

Phase III of Grand Design 100

Aiming to Generate Cumulative Three-Year Sales of ¥1.8 Trillion through Robust and Responsive Growth

We entered the Phase III three-year segment of our Grand Design 100 medium-term management plan in January 2012. Here is a summary of what we are seeking to accomplish in Phase III.

■ Phase I and II Results and Phase III Targets



■ Phase III Targets by Year

	Phase III total	FY 2014	FY 2013	FY 2012	April–Dec. 2011
Net sales	¥1,800 B	¥630.0 B	¥595.0 B	¥575.0 B	¥465.1 B
Operating income	¥150 B	¥60.0 B	¥50.0 B	¥40.0 B	¥26.3 B
Operating margin	8.3%	9.5%	8.4%	7.0%	5.7%

■ Targets for Selected Financial Indicators in 2014

Operating return on assets	More than 9%
Interest-bearing debt	Less than ¥220.0 B
Asset turnover ratio (times)	More than 1
Debt/equity ratio (times)	Less than 1

■ The Positioning of Phase III in Grand Design 100



• Changes in the business environment are likely to delay until 2019 or 2020 our attainment of our sales target of ¥1 trillion.

• We expect to attain on schedule our operating income target of ¥100 billion and to attain ahead of schedule our 10% target for operating return on sales.

Grand Design 100 Vision and Basic Policy

To Mark the Yokohama Centennial in 2017
Evoke a distinctive global identity in building corporate value and in building a strong market presence

Long-Term Financial Targets

Net sales	¥1 trillion	Operating income	¥100 billion	Operating return on sales	10%
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Basic Policy

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

A Plan to Carry Us to Our Corporate Centennial in 2017

Grand Design 100, launched in 2006, is a 12-year plan that culminates in our corporate centennial year, 2017. It comprises four three-year phases. Phase I ended in March 2009 and Phase II ended in December 2011 on account of the change in our fiscal accounting period. Phase III covers the three years to 2014.

Our vision in Grand Design 100 centers on evoking a distinctive global identity in building corporate value and in building a strong market presence. Our long-term financial goals in Grand Design 100 originally centered on achieving annual net sales of ¥1 trillion, annual operating income of ¥100 billion, and annual operating return on sales of 10%.

Phase III Growth Strategy

Secure a strong cash flow from operations and become more aggressive in capital spending

Basic Approach in Phase III

We will rely on our fortified business foundation to generate funds for capital spending. And we will invest in expanding our production capacity greatly, especially in tires. Expanding our supply capacity will position us to serve the growth in demand in growth markets, and that will generate liquidity to fund further investment. We will pursue our 10% goal for operating return on sales, meanwhile, by strengthening our cost competitiveness and by bolstering our brand appeal.

This basic approach will shape our growth strategy in tires and in diversified products. It will also shape our technology strategy and our measures for reinforcing our corporate foundation and for fulfilling our corporate social responsibility. Let's take a look at our approach in regard to each of those focuses.



Growth Strategy: Tires

Asserting a Distinctive Presence in the Global Marketplace

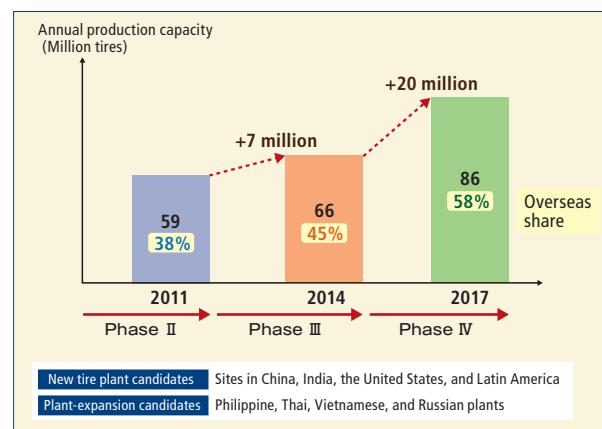
We will bolster our competitiveness in Japan, where demand is trending downward, by strengthening our capabilities in technology and in product development. In overseas markets, we will expand our supply capacity to serve growing demand in emerging economies and elsewhere, and we will focus on achieving profitable growth.

Our product strategy will support our global emphases. In consumer tires, we will strive to develop and deploy

products that are the best in their class in fuel economy and that feature superior functionality. In commercial tires, we will assert original technological strengths and will put in place a service framework to provide lifetime support.

We will work in several ways to raise efficiency in production and in marketing. Our measures will include integrating operations locally in principal markets in support of serving local demand with locally manufactured products. They will also include establishing local R&D capabilities in principal markets and working systematically to improve our global supply chain management.

Increasing the Pace of Growth in Production Capacity in Phase IV



Expanding Supply Capacity Greatly

Our plans call for expanding our annual production capacity by about 7 million tires during the three years of Phase III. The planned expansion will center on Russia, China, the Philippines, and Thailand. It will increase our global production capacity to 66 million tires a year by the end of 2014, from 59 million at the end of 2011.

In addition, we plan to increase our annual production capacity by 20 million tires in Phase IV. And we are allocating ¥140.0 billion to capital spending for that purpose in Phase III. The 20-million-tire increase in Phase IV would bring our production capacity to 86 million tires a year by the end of 2017.

Deploying High-Value-Added Products Globally

Raising the global profile of the Yokohama name will be a core emphasis in branding. Under that name, we will work in consumer tires to increase the global momentum for several focused brands: our ADVAN flagship brand for high-performance products, our BluEarth brand for fuel-saving tires, our iceGUARD brand for winter tires, and our GEOLANDAR brand for sport-utility vehicle tires. We will continue working, meanwhile, to raise our market profile by winning factory fitments on globally prominent vehicle models.

In commercial tires, we will promote large tires for off-the-road equipment in nations that are large producers of mineral ores. We will devote special effort to promoting radial tires in sizes of 49 inches and larger, and we will support that effort by expanding our supply capacity for those tires. We will broaden our offerings in high-functionality tires for trucks and buses, such as ultralow-profile tires based on original technologies, and we will expand our market presence in retreaded tires for trucks and buses and for light trucks.

■ Distinctive Brands under the Yokohama Name



Growth Strategy: Diversified Products

Asserting Market Leadership in Products Based on Three Core Technologies

We will strive in Phase III to assert leadership in products based on three core technologies: carrying, affixing, and buffering. That will include working to reinforce our market momentum in product sectors where we have a well-established presence and striving to build strong market positions in other products based on those core technologies. Our efforts will also include realigning our manufacturing operations in Japan and continuing to expand our manufacturing overseas.

Cultivating Business Opportunities

We will work to generate business opportunities by applying and combining telecommunications and measurement technologies innovatively. That will include deploying new value-added in marine products, such as maneuvering-support systems for ships, marine hoses, and marine fenders. It will also include cultivating new possibilities in sporting goods and in related services.

■ Our Three Core Technologies in Diversified Products



Technology Strategy

Safeguarding the Earth, Society, and Individuals

We will continue to contribute to protecting the global environment through advances in reducing rolling resistance and in reducing tire weight. And we will make new contributions toward safeguarding society and individuals through technological advances in accordance with the BluEarth concept.

In regard to noise, we will tackle advances in reducing pass-by noise outside the vehicle and road noise inside the vehicle. We will also tackle aerodynamic advances in reducing air drag. And we will adopt our Advanced Inner Liner, which minimizes air seepage and reduces maintenance stress for vehicle owners, in a broadening range of tires.

We will also work with partners in developing and deploying technologies for conserving energy and for reducing adverse environmental impact. For example, we will develop natural rubber in cooperation with Songkla University, in Thailand. We have a plant in Thailand that processes natural rubber, and we will work through our cooperation with the university to identify ways of contributing to environmental quality and to community vitality.

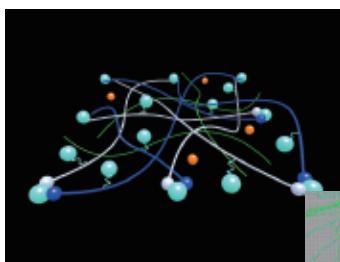
Refining High-Functionality Tire Technologies

Our work on advanced tire technologies for ensuring safer and more enjoyable driving will benefit from cooperation with third-party research organizations. For example, we will undertake joint research with scientists at Japan's SPring-8 synchrotron radiation facility. And we will tap the resources of the K Computer supercomputing project, which operates the world's fastest supercomputer.

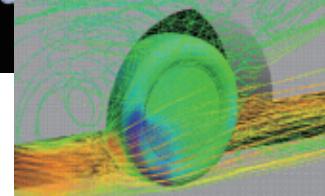
Delivering the Best Products at Competitive Prices and On Time

Technology strategy at Yokohama addresses our commitment to delivering the best products at competitive prices and on time. We are strengthening our product planning and development functions and are undertaking rigorous cost cutting with an eye to providing customers with products of maximal value. Our efforts include bolstering our capabilities in creating basic technologies, in converting those technologies into products, and in moving products into mass production.

In a related measure, we opened an R&D center in China in January 2012 to conduct materials testing and evaluation. That is part of our ongoing efforts to shorten lead times in adopting locally purchased materials at overseas operations.



A computer-graphics rendering of the molecular structure of our nano Blend Compound, which helps improve fuel economy, reduce tread wear, and improve wet-surface grip



Computer-simulation technology for identifying ways to improve tires' aerodynamics

Reinforcing Our Corporate Foundation

In 2006, we inaugurated our *Mudadori* activities as a program for tapping employee initiative in identifying and acting on cost-cutting opportunities. Those activities have yielded cumulative cost savings of ¥51.5 billion. In Phase III

of Grand Design 100, we will augment the *Mudadori* activities with projects for tackling themes designated by management.

Fulfilling Our Corporate Social Responsibility

Our Social Responsibility Management Vision calls for building a trusted identity as a contributing member of the global community. We are tackling seven priority themes in accordance with the International Organization for Standardization's ISO 26000 guidelines for social responsibility.

New initiatives include measures in environmental protection for helping to preserve biological diversity. Our

measures in stakeholder communication include a possible extension of the Yokohama Forever Forest project. That project provides for planting 500,000 trees at our operations worldwide. And we are considering a project for developing lifesaving sylvan breakwaters in areas affected by the March 2011 tsunami. We continue to dispatch employee volunteers to assist with the relief and recovery efforts in those areas.

Compelling Performance in a Fuel-Saving Tire
The Birth of the BluEarth-A



We have evoked a commitment in our BluEarth family of fuel-saving tires to preserving environmental quality and to harmonizing motor transport with individual expectations and community sensitivities. The latest product to emerge from the BluEarth concept is the BluEarth-A, which debuted in Japan in February 2012. Our BluEarth-A represents a new level of attainment in reconciling fuel savings with vehicular performance.

Rainy-Day Peace of Mind

Yokohama pioneered the realm of fuel-saving tires in 1998 with the DNA brand. Our company since has deployed a series of advances in environmentally sensitive tire products. Fuel economy has become an important concern in the marketplace. And the BluEarth-A addresses that concern in a manner true to the Yokohama tradition of delivering peak performance.

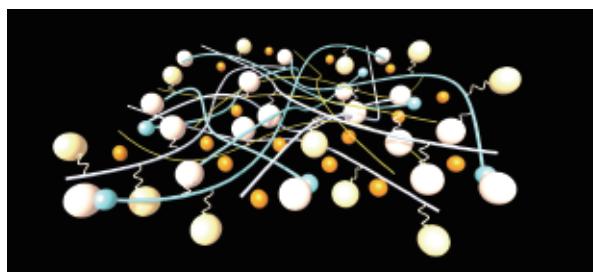
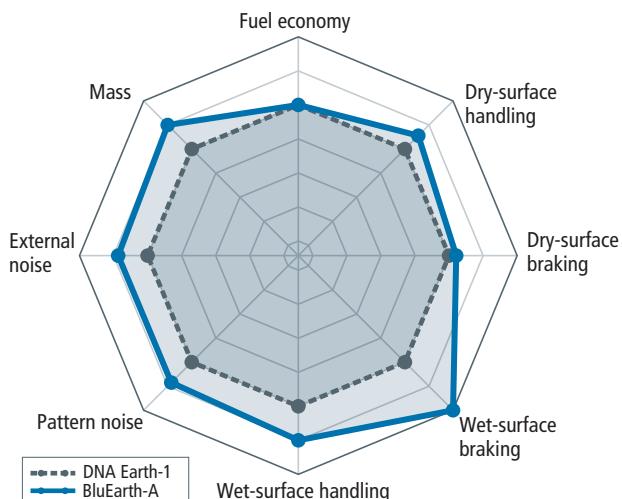
We have devoted special attention in the BluEarth-A to delivering wet-surface handling that will provide drivers with peace of mind. Employing two kinds of silica with our nano Blend Compound had enabled us to improve fuel economy while also improving wet grip. We have improved grip further still by incorporating orange oil in the tread compound. Meanwhile, a newly developed tread pattern secures optimal stiffness and disperses water effectively.

Our advances in the BluEarth-A provide a 20% improvement in wet-surface braking performance and an 11% improvement in wet-surface handling stability over our conventional DNA Earth-1 tires. The BluEarth-A is also 7% better in dry-surface handling stability and 2% better in dry-surface braking performance.

Multifaceted Excellence

Our BluEarth-A is a multifaceted solution for customer expectations. It combines fuel savings and superior handling with a comfortable, quiet ride and long life. The tire also minimizes external noise.

The BluEarth-A is a crystallization of leading-edge BluEarth technologies, a sweeping optimization of tread pattern and tire profile and construction. We are positioning the BluEarth-A as a core BluEarth product, well suited to a model range from large sedans to compacts and a good fit with hybrid vehicles. The BluEarth-A is available in 38 sizes, and we will broaden its size range further.



Computer rendering of the molecular structure of nano Blend Compound

BluEarth Globally

Our BluEarth line of fuel-saving tires accommodates a global trend. Japan's tire industry adopted labeling guidelines in 2010 to help customers grasp tires' characteristics in regard to fuel economy and wet grip. Similar guidelines have taken effect in Europe and in the Republic of Korea in 2012 and are under study in the United States.

The BluEarth-1, our flagship fuel-saving tire, ranks at the top of Japan's labeling standards for fuel economy. It debuted in March 2011 in Japan and later in Europe and in China, and we are preparing to launch it in other Asian nations and in North America. We have launched a mass-market BluEarth tire in Japan and Europe as the BluEarth AE-01, and we will launch that product in 2012 in China. The BluEarth-A, too, is a candidate for overseas launches, as we deploy the BluEarth brand globally.

