety and Disaster-Prevention Rallies have been carried out since FY 2005 to inspire employees in rebuilding a safe workplace environment, and in their disaster-prevention preparedness. Since FY 2007, overseas plants have also held such rallies.

Social activities carried out at domestic and overseas plants, business sites and the head office, consistent with local character and culture

Domestic Activities

Factory/Plants

Opening facilities to the public

Site facilities such as plazas, sports grounds and gyms are opened for use by residents and local clubs. The "Dinosaur Park" at the Onomichi Plant and "Tire Land" at the Shinshiro Plant have become favorites among local residents seeking places to relax and enjoy themselves.

Support for education

Yokohama Rubber offers hands-on experiences, environmental education classes and workshops for students from local junior-high and high schools. In FY 2007, a total of 50 students from nine local schools participated in hands-on events at the Mishima Plant.



Dinosaur Park (Onomichi Plant)



Hands-on learning by junior-high-school students (Mishima Plant)



Hiratsuka Factory has been a partner of Hiratsuka City for more than half a century

Since its establishment in 1952 in Hiratsuka City, Kanagawa Prefecture, the Hiratsuka Factory has worked hand in hand with the city. At the city's biggest event, the *Tanabata* Festival in July, Yokohama Rubber displays a huge sasakazari bamboo decoration unique to that festival. The factory also carries out various activities, including cleaning areas around the factory, opening the tennis courts at its employee dormitory to local residents, and conducting seminars at a school for the deaf on how to use an automated external defibrillator (AED). In July 2008, at the request of the citizens' organization *Chikyu-kko Hiroba*, which promotes environmental education, the factory hosted a gathering to explain its tree-planting activities at the factory and gave a tour of the manufacturing plant for aircraft tires, where worn tires are given new treads and used again.



Sasakazari (left), which Yokohama Rubber displayed at the *Tanabata* Festival in Hiratsuka in July 2008; explaining tree planting to *Chikyu-kko Hiroba* (above left); and tour at the aircraft tire plant (above right)

Comments by elementary pupils in *Chikyu-kko Hiroba*

- I look forward to seeing the planted seedlings grow and create a forest. There will be lots of cool shade.
- I was surprised to learn that airplane tires are not dumped, but remade and reused.
- The plant was much cleaner than I had thought.
- I was surprised that airplane tires are recycled in various ways.
- I want to tell my friends that airplane tires are used over and over.

Participation in local events

Yokohama Rubber participates in volunteer and environmental activities organized by local municipalities and also cooperates in revitalizing local events. At the Mie and Shinshiro Plants, employees take part in extensive regional cleanup activities initiated by the municipalities.

Collection of contributions, blood donations, traffic safety initiatives

The Mie and Mishima Plants collected contributions to help victims of the Niigata Chuetsu Offshore Earthquake. Other plants also voluntarily carry out cleanup areas around the plants, and promote traffic safety and blood donations, among other things.

Head Office

Donations to areas affected by natural disasters

Yokohama Rubber donated ¥5 million and ¥10 million respectively to help those affected by the Niigata Chuetsu Offshore Earthquake and the 2008 Sichuan Earthquake. In the latter instance, our Chinese subsidiaries (¥7.5 million) and their employees (¥2.1 million) also made donations.

Support for environmental enlightenment and student education

Yokohama Rubber supported Mr. Ukyo Katayama's participation in the Dakar rally with a car fueled by used tempura cooking oil. Mr. Katayama is active in environmental activities. Yokohama Rubber also supported Tokai University's "Le Mans Challenge Project," which saw a student-designed and -built car proven in the actual race.



Tokai University's racing car designed and built by students, at Le Mans, in June 2008

Use of the tradable green energy certificate system

Yokohama Rubber used green energy with less environmental impact at the Yokohama Rubber garage at the 2008 Tokachi 24-Hour Endurance Race and at the second LIVE ecoMOTION.



Interaction with the local community

Plant tours and informal talks with local residents are held regularly. An event called the "Goodwill Festival" is staged every year.

Recognition of our contributions to the environment and society

The Mie Plant was awarded the President's Award in the Sixth Japan Cogeneration Center Awards in the Industrial Sector (May 2008). The Hiratsuka Factory was given the Special CO₂CO₂ Kotsu-Kotsu Award by Hiratsuka City, and the Ibaraki Plant was acknowledged as a model recycling plant in Ibaraki Prefecture.

"LIVE ecoMOTION" primarily staged by employee volunteers



Popular artists Monkey Majik play at the second LIVE ecoMOTION in June 2008.

"LIVE ecoMOTION" is a concert started in 2007 to raise awareness of the global environment. Admission is ¥500 and all proceeds are donated to the World Wild Fund for Nature Japan (WWF-J). The event is primarily staged by the company's employees, who get the site ready, staff the reception desk, seek and collect additional monetary contributions, and more. About 1,800 spectators came to the second concert in July 2008. Admissions and contributions totaled ¥1.33 million.



Yokohama Rubber employee volunteers ask visitors for contributions.



YOKOHAMA Forever Forest Project Unified Regional Tree Planting Activities

About 51,900 Trees Planted at Six Domestic Production Sites

Under the YOKOHAMA Forever Forest project, as of August 2008, tree-planting ceremonies had been staged at six production sites across the country. With Yokohama Rubber employees and their families, residents, administration- and school-related parties from the local communities present, the ceremonies were carried out as unified regional activities as a part of measures to combat global warming. The total number of planted trees so far is about 51,900. Similar events will be staged in due course at overseas production sites, with 500,000 trees eventually planted, both domestically and abroad.



3



4



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6



7



8

"YOKOHAMA Forever Forest" Project

Launched in 2007, the "YOKOHAMA Forever Forest" project is creating forests at production sites in Japan and around the world, in anticipation of the company's 100th anniversary in 2017. Under the close guidance of Dr. Akira Miyawaki, biologist and professor emeritus of the Yokohama National University, we will create "native forests" matched to indigenous soil and climate in the specific area, which will be able to flourish for the next hundred or even thousand years. In addition, with the aim of creating an "own-grown forest," the employees of the Yokohama Rubber Group are taking the initiative, together with their families and volunteers from the local community, in all phases of the project, including gathering seeds (e.g., acorns), growing seedlings in pots, and preparing locations for planting.

Tree plantings

	Participants	Planted trees
Hiratsuka Factory	3,500	27,000
Mie Plan	800	5,500
Nagano Plant	480	2,500
Onomichi Plant	310	4,300
Mishima Plant	600	8,800
Ibaraki Plant	560	3,800
Total	6,250	51,900

Sites where ceremonies are planned

- Shinsiro Plant
- SAS Rubber Company
- Yokohama Tire Corporation
- Yokohama Rubber (Thailand) Co., Ltd.
- Yokohama Tire Philippines, Inc.
- Yokohama HAMATITE (Hangzhou) Co., Ltd.
- Hangzhou Yokohama Tire Co., Ltd.
- Yokohama Tire Manufacturing (Thailand) Co., Ltd.
- Yokohama Hoses & Coupling (Hangzhou) Co., Ltd.
- Yokohama Tire Vietnam Inc.
- Suzhou Yokohama Tire Co., Ltd.
- YH America, Inc.
- Shandong Yokohama Rubber Industrial Products Co., Ltd.
- SC Kingflex Corporation

1. First tree-planting ceremony under the project, with 3,500 participants (Hiratsuka Factory); 2. Dr. Miyawaki (right) explains how to plant trees, with President Nagumo (center) (Hiratsuka Factory); 3. Aichi EXPO's mascot characters Morizo and Kikkoro participate (Mie Plant); 4. Chinese character "forest" formed by participants (Mishima Plant); 5. Japanese drum performance at the Goodwill Festival, staged together with the tree-planting ceremony (Nagano Plant); 6. A father and his children take part together (Hiratsuka Factory); 7. Tree planting on a difficult slope (Nagano Plant); and 8. Small children were also brought along (Mishima Plant).

Activities of Overseas Group Companies

Yokohama Tire Philippines, Inc.

In addition to planting trees on the premises, we join in tree-planting activities undertaken by government-related bodies, NGOs, and the military. We also actively participate in local activities, including firefighting and recycling events. We have continued donating obsolete equipment, drums and pallets that can be recycled into desks and chairs, scrap tires usable as planters, and other recyclable resources to local primary schools and communities.



Employees plant trees on-site



Employees participate in firefighting event

SC Kingflex Corporation (Taiwan)

SC Kingflex Corporation called on other companies within its industrial park to join it in building a mausoleum to the local god of the land. We also clean the streets leading to the mausoleum when festivals are held. Since 2002, we have donated 30,000 yuan annually to local primary schools for environmental education.



Cleaning the streets leading to the mausoleum

Yokohama Tire Corporation (Virginia)

We voluntarily carry out local cleanup activities – three times already, since March 2008. In October 2007, a box to collect aluminum cans for recycling was set up in the plant, and, from the proceeds, we have donated about 130 dollars monthly to the construction of houses for low-income residents.



Voluntary cleanup

Hangzhou Yokohama Tire Co., Ltd. / Yokohama HAMATITE (Hangzhou) Co., Ltd. (China)

Hangzhou Yokohama Tire Co., Ltd., regularly cleans a two-kilometer-long area around the plant. Yokohama HAMATITE (Hangzhou) Co., Ltd. – located in the same region – has also started regular cleanup activities around its plant.



Cleaning around the plant (Hangzhou Yokohama Tire Co., Ltd.)

Yokohama Rubber (Thailand) Co., Ltd.

We visit homes for mentally disabled and Down syndrome children, and donate money for their operation. We also donate extra materials, equipment and machinery helpful to education, to local schools.



Visiting a local school

YH America, Inc. (Kentucky)

At an Earth Day festival in 2008, we donated a total of 1,500 seedlings to local elementary school children. The children took them back home and planted them as remembrances of the day.



Elementary school children holding gift seedlings

Yokohama Tire Manufacturing (Thailand) Co., Ltd.

We continually make donations to local elementary schools and temples, we donate waste tires to protect coral, and we create picture books for children to help them understand the importance of environmental protection.



Picture books for children

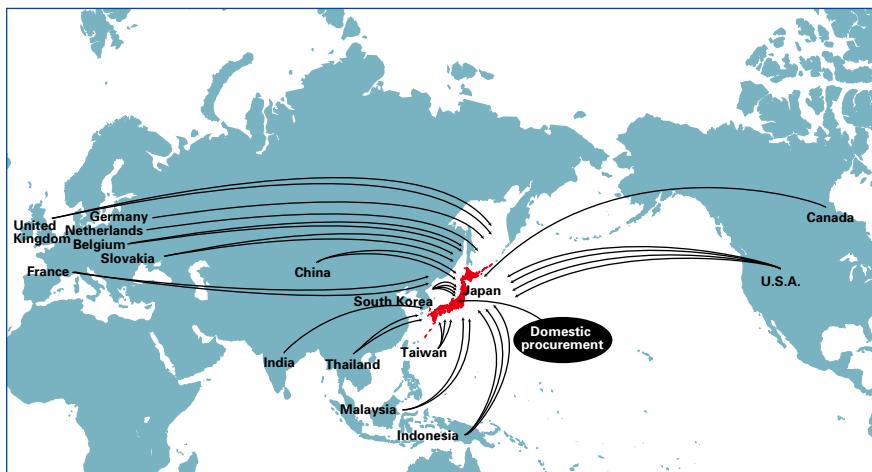
With Suppliers

Building mutual understanding based on trust and respect, equality and fairness

More Than 5,000 Items Procured from All Over the World

Yokohama Rubber's procurement process covers more than 5,000 items, ranging from raw materials (including natural rubber, synthetic rubber and carbon black) to reinforcing materials (including fibers and steel) to other major equipment and supplies. Countries from which we obtain them – some twenty countries in all – are in Asia, North America and Europe, in addition to Japan. The Corporate Purchasing Department is primarily responsible for purchasing activities. Business departments and production sites sometimes handle the technical discussions, etc., but the purchasing department is responsible for concluding final contracts.

Procurement sites expanding globally



This map shows major countries from which raw materials for primarily tires are procured. Procurement of reinforcements, rubber, coupling agents, steel and fibers is being carried out across the world.

Building Mutual Understanding Based on Trust and Respect

Without support from its many suppliers, Yokohama Rubber could not expect global growth. In this respect, we endeavor to build long-term, stable relationships with reliable suppliers. To this end, it is important that both sides understand each other based on trust and respect.

When each side is trusted by and is able to trust the other, they are able to build a long-term relationship in which they can help each other in times of difficulty. We believe equality and fairness in all business transactions is the basis for mutual trust.

Requests to Suppliers as Part of CSR

Yokohama Rubber has asked all of its suppliers for their own environmental management efforts, and has prepared and distributed its "Green Procurement Guidelines" to serve as standards. Based on them, it has requested that suppliers introduce environmental management systems (EMS), submit written declarations regarding the absence of substances that are prohibited or controlled under Yokohama Rubber's "Guidelines on Prohibited and Controlled Chemicals" and more (see p.19 for "Reinforcement and Rigorous Enforcement of Green Procurement and Purchasing"). In order to further strengthen CSR hereafter, the company is working toward issuing guidelines for observance of laws and social norms, human rights, and health and safety in the workplace.

Using highly transparent e-procurement

Yokohama Rubber has participated in the e-procurement system called "Rubber Network" since 2001 to reduce costs through joint procurement and auctions on the Internet. E-procurement is open to the public globally and is characterized by its transparency. Yokohama Rubber uses the network for a wide range of items, including packaging materials and pallets, electric parts, air-conditioning equipment and office supplies.



Rubber Network website

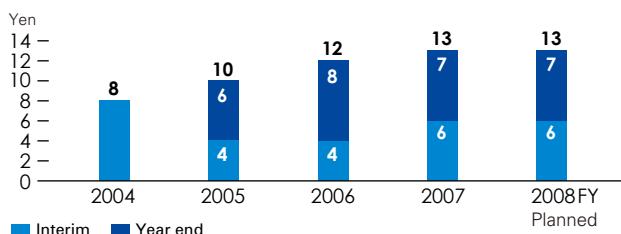
With Shareholders and Investors

IR activities based on consistent return of profits to shareholders

Basic Policy of the Dividend

It is our basic policy to continue paying stable dividends while retaining sufficient earnings for future business expansion and consolidation of management structures. We have paid interim dividends since the fiscal year ended March 31, 2006, fairly returning profits to shareholders. The dividend amount was increased for the fiscal year ended March 31, 2008, to ¥13 per share (¥6 interim dividend and ¥7 year-end dividend).

Trend in dividend per share



Actively Engaged in IR Activities

We properly disclose information to enhance transparency of management. Material management data, financial results, and other such data are disclosed as appropriate in accordance with the Securities and Exchange Law and stock exchange requirements, by submitting information and releasing it to the media.

Briefings on financial results

Briefings on our financial results are held for securities analysts and institutional investors at least semi-annually – quarterly since the latter half of FY 2006, including four times in FY 2007.

Information disclosure on investor relations homepage

We maintain a wide range of IR information on our homepage for shareholders and investors – http://www.yrc-pressroom.jp/ir_en/ – including statements by the president, information on our financial results, and other financial materials.



IR website

Information tools

In addition to distributing interim and year-end reports to our shareholders, we publish annual reports in English. From FY 2007, Japanese editions of our annual reports have also been available on our website.



Annual Report 2008

Individual meetings

Individual meetings for analysts and institutional investors are held as appropriate.

Shareholders meetings

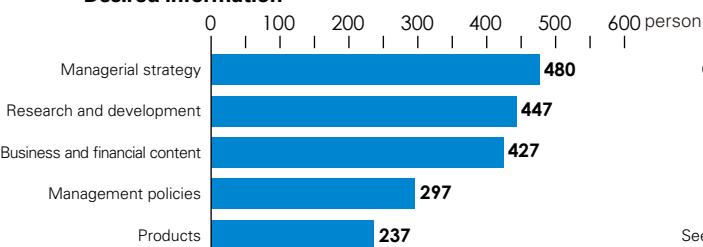
At a regular shareholders meeting once a year, we endeavor to make easy-to-understand presentations on our business operations, results and plans. Since FY 2007, graphics, animation, etc., that were used at the shareholders meeting have been put up on our website.

Listening to the Voices of Shareholders

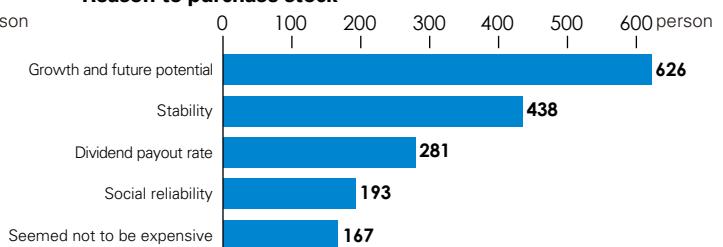
A questionnaire survey is conducted once a year when the year-end report is published. Since the first one for FY 2004, four such surveys have been carried out.

Replies to such questions as reasons for purchasing stock, desired information and opinions/requests, are used to improve our IR activities.

Desired information



Reason to purchase stock



*Top five answers are listed (from questionnaire FY 2006)

With Customers

**Customers now choose "Environment"
Further improving the environment, product quality and safety**

Tire Group

Tire sales network to strengthen environmental protection

Customers today are increasingly conscious of the environment. As a result, all domestic tire distributors and direct tire outlets with daily contact with customers are also highly environmentally aware and adhere strictly to energy saving delivery, trash sorting and waste reduction regimens. As part of those activities, tire distributors and outlets in the Yokohama Rubber Group participate in "Black Illumination" – a nationwide campaign initiated by Japan's Ministry of the Environment to turn off lights and equipment. In 2008, 740 business locations, including factories and plants, of the Yokohama Rubber Group took part in the campaign.



Logo mark of Team – 6%

Customers now want to be "Environmental"



Koichi Tanaka
Managing Corporate Officer
General Manager of Tire Domestic Sales Div.

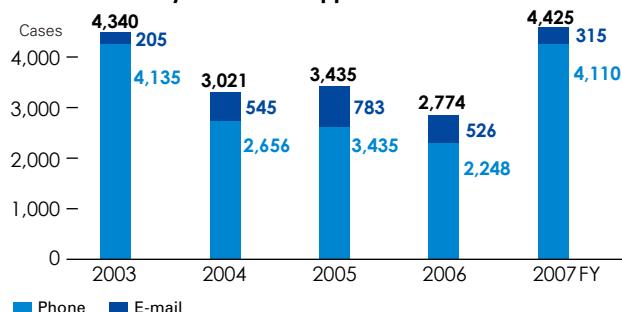
It was ten years ago, in 1998, that Yokohama Rubber released its DNA series of eco-tires. At that time, I honestly did not think tires focusing on the environment would sell well. Customers were interested in maneuverability – turning and stopping – not environmental protection. Today, however, as shown by the eco-bags selling explosively at supermarkets, people are willing to pay to preserve the environment. In such times, the first mission of a tire manufacturer is to sell environmentally friendly tires.

Taking Care of Customers and Reflecting Their Voices

In the Tire Group, the Tire Technical Service Department, together with tire outlets across the country, gathers customers' evaluations of tire products and responds to requests for advice from customers. Meanwhile, the Customer Support Center in the Head Office is in daily communication with customers by phone or e-mail. Valuable information is fed back to relevant groups and

used immediately to improve products and catalogues and websites. In addition, gathered information from customers is processed and analyzed regularly (once a month/once every six months) and any quality or other problems are reported within the company, resulting in quality improvement.

Consultations by Customer Support Center



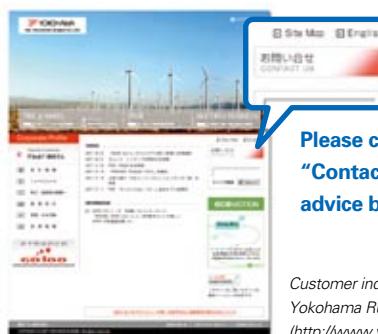
Major inquiries from customers

Product information	Sizes, matching, performance of passenger car tires and locations of outlets
Complaints	Noise, vibrations, uneven wear, etc.

Customer Support Center

Toll free: 0120-667-520

Hours: Weekdays (Monday through Friday)
9:00 a.m. - 12:00 p.m. / 1:00 p.m. - 5:00 p.m.



Customer inquiries can be made via
Yokohama Rubber's corporate website
(<http://www.yrc.co.jp/english>)

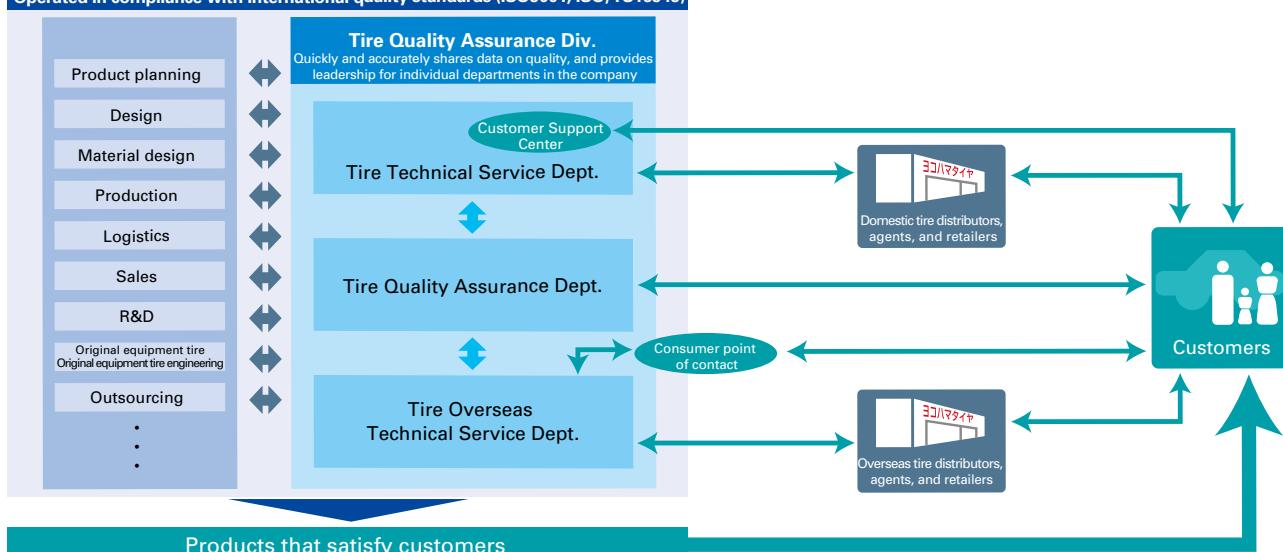
Elevating the Level of Manufacturing, With Quality Above All Else

Yokohama Rubber considers it vital not merely to fix quality problems, but to prevent them from arising in the first place – to not merely deliver products that satisfy the customer, but to actively generate quality that delights the customer. In line with this approach, the Tire Quality Assurance Division maintains a close watch on quality, from monitoring customer feedback to overseeing the production frontline, and has established a quality system covering the entire company. From product planning to distribution and service, the aim is to raise the level of

manufacturing by putting quality above all else. Looking ahead, we intend to enhance activities to develop the “4M” elements – Man, Machine, Material, Method – to develop requirements for stable production of defective-free products (including optimized processing), and to boost activities to ensure incorporation into commercial products, during the development process, of various needs identified by customers, in order to achieve a higher level of satisfaction.

Quality assurance framework in the Tire Group

Operated in compliance with international quality standards (ISO9001, ISO/TS16949)



Quality Assurance Based on ISO9001 and ISO/TS16949

The Tire Group operates a quality assurance system based on the ISO9001^{*1} and ISO/TS16949^{*2} international quality management system standards, depending mainly on tire type.

ISO9001

Domestic tire operations were ISO9001/9002:1994

certified in 1995. Certification of compliance with ISO9001:2000, revised in 2000, was completed in 2003.

ISO/TS16949

Three domestic tire plants and two overseas tire plants acquired ISO/TS16949 certification, which is the quality management system standard for the automobile industry.

^{*1}. ISO9001: This standard applies where it is necessary to demonstrate that a company is capable of consistently providing products that meet customer requirements, or if a company aims to improve customer satisfaction by ensuring the effective operation of systems, (including processes for continuous improvement of quality management systems) and assuring compliance with customer requirements.

^{*2}. ISO/TS16949: This ISO9001-based standard also incorporates the quality management system requirements of the automobile industry.

Acquisition of international quality standards

In Japan	ISO9001:2000	ISO/TS16949	Overseas	ISO9001:2000	ISO/TS16949
Mishima Plant	September 2003	June 2006	Yokohama Tire Corporation	May 2002	
Shinshiro Plant	September 2003	June 2006	Yokohama Tire Philippines Inc.	April 2002	May 2008
Mie Plant	September 2003	June 2006	Hangzhou Yokohama Tire Co.,Ltd.	September 2004	December 2006
Onomichi Plant	September 2003		Yokohama Tire Manufacturing (Thailand) Co.,Ltd.: TBS	April 2006	
			Yokohama Tire Manufacturing (Thailand) Co.,Ltd.: PC/LT	May 2008	

MB Group

Customer Satisfaction

The MB Group has a medium- and long-term policy to the effect that it will always offer high-quality products able to generate "120% customer satisfaction." Consisting of four business areas – hose and coupling products, industrial products, hamatite products and aerospace products – the group primarily manufactures and sells various parts and components. The products are delivered to manufacturers via sales outlets. In that sense, its customers are companies. But we endeavor to satisfy not only those company customers, but secondary and tertiary users of the final products in which Yokohama Rubber's parts/components are incorporated. "CS 120%" – customer satisfaction beyond 100% – expresses Yokohama Rubber's commitment to its indirect customers as well.

MB Group's Medium- and Long-Term Quality Assurance Policy

Always high-quality products delivering CS^{*1} 120%

Realizing CS 120%

1. Organizational quality-oriented operations and manufacturing based on customer-oriented principles
2. Continuing realization of QMS^{*2} and autonomous activities to improve quality
 - (1) Cutting claims against outcomes to zero
 - (2) Flexible operation of QMS (easy introduction to new sites and businesses)
3. Development of RM^{*3} system and continuous involvement
4. Global development of the above-mentioned policy

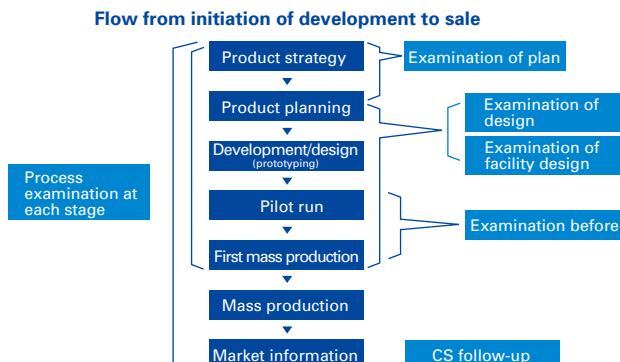
*1: Customer Satisfaction *2: Quality Management System

*3: Risk Management

Efforts to Improve Quality and Product Safety

Each of the MB Group's four business divisions has obtained international QMS (quality management system) certification, such as ISO, based on which they endeavor to improve quality and safety. Specifically, in order to achieve their targets of cutting "claims against outcomes" to zero, they work on quality assurance (QA) throughout the process of production, seeking to improve both quality and safety through rigid checks and examinations at each stage, from planning and development/design, to prototyping and pilot runs, to mass production. After-sales feedback from customers is also gathered, analyzed and acted upon.

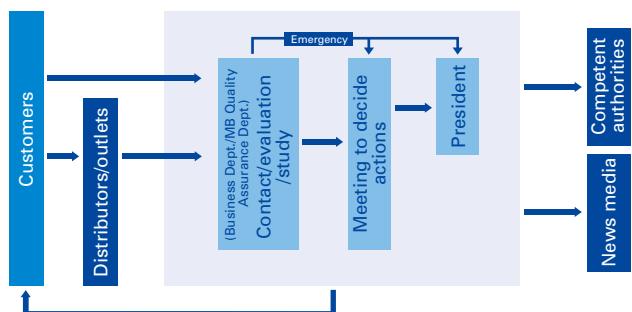
QA system throughout production of products



Responses to Product Safety Problems

In preparation for any safety problems that may arise regarding products of the MB Group, actions to be taken on an emergency basis were compiled into a manual. The basic flow is: When notice of a product accident or problem is received from a customer, the relevant department and the MB Quality Assurance Department gather information, evaluate and study it, and, based on that, the MB Group decides necessary actions, including possibly recalling the products in question and carrying out safety campaigns. After reporting the decision to the president, such measures are put into effect. In the case of a serious accident, however, the situation is reported to top management, including the president, as soon as information is received.

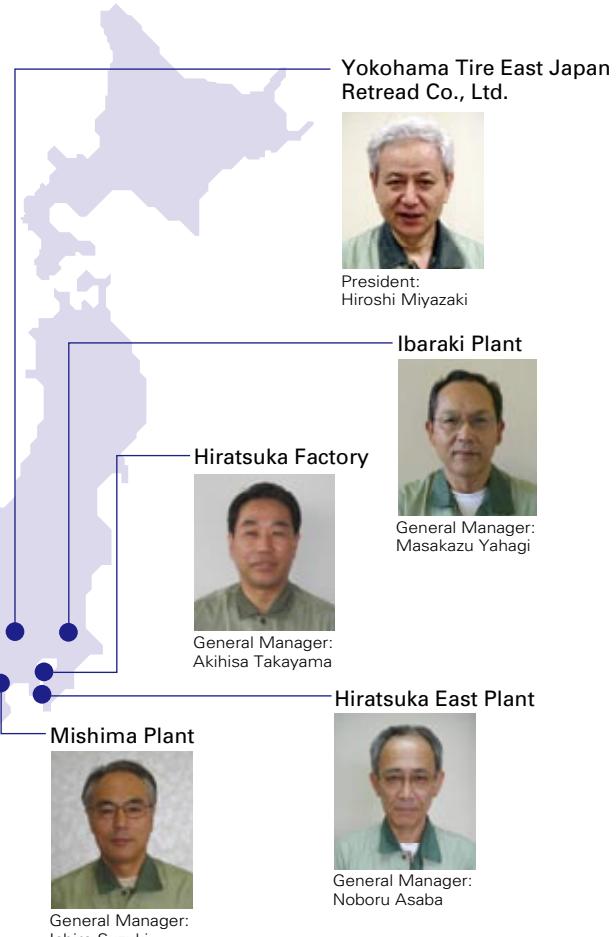
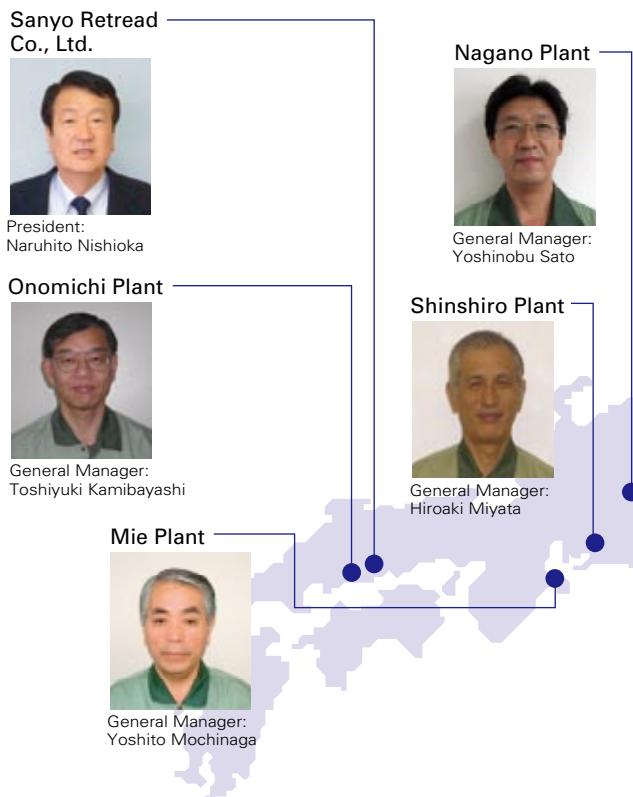
Actions in an emergency



Outline of Site Information

A CSR report on each site is available on Yokohama Rubber's website: http://www.yrc-pressroom.jp/env_en/.

In Japan



Hiratsuka Factory (including Hamatite Plant)

PRTR	Amount treated (tons)	2,284.9
	Emissions (tons)	38.9
	Transferred (tons)	42.2
Greenhouse gases	Emissions (1,000 tons-CO ₂)	43.1
Waste	Emissions (tons)	4,156.1
	Amount of waste for landfill disposal (tons)	0.0

Mishima Plant

PRTR	Amount treated (tons)	408.9
	Emissions (tons)	0.0
	Transferred (tons)	3.9
Greenhouse gases	Emissions (1,000 tons-CO ₂)	38.8
Waste	Emissions (tons)	1,757.7
	Amount of waste for landfill disposal (tons)	0.0

Onomichi Plant

PRTR	Amount treated (tons)	123.8
	Emissions (tons)	1.0
	Transferred (tons)	0.4
Greenhouse gases	Emissions (1,000 tons-CO ₂)	24.9
Waste	Emissions (tons)	340.7
	Amount of waste for landfill disposal (tons)	0.0

Hiratsuka East Plant

Greenhouse gases	Emissions (1,000 tons-CO ₂)	1.8
Waste	Emissions (tons)	240.6
	Amount of waste for landfill disposal (tons)	0.0

Sanyo Retread Co., Ltd.

Greenhouse gases	Emissions (1,000 tons-CO ₂)	0.9
Waste	Emissions (tons)	512
	Amount of waste for landfill disposal (tons)	2.9

Mie Plant

PRTR	Amount treated (tons)	797.9
	Emissions (tons)	7.7
	Transferred (tons)	19.8
Greenhouse gases	Emissions (1,000 tons-CO ₂)	118
Waste	Emissions (tons)	5,282.7
	Amount of waste for landfill disposal (tons)	0.0

Shinshiro Plant (including Shinshiro Minami Plant)

PRTR	Amount treated (tons)	1,054.3
	Emissions (tons)	1.7
	Transferred (tons)	7.7
Greenhouse gases	Emissions (1,000 tons-CO ₂)	104.8
Waste	Emissions (tons)	4,914.4
	Amount of waste for landfill disposal (tons)	0.0

Ibaraki Plant

PRTR	Amount treated (tons)	47.0
	Emissions (tons)	7.1
	Transferred (tons)	3.6
Greenhouse gases	Emissions (1,000 tons-CO ₂)	10.5
Waste	Emissions (tons)	1,481.2
	Amount of waste for landfill disposal (tons)	0.0

Nagano Plant

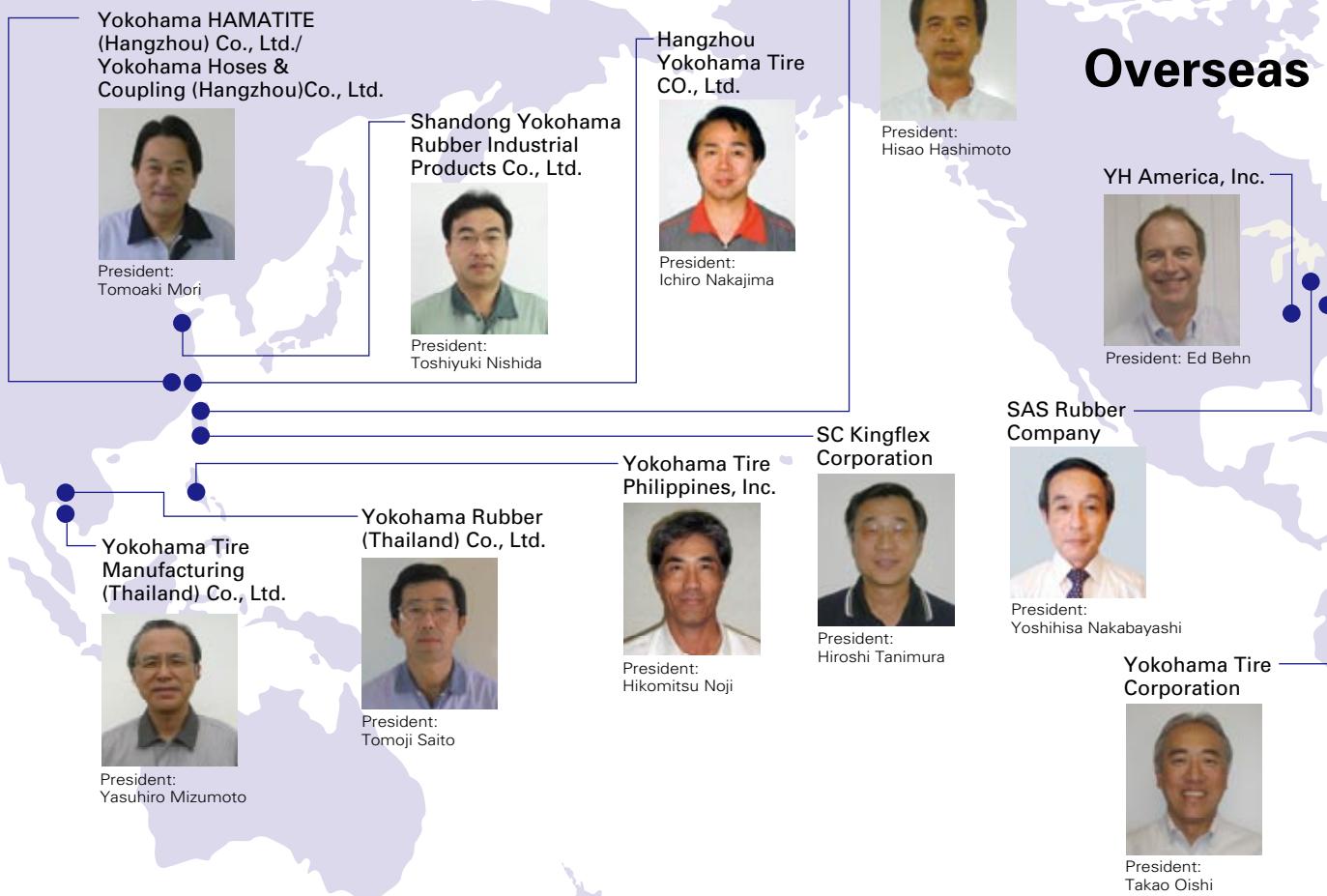
Greenhouse gases	Emissions (1,000 tons-CO ₂)	3.9
Waste	Emissions (tons)	3,917.6
	Amount of waste for landfill disposal (tons)	0.0

Yokohama Tire East Japan Retread Co., Ltd.

Greenhouse gases	Emissions (1,000 tons-CO ₂)	1.6
Waste	Emissions (tons)	576
	Amount of waste for landfill disposal (tons)	30

* Period of data collection: April 2007 – March 2008

Overseas



Yokohama Tire Corporation

Waste emissions (tons)	2420.3
Energy use (crude oil equivalent) (1,000 kiloliters)	30.1
CO ₂ emissions (1,000 tons)	66.8
Water use (1,000m ³)	199

Hangzhou Yokohama Tire CO., Ltd.

Waste emissions (tons)	945.7
Energy use (crude oil equivalent) (1,000 kiloliters)	10
CO ₂ emissions (1,000 tons)	37.5
Water use (1,000m ³)	105.6

YH America, Inc.

Waste emissions (tons)	668
Energy use (crude oil equivalent) (1,000 kiloliters)	3.3
CO ₂ emissions (1,000 tons)	7.6
Water use (1,000m ³)	37

Yokohama Rubber (Thailand) Co., Ltd.

Waste emissions (tons)	299.1
Energy use (crude oil equivalent) (1,000 kiloliters)	0.1
CO ₂ emissions (1,000 tons)	0.3
Water use (1,000m ³)	4.9

SC Kingflex Corporation

Waste emissions (tons)	117.4
Energy use (crude oil equivalent) (1,000 kiloliters)	0.8
CO ₂ emissions (1,000 tons)	1.6
Water use (1,000m ³)	10

Yokohama Tire Philippines, Inc.

Waste emissions (tons)	3,196
Energy use (crude oil equivalent) (1,000 kiloliters)	26.7
CO ₂ emissions (1,000 tons)	63.4
Water use (1,000m ³)	476

Yokohama Tire Manufacturing (Thailand) Co., Ltd.

Waste emissions (tons)	1,791
Energy use (crude oil equivalent) (1,000 kiloliters)	4.1
CO ₂ emissions (1,000 tons)	9
Water use (1,000m ³)	1,056

SAS Rubber Company

Waste emissions (tons)	328.2
Energy use (crude oil equivalent) (1,000 kiloliters)	1.9
CO ₂ emissions (1,000 tons)	4.2
Water use (1,000m ³)	10

Yokohama HAMATITE (Hangzhou) Co., Ltd.

Waste emissions (tons)	25.1
Energy use (crude oil equivalent) (1,000 kiloliters)	1.7
CO ₂ emissions (1,000 tons)	0.2
Water use (1,000m ³)	0.8

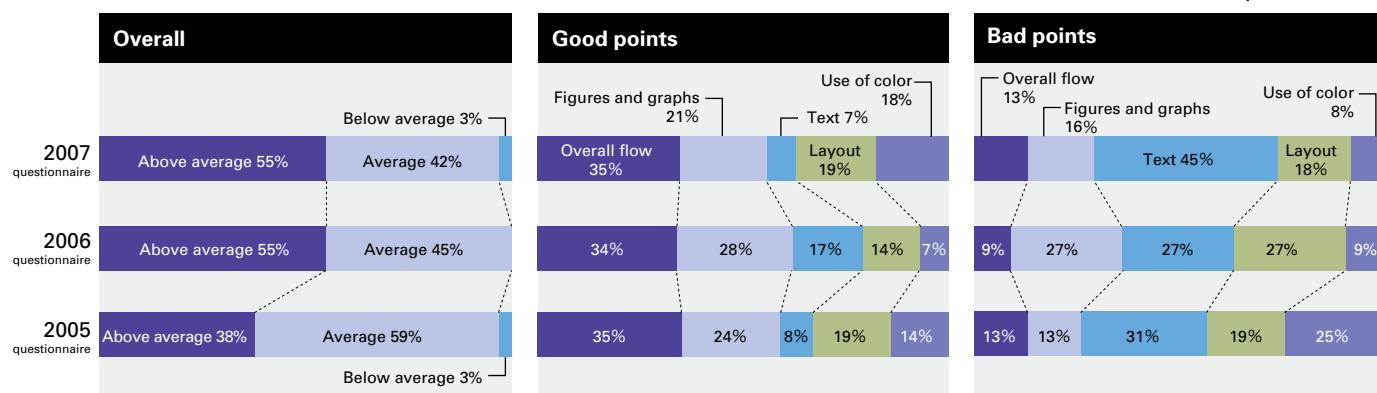
* Environmental data on Yokohama Hoses & Coupling (Hangzhou) Co., Ltd., and Shandong Yokohama Rubber Industrial Products Co., Ltd. are not incorporated.

* Electricity emissions coefficients differ from country to country.

* Period of data collection: January – December 2007 and April 2007 – March 2008 for Yokohama Rubber (Thailand) and SC Kingflex Corporation, respectively.

Results of Questionnaire/ Communications Directly with Stakeholders

(Number of respondents: 65)



Particularly Interesting Topics (multiple responses allowed)

Message from the President (29 readers); Development of Environmentally Sound Products (27); Combating Global Warming (25); With Local Communities (25); Corporate Philosophy, History, and New Medium-range Management Plan (21); Environmental Management (18); With Employees (16); Management of Chemical Substances (15); Reduction, Reuse, and Recycling of Waste Tires (14); Corporate Governance (12); Green Procurement and Purchasing (11)

Major Opinions (Multiple Responses)

Easy to understand (9 readers); Too much text (4); Simple use of colors is good (2); Rich information content (2); Should not use technical expressions (2); Should enhance CSR content (2); There are no reference to activities with negative environmental effects (2); Good to see faces of responsible people (2); Should include information on each plant site (2).

Communications Directly with Stakeholders

Yokohama Rubber affirmatively creates opportunities to listen to the voices of its stakeholders. The Hiratsuka Factory and the Mie Plant, for example, stage gatherings to help local residents better understand their activities, while the plants, in turn, listen to what the residents have to say. We take quick action to improve situations involving, for example, noise or odors, or large transport trucks passing through neighboring areas, when local people consider them problems. On matters (requests from the community) such as increasing the number of lights around a railroad crossing, or relocating an electric pole onto plant premises – for which the company does not have authority – we work together with local administration and other companies responsible, to try to achieve an acceptable outcome. In addition, in November 2007, we attended a “Minato-ku Gathering to Read Environmental Reports” and received valuable feedback on our environmental report. Through these and similar activities, Yokohama Rubber promotes mutual understanding with stakeholders.

Major Opinions/Comments from Attendees at the “Minato-ku Gathering to Read Environmental Reports”

- It is good that distributors in the group also acquired ISO14001 certification and are familiar with environmental policy.
- Could understand the activities very well.
- Easy from a viewpoint of both volume of information and flow; also good to have highlights of activities.
- Performance data are clear.
- It would help to have explanations of technical expressions/terminology.
- If the purpose of this meeting were clearer, the speaking and listening sides could share information better, more deeply.
- Cleaning areas around a company's own building is not a “social contribution.”
- Effects should be measured and results included in the report, comparing them with those of other companies.
- Presentation was monotonous and key points were not clear.



Meeting to listen to people's opinions held in June 2008 at the Mie Plant

Third-party Guarantee

To ensure the reliability of environmental information herein, this report has been subject to a third-party audit by the Ernst & Young Shin Nihon Sustainability Institute Co., Ltd., whose findings are shown below. Regarding the indicators of environmental performance, an investigation was made of accuracy and completeness of material environmental information stipulated in "2008 Environmental Reporting Assurance and Registration Criteria" (Japanese Association of Assurance Organization for Sustainability Information, <http://www.j-sus.org/>), and the J-SUS mark on the back cover indicates that the environmental information contained in this report meet the J-SUS's reliability criteria for the award of its environmental report examination and registration mark.

TRANSLATION

Independent Assurance Report

August 26, 2008

Mr. Tadanobu Nagumo
President and Representative Director
Yokohama Rubber Company, Limited

1. Scope and Objective of our Assurance Engagement

We have performed certain assurance procedures, based on the engagement with Yokohama Rubber Company, Limited. (the "Company"), to express an independent opinion on the Company's Key Environmental Performance Indicators (the "Key Environmental Information"^{*1} as provided in the Assurance and Registration Scheme of the Sustainability Report) reported in the Company's "CSR Report 2008" (the "Sustainability Report") for the year ended March 31, 2008, with respect to whether the Key Environmental Performance Indicators are measured and calculated accurately and whether material information are disclosed completely in accordance with the reporting standards of a sustainability report^{*2}.

The preparation of the Sustainability Report is the responsibility of the Company's management. Our responsibility is to express an independent opinion on the Sustainability Report.

*1 The Key Environmental Information refer to the information stipulated in the "2008 Environmental Reporting Assurance and Registration Criteria" of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS").

*2 The reporting standards refer to the "2007 Environmental Reporting Guidelines" of the Ministry of Environment, the "2006 Sustainability Reporting Guidelines" of the Global Reporting Initiatives, and the "2008 Environmental Reporting Assurance and Registration Criteria" of the J-SUS in the context of specifying the subject matter.

2. Outline of Assurance Procedures Performed

We have performed limited assurance procedures^{*3} which are mainly composed of inquiries, reviews and analytical procedures in accordance with the "2003 International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information" of the International Federation of Accountants (IFAC) and the "2008 Practical Guidelines for the Assurance of Sustainability Information" of the J-SUS. Therefore, our assurance engagement provides relatively limited assurance compared to a reasonable assurance engagement.

*3 We have reviewed and assessed the Company's procedures for the collection and aggregation of data, as well as recalculated and reconciled them with the corroborating evidences on the quantitative environmental information on a test basis. Also, we have reviewed the minutes, checked for consistency and made inquiries on the qualitative environmental information.

3. Conclusion

Based on the assurance procedures performed, we were not aware of any Key Environmental Performance Indicators (the "Key Environmental Information" as provided in the Assurance and Registration Scheme of the Sustainability Report) that are not measured and calculated accurately in accordance with the reporting standards of sustainability reports, any material environmental information that are not included in the Sustainability Report.

4. Independency

We, as a subsidiary of the Ernst & Young ShinNihon LLC, comply with the "Certified Public Accountant Law", and the "Ethics Regulation" of the Japanese Institute of Certified Public Accountants. Therefore, there has been no interest to be noted between the Company and us.

Akihiro Nakagome
Representative Director
Ernst & Young Shin Nihon Sustainability Institute Co., Ltd.

Note: This Independent Assurance Report was prepared as a translation of the original Japanese version.



"ecoMOTION" is Yokohama Rubber's slogan for the various environmental activities being pursued by the Yokohama Rubber Group. It was adopted in December 2006.

Contact:

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Published: September 2008

