

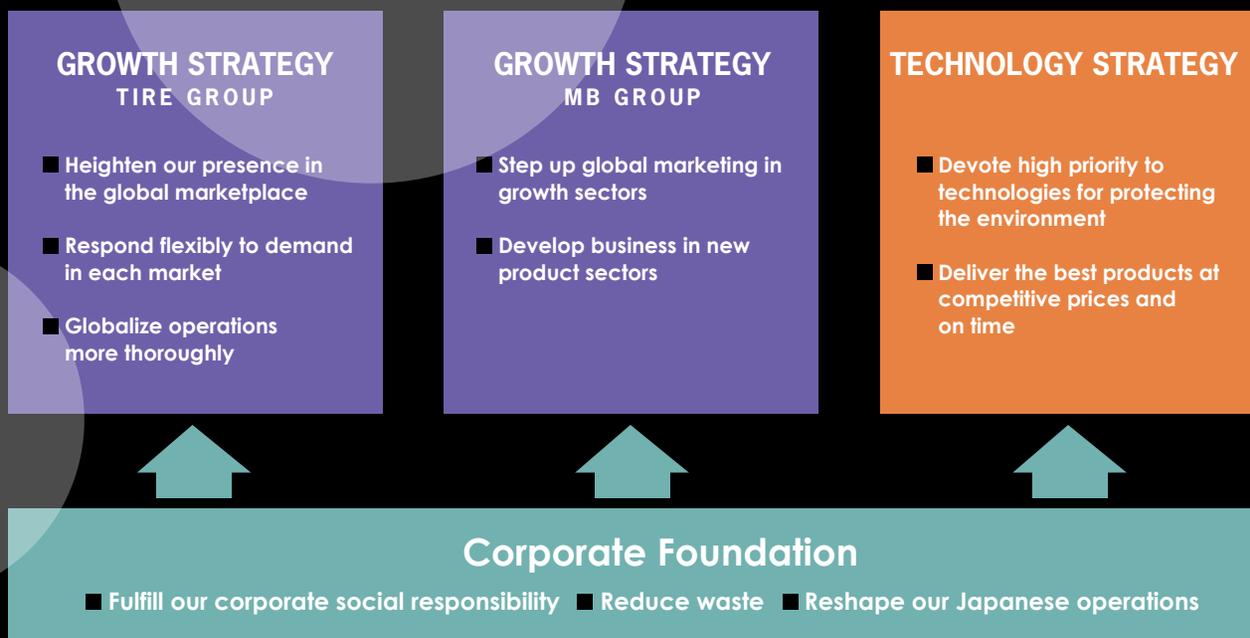


# Grand Design 100: Phase II Begins

We inaugurated the second phase of our Grand Design 100 medium-term management plan in April 2009. Grand Design 100, launched in April 2006, calls for achieving annual net sales of ¥1 trillion and annual operating income of ¥100 billion by the fiscal year to March 31, 2018, and it comprises four three-year segments. Phase II covers the three years to March 31, 2012. Our defining policy for Phase II is quality growth, and we will reinforce our corporate foundation to support renewed growth amid the vagaries of the global economic downturn.

## The chief financial targets in Phase II are to

- raise net sales to ¥550.0 billion, a 6.3% increase over the past fiscal year, ended March 31, 2009;
- raise operating return on sales to 7.0%, compared with 2.5% in the past fiscal year, by increasing operating income to ¥38.5 billion; and
- lay the groundwork for future growth by increasing aggregate free cash flow over the three years to more than ¥30 billion, compared with negative cash flow of ¥19.3 billion in the past fiscal year.



## GROWTH STRATEGIES

### TIRE GROUP

#### Heighten our presence in the global marketplace

In Phase II of Grand Design 100, we will promote our fuel-saving product advances extensively in overseas markets. Yokohama pioneered the Japanese market for fuel economy-oriented tires in 1998, and we have accumulated unexcelled technology in that sector. Our global moves will begin with our top-of-the-line product in fuel-saving tires, the dB super E-spec (marketed in Japan as the DNA dB super E-spec). We launched that product in the United States in July 2009 and are preparing to launch it in Europe.

Promoting high-performance tires under the ADVAN name, our global flagship brand, was an emphasis in Phase I of Grand Design 100, and we will step up that emphasis in Phase II. That will include working to win more factory fitments worldwide for ADVAN tires.

#### Respond flexibly to demand in each market

Amid economic uncertainty, we are expanding production capacity for tires in accordance with regional circumstances. Russia, for example, presents convincing potential for growth in tire demand, and we will build a plant to produce passenger car tires in southwestern Russia in the Lipetsk special economic zone. The plant, scheduled to begin operation in 2011, will have an initial production capacity of 1.4 million tires a year.

China, meanwhile, is poised for economic recovery. So we will restart the temporarily suspended expansion project at our subsidiary Hangzhou Yokohama Tire Co.,

Ltd. That subsidiary produces passenger car tires, and the expansion will increase its production capacity to 4.1 million tires a year, from 3 million.

#### Globalize operations more thoroughly

We are devolving marketing responsibilities to locally based operations in principal markets to adapt product development and marketing to local needs. And we are considering outsourcing some tire production to local partners to respond better to demand in different regions.

### MB GROUP

#### Step up global marketing in growth sectors

High-pressure hoses, conveyor belts, marine hoses, and marine fenders are growth markets where we assert compelling strengths. We are working to make the most of those strengths in the global marketplace. That includes stepping up our marketing in Europe, where we perceive notably rich potential for our products in high-pressure hoses, marine hoses, and marine fenders.

Europe is home to several large oil companies and other resource-development companies, and we are promoting our products aggressively to those companies. We established a subsidiary in Germany in April 2009 to coordinate our European marketing in diversified products. That subsidiary began supplying high-pressure hoses in May to a Japanese manufacturer's off-the-road equipment operations in Europe.

We fortified our European supply capabilities in high-pressure hoses further in the past fiscal year through a collaboration. A local partner began assembling our high-pressure

hoses and fittings to supply to European customers on a just-in-time basis.

Our growth strategy includes promoting conveyor belts, marine hoses, and marine fenders in emerging markets, such as China and Russia, where resource-development projects present growing demand. And we are expanding our global production and marketing networks for those products.

#### **Develop business in new product sectors**

We are asserting distinctive strengths in original technologies to develop new business in environmental sectors, such as high-performance seals for photovoltaic cells and structural adhesives for weight-saving automotive bodies. In addition, we are working with the Samsung Group to develop adhesives for liquid crystal display panels.

## **TECHNOLOGY STRATEGY**

#### **Devote high priority to technologies for protecting the environment**

The usage stage of the product life cycle is when the output of carbon dioxide is the greatest. So we are working to develop products that minimize the generation of carbon dioxide during that stage. In tires, we are working to develop tires that minimize rolling resistance and weight.

#### **Deliver the best products at competitive prices and on time**

We are upgrading our capabilities in analyzing market trends and in planning products, and we are building a global framework for research and evaluation. In each region, we are tailoring

our mass production technology to local needs and circumstances. And we are fostering human resources that possess excellent technological capabilities. That includes working systematically to ensure the transfer of skills and expertise from one generation of engineers to the next.

## **CORPORATE FOUNDATION**

#### **Fulfill our corporate social responsibility**

We will redouble our efforts to earn the confidence of the community by safeguarding the environment, by addressing social concerns, and by honoring the human element while pursuing corporate interests. Our efforts will include offering a growing range of products that minimize environmental impact, eliminating landfill waste at plants worldwide, and planting 500,000 trees at operations around the world in the Yokohama Forever Forest project.

#### **Reduce waste**

Press ahead with the Muda-dori (waste-reduction) activities to tap employee initiative in identifying and eliminating waste. Those activities yielded about ¥24 billion in cost savings during Phase I of Grand Design 100. In Phase II, we will promote the Muda-dori activities even more extensively and position them as a self-sustaining element of the company's corporate culture.

#### **Reshape our Japanese operations**

We need to reshape our Japanese operations to accommodate market saturation and slowing growth. That will mean restructuring our Japanese sales networks for replacement tires and for diversified products.