

MEDIUM-TERM MANAGEMENT PLAN: GRAND DESIGN 2020

We launched the medium-term management plan Grand Design 2020 (GD2020) in 2018. That plan covers the three years to 2020. Here is an outline of its principal emphases.

GD2020 Positioning

Vehicle production is poised to continue growing worldwide, and we expect demand for tires to grow even faster. In preparing GD2020, we have assumed annual growth rates of 1.9% in unit vehicle production and 3.2% in tire demand. Competition will escalate in our industry, however, as tire makers in emerging economies increase production. And the market share of the industry leaders will decline in terms of value.

GD2020 presents a framework for addressing the challenges and opportunities that we face. It calls for fortifying our business foundation by redefining Yokohama strengths and by deploying a growth strategy based on original approaches. We are counting on that framework to support new strides for our company in the decade of the 2020s.



Consumer Tires

Expand our presence further in premium tires.

Our emphasis in consumer tires on premium-grade products is a matter of focusing on a growth sector. We are addressing that emphasis in four ways.

» **Premium car tires**
Become a "go to" tire maker for high-end quality and technology.

» **Winter tires**
Assert performance leadership in winter tires in Japan, Europe, and Russia.

» **Hobby tires**
Build a product line that serves the diverse needs of car enthusiasts, including racing and classic car enjoyment.

» **Consumer communication**
Help consumers get more out of motoring lifestyles.

Commercial Tires

Position commercial tires as a pillar of growth in our second century and off-highway tires as a growth driver.

In commercial tires, GD2020 provides for positioning off-highway tires as a growth driver and for using our newly expanded North American production resources for truck and bus tires to fuel growth. We are counting on these and other efforts to help increase the weighting of commercial tires in our sales portfolio and to position commercial tires as a pillar of growth in our second century.

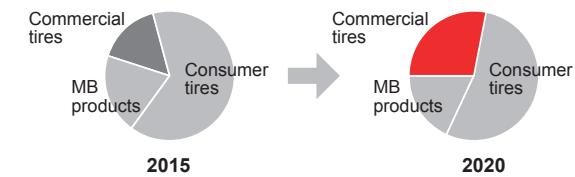
Off-highway tires

- » Build on the business scope afforded by the Yokohama subsidiaries Alliance Tire Group, which manufactures tires for agricultural and forestry machinery, and Aichi Tire Industry, which manufactures tires for industrial machinery, and by our established business in tires for construction machinery.
- » Capitalize on the compelling edge in cost competitiveness provided by Alliance Tire Group's Indian plants.
- » Foster business in special-purpose tires where we assert distinctive strengths.

Truck and bus tires

- » Make the most of our state-of-the-art plant in Mississippi to strengthen our position in regard to high-quality products and flexible supply capabilities. That plant has greatly upgraded our capacity for serving the huge North American market.
- » Promote ultra-wide base tires that employ our patented SpiraLoop® technology.

Sales by Business Sector



State-of-the-art systems at our new Mississippi plant for truck and bus tires support superior production efficiency and product quality.

Our ultra-wide base single tire

MB Operations

Allocate resources on a priority basis to business fields of strength.

GD2020 strategy in MB operations centers on expanding our components business in the growing automotive industry and asserting strong leadership in marine products.

Automotive components

- » Continue to expand our global presence in automotive hoses, automotive sealants and adhesives, and other automotive components through the manufacturing and marketing platforms that we have built around the world.
- » Develop next-generation technologies to ensure lasting growth for our automotive components business in a fast-evolving industry.



Marine products

- » Expand business in the highly regarded marine hoses and pneumatic marine fenders produced at Yokohama plants in Japan, Indonesia, and Italy.
- » Translate original technologies into products for supporting ever-safer logistics in distributing oil.

Technology

Special capabilities in controlling physical properties and a global network of R&D and evaluation platforms are crucial strengths for us in technology. GD2020 provides for leveraging those strengths in support of creating products of superior performance and quality. Motor sport remains an important venue for honing our competitive edge in the vanguard of tire technology.

Global R&D Network



We supply all the teams in the Super Formula series with tires in two sets of specifications.

Branding

GD2020 provides an opportunity for raising our profile further in markets worldwide through effective branding. This includes making the most of our official club partnership agreement with the English Premier League's Chelsea Football Club. It also includes fostering a dynamic identity for our company through effective promotion on Facebook and other social networking services.



Chelsea FC jerseys emblazoned with "Yokohama Tyres"

Fortifying Our Business Foundation

Corporate social responsibility

We have selected issues to address in corporate social responsibility in reference to six categories of stakeholders: the global environment, our host communities, our customers, our shareholders and other investors, our business partners, and our employees. Tackling those issues occasions measures for caring for the future through our operations.

Human resources

In human resources management, we are working to revitalize our organization by training and mobilizing human resources effectively. That includes adopting a work-at-home option and other measures for supporting employees in caring for young children and elderly parents. It also includes supporting work opportunities and, thus, expanded participation in society for disabled individuals.

Corporate governance

We are upgrading our corporate governance globally by positioning our regional management companies as holding companies. That includes appointing internal auditors at the regional management companies to monitor the subsidiaries. It also includes setting up whistleblower hotlines worldwide to help detect problems early and to prevent small problems from escalating. Other measures for upgrading corporate governance include changes in director compensation and in the composition of the Board of Directors.

Risk management

Measures for minimizing overall risk center on working to manage systematically the different categories of risk that we encounter. We conduct risk management through several councils and committees, including our CSR Council.

Finance

Our financial targets include generating a three-year operating cash flow of ¥200 billion, and we are working to increase our financial efficiency by conducting cash management on a consolidated basis. Those measures will help reduce interest-bearing debt and otherwise fortify our financial position. And they will help enable us to provide sound return to shareholders. We aim to maintain a payout ratio of 30%. Investment will take place within the scope of depreciation.

Financial Targets (2020)

Sales revenue	¥700 billion
Operating profit and operating profit margin	¥70 billion, 10%
Debt/equity ratio	0.6
Return on equity attributable to owners of parent	10%
Operating cash flow	Three-year total of ¥200 billion
Investment	Within scope of depreciation (not including strategic investments)

IR Website

You will find a description of GD2020 in the Investor Relations section of our corporate website.



A WORD FROM THE PRESIDENT



Fulfilling Our Grand Design 2020 Medium-Term Management Plan as a Platform for Profitable Growth into the 2020s

Masataka Yamaishi

President, Chairman of the Board

We inaugurated a medium-term management plan in 2018 as Grand Design 2020 (GD2020).

That plan spans the three years to 2020. It provides for fortifying our business foundation by redefining Yokohama strengths and by deploying a growth strategy based on original approaches. We are counting on that framework to support new strides for our company in the decade of the 2020s. I will begin my message to you with a summary of our principal achievements in the first year of GD2020 and of the issues that we will tackle in the years ahead.

Record Figures for Sales Revenue and Business Profit

Japan's ongoing economic recovery continued in 2018. Economic expansion continued in the United States, and Europe, too, was the scene of continuing economic recovery, but economic growth slowed in China. Aggregate unit sales of original equipment tires and replacement tires in Japan declined slightly in 2018.

We at Yokohama achieved a 0.6% increase in sales revenue over the same period of the previous year, to ¥650.2 billion, and a 1.7% increase in business profit (basically equivalent to operating income under accounting principles

generally accepted in Japan and calculated as sales revenue less the sum of cost of sales and selling, general and administrative expenses), to ¥59.3 billion. The figures for both of those items were Yokohama's highest ever. Our operating profit declined 1.4%, to ¥53.5 billion, and profit attributable to owners of parent declined 10.9%, to ¥35.6 billion. Those declines reflect an ¥11.2 billion third-quarter charge for asset impairment at our US tire production subsidiary Yokohama Tire Manufacturing Mississippi, LLC.

More Fitments on Premium-Grade Cars and Expansion of Our Product Lineup

Expanding our presence in premium tires is a core emphasis in consumer tire strategy under GD2020. We are addressing that emphasis in four ways: one, working to position our company as a "go to" tire maker for high-end quality and technology; two, working to build leadership in performance in winter tires and to assert that leadership in studless snow tires for Japan, in studded snow tires for Northern Europe and Russia, and in winter tires for other European nations; three, working to build a product line that serves the diverse needs of car enthusiasts, including racing, rallying, off-road driving, and classic car enjoyment; and four, stepping up our customer communication to help customers get more out of their motoring lifestyles.

As for positioning our company as a "go to" tire maker for high-end quality and technology, we marked important progress in 2018. That included winning factory fitments for our global flagship tire, the ADVAN Sport V105, on several models of premium-grade cars: the BMW M5, X4, X3 M Performance and X5 M Performance and the Mercedes-AMG E-Class 53-Series. Toyota has adopted our BluEarth-GT AE51 on its passenger car model, the Crown, in Japan.

Several product introductions highlighted our progress in 2018 in asserting leadership in winter tires. In Japan, we introduced new sizes for our iceGUARD 6, our

highest-performance studless snow tire ever; for our iceGUARD SUV G075; and the iceGUARD 6 Z•P•S, a runflat version of the iceGUARD 6. All-season tires are an important facet of our winter tire strategy. Demand for all-season tires is mounting, especially in North America and Europe, and we launched our first all-season tire for the European market in September 2018. That tire, the BluEarth-4S AW21, has earned a solid market reception.

In R&D on winter tires, we developed technology in 2018 that allows for evaluating water absorptiveness accurately. Our new technology promises to help achieve dramatic improvements in performance on icy surfaces.

Product introductions in 2018 also bolstered our efforts in serving the diverse needs of car enthusiasts. An especially notable product launch was that of the GEOLANDAR X-MT, for sport utility vehicles and pickup trucks, in Japan and North America. We have targeted that tire at vehicle owners who enjoy driving on rock trails and other off-road settings.

Notable product launches also included those of new sizes for our ADVAN A053, ADVAN A08B, and ADVAN A052 tires. Those tires are popular with participants in motor rallies, gymkhana competitions, and dirt trials.



ADVAN
Sport V105



BluEarth-GT
ASST



iceGUARD
IG60 6



GEOLANDAR
X-MT

Our focus in stepping up customer communication is on helping customers get more out of their motoring lifestyles. In 2018, that included participating in several events for car lovers. One of those events, the Highway Motor Show, took place in September near Osaka and is Japan's only motor show held alongside a freeway. In another customer-communication event, we opened our Tire Test Center of Hokkaido, in Asahikawa, to members of the public for behind-the-wheel test driving. The local focus of the events occasions personal interaction and earns goodwill for the Yokohama brand. We reinforce our

customer communication through frequent postings on social networking services on the Internet.



*2018 Highway Motor Show
(September 2018, near Osaka)*

Global Motor Sports as a Laboratory for Honing Tire Technologies

Participating in motor sports is a valuable opportunity for developing and refining tire technologies, and we supply tires to competitors in prominent racing events worldwide. We were the exclusive tire supplier in 2018 for the World Touring Car Cup. In Japan, we were the exclusive tire supplier for the Super Formula Championship racing series and a supplier of tires to

teams in the Super GT racing series. And Yokohama tires carried a competitor to the series championship in the top, OK class of the All Japan Karting Championship. In 2019, we will supply tires to teams in the Nürburgring 24-hour endurance race and the inaugural TCR Japan Series, for touring cars.



*Left: Vehicle that won 2018 series championship on Yokohama tires
in top, OK class of All Japan Karting Championship*

*Right: 2018 version of vehicle that will compete on Yokohama tires in
2019 running of Nürburgring 24-hour endurance race*

Vigor in Off-Highway Tires

We are nurturing business expansion in off-highway tires as a driver of growth in commercial tires. Two recent acquisitions have bolstered our presence greatly in off-highway tires: the 2016 acquisition of Alliance Tire Group B.V., a manufacturer of tires for agricultural and forestry machinery, and the 2017 acquisition of Aichi Tire Industry Co., Ltd., a manufacturer of tires for industrial equipment. Both of those companies offer ample potential for synergies with our other operations. We will foster those synergies to raise the percentage contribution of commercial tires to sales revenue in our second century.

Both of the new subsidiaries have performed well since the acquisitions. Sales revenue at Alliance Tire Group, now our ATG segment, has increased 25.3% since the acquisition, and Aichi Tire Industry posted record sales revenue in 2018. We are building on the sales momentum in

our ATG business by expanding production capacity in that segment. The capacity of the ATG Dahej plant, in the Indian state of Gujarat, will increase 60% by 2019 year-end.

We are strengthening sales in the ATG segment and at Aichi Tire Industry by promoting their products through our Japanese sales channels. In February 2019, we began supplying ATG tires to a large Japanese manufacturer of construction equipment. We have added sizes to our ATG product offerings in tires for agricultural machinery, meanwhile, to better serve Japanese demand. And Aichi Tire Industry's tires for forklifts have become available through our Japanese sales channels.



ATG Dahej plant



Newly available in Japanese market, ATG 324FamPRO tire for agricultural machinery (left), and newly available through Yokohama's Japanese sales channels, AICHI E-Cushion tire for forklifts

A North American Platform for Expanding Business in Truck and Bus Tires —

Our truck and bus tires received certification from Volvo Trucks in late 2017 for fitment on that company's vehicles. We continued to supply tires in 2018 to three large US truck manufacturers to install as factory equipment. Eyeing further growth in business with truck and bus manufacturers, we secured IATF 16949 certification for Yokohama Tire Manufacturing Mississippi in March 2019. IATF 16949, a technical specification for quality management systems, is a widely used international standard in the automotive industry.

We are bolstering our product line in truck and bus tires by promoting ultra-wide base single tires that employ our patented SpiraLoop® technology. Replacing dual tires with a single tire reduces vehicle weight and thereby improves fuel economy. It accommodates larger cargoes, meanwhile, by permitting more space-efficient vehicle configurations.

In 2018, we bolstered our Japanese and US offerings in ultra-wide base single tires with new sizes of the 902L tire. We are doubling the production capacity at our Mie Plant in stages to meet the surging demand for tires in this category.

A completely new Yokohama truck tire is the 712L, a long-haul, deep-tread drive tire launched in North America in April 2019. Several other products are in our development pipeline as we continue to fortify our portfolio in truck and bus tires.



902L ultra-wide base single tire

Automotive Components and Marine Products as Emphases in MB Operations —

We are allocating resources in our MB operations on a priority basis to business fields of strength. That emphasis centers on expanding our components business in the growing automotive industry and asserting strong leadership in marine products.

In automotive products, Fiat Chrysler Automobiles has adopted two Yokohama components for air-conditioning systems in the Jeep® Wrangler and Jeep® Compass: hose for handling the next-generation refrigerant HFO-1234yf and an internal heat exchanger for raising cooling efficiency. We have also begun supplying a North American automaker with hoses for battery coolant. Our automotive adhesives have a big role to play in structural composite materials for achieving fuel-saving weight reductions in automobiles, and we have developed basic technology for high-strength, high-elasticity urethane adhesives for those materials.

Adhesives for diverse applications are a focus of continuing R&D at Yokohama. Along with pursuing further advances in structural adhesives for automobiles, we are working on industrial adhesives that will assert a compelling edge in performance.

Superior technology underlies our large market shares in pneumatic marine fenders and marine hoses, and we buttressed our technological edge in those products in 2018. Our product development yielded a six-meter-diameter marine fender, the world's largest. In marine hoses, PT. Yokohama Industrial Products

Manufacturing Indonesia secured the GMPHOM 2009 international certification for marine hoses. That subsidiary began full-scale production in 2018 and expanded its shipments to domestic and export customers.

In other MB products, we strengthened our Japanese marketing for conveyor belts in 2018 and achieved our largest-ever market share in Japan. Our plants for producing high-pressure hoses in Japan and overseas operated at full capacity throughout the year to serve robust demand in construction equipment sector.



Yokohama air-conditioning hose for handling next-generation refrigerant HFO-1234yf



Ultra-large marine fender



Yokohama marine hose produced in Indonesia

Sports Marketing for Raising our Brand Profile

Strengthening the Yokohama brand is a global undertaking. It includes collaborations with sporting organizations, highlighted by our partnerships with the English Premier League's Chelsea Football Club and US Major League Baseball's Los Angeles Angels.

We commenced our partnership with Chelsea FC in 2015, and our partner has rewarded our commitment with



Legendary Chelsea FC footballer Didier Drogba at fan gathering (Photo: Taro Irei)

superlative play, as in winning the UK Football Association's 2018 Emirates FA Cup. The Yokohama-Chelsea FC partnership provides for "Yokohama Tyres" to appear on our partner's matchday shirt, which has generated immense exposure for our brand.

In November 2018, we hosted a gathering in Japan for Chelsea FC fans. Attending as a Yokohama Rubber ambassador was the former English Premier League great and Chelsea FC legend Didier Drogba. The event was a huge success, drawing some 1,000 fans. Chelsea FC will play preseason matches in Japan in July 2019, which will earn extensive media coverage worldwide.

Our partnership with the Los Angeles Angels dates from 2011 and includes prominent Yokohama advertising on an outfield fence at Angel Stadium of Anaheim. The Angels have gained a huge following in Japan since signing Japan's two-way phenomenon Shohei Ohtani. He captured rookie-of-the-year honors in 2018, and his two-way, pitching-and-hitting exploits have heightened the branding value of our partnership greatly.

"Caring for the Future" through Fulfilling Our Corporate Social Responsibility

We are addressing five priorities in fulfilling our corporate social responsibility under the banner "Caring for the future": corporate governance, products, the earth, people, and community. We approach each of those priorities in the context of the UN sustainable development goals.

Recent measures that we adopted in regard to the earth include a policy in 2018 for ensuring sustainability in procuring natural rubber. An ongoing measure of special note is the Yokohama Forever Forest initiative, which provides for planting trees at and around Yokohama sites worldwide. Among the diverse activities in that initiative is an ongoing ecological preservation project in the Laojun Mountain Nature Reserve, in China's Yunnan Province.

The Yokohama Magokoro (Sincere Heart) Fund is a philanthropic vehicle funded with voluntary contributions by Yokohama employees and matching contributions by the company. The fund trustees allocate donations to emergency

relief efforts and other worthy causes. In 2018, the fund disbursed funding to support relief efforts in the wake of several natural disasters around the world.

Our commitment to fulfilling our corporate social responsibility has earned high regard. In 2018, Yokohama remained a component of the FTSE4Good Index for the 14th consecutive year and a component of the FTSE Blossom Japan Index and the MSCI Japan ESG Select Leaders Index for the second consecutive year. The FTSE4Good Index is an influential reference for investors who weigh environmental, social, and governance (ESG) performance heavily in allocating equity investment, and the FTSE Blossom Japan Index and the MSCI Japan ESG Select Leaders Index are two of the three indexes that Japan's Government Pension Investment Fund uses as benchmarks for ESG performance.

New Ways of Working and Strengthened Corporate Governance

A motivational working environment and solid corporate governance are essential to sound, steady management. Our measures for fortifying our corporate foundation include incorporating new ways of working to reconcile work and personal lifestyles and to accommodate diverse human resources.

An employee task force is identifying ways of promoting fuller participation by women in the workplace. A program adopted in 2018 allows for work at home and hourly allocations of paid vacation time as necessary to care for young children and elderly parents. In another human resources

initiative, we permit employees to work past our traditional retirement age and retain their jobs to the age of 70, and we extended that initiative in 2018 to the manufacturing workplace.

We have strengthened corporate governance by increasing the number and proportion of nonexecutive members of our Board of Directors. To increase diversity in management, we have appointed two non-Japanese executive officers and a female corporate auditor. We have upgraded our system for ensuring ethical compliance by extending our whistleblower-hotline function to our Chinese and Philippine operations.

Progress in Improving Our Financial Position

GD2020 calls for generating aggregate operating cash flow of ¥200 billion over the three years to 2020, reducing our interest-bearing debt, and otherwise improving our financial position. In 2018, we posted our largest-ever operating cash

flow; reduced our interest-bearing debt; and lowered our debt/equity ratio 0.135 points, to 0.696. Our commitment to improving our financial position remains strong as we tackle the GD2020 targets for fortifying our corporate foundation.

Company-Wide Solidarity in Pursuing Growth

We revised upward, in May 2019, the full-year projections that we issued in February 2019 for operating profit and profit attributable to owners of parent. Our revised projections call for profit attributable to owners of parent to increase 29.1%, to ¥46.0 billion, on a 21.5% increase in operating profit, to ¥65.0 billion. The larger-than-projected growth in operating profit and in profit attributable to owners of parent reflects gains on the sale of fixed assets. We abide by the full-year fiscal projections for 2019 that we announced in February for sales revenue and business profit. Those projections call for business profit to decline 3.0%, to ¥57.5 billion, on a 1.5% increase in sales revenue, to ¥660.0 billion. Those projections reflect concerns about the effects of Chinese-US trade frictions and about the United Kingdom's path to an EU exit.

The GD2020 financial targets for 2020, the culminating year of the medium-term plan, are as announced in February 2018: sales revenue of ¥700.0 billion, operating profit of ¥70.0 billion, operating profit margin of 10%, a debt/equity ratio of 0.6, and return on equity of 10%. All of us at Yokohama share an unwavering commitment to attaining those targets.

GD2020 is our first step toward continued growth in our company's second century. I know Yokohama to be a company that asserts unique strengths in technology, products, manufacturing, and human resources. You have my assurance that we will continue working to redefine those strengths and to maintain profitable growth. Please know that we will strive indefatigably to position Yokohama as a presence trusted and valued by customers worldwide.

