

NEWS RELEASE



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Yokohama Rubber Unveils Phase III of Grand Design 100 Medium-Term Management Plan

Tokyo - The Yokohama Rubber Co., Ltd., unveiled today an outline of the latest three-year phase in its medium-term management plan, Grand Design 100. Yokohama entered Phase III of Grand Design 100 this January, the first month of its present fiscal year. Its chief financial targets for the three years of Phase III are to achieve cumulative net sales of 1,800 billion yen, cumulative operating income of 150.0 billion yen, and cumulative operating return on sales of 8.3%. Yokohama's chief financial targets for the culminating year of Phase III, 2014, are to achieve net sales of 630.0 billion yen, operating income of 60.0 billion yen, and operating return on sales of 9.5%.

Year-on-year comparisons with the culminating year of Phase II are unavailable because of a change in Yokohama's fiscal accounting period. The company has shifted to calendar-year fiscal accounting as of 2012, from its previous April-to-March accounting. And that resulted in a one-time-only nine-month fiscal accounting period: April to December 2011.

Yokohama launched Grand Design 100 in April 2006. The plan comprises four three-year phases, and it provides for achieving annual net sales of 1 trillion yen, annual operating income of 100 billion yen, and annual operating return on sales of 10% by Yokohama's corporate centennial in 2017. Yokohama accompanies those quantitative targets with the qualitative goals of evoking a distinctive global identity in building corporate value and in building a strong market presence.

Changes in the operating environment have obliged Yokohama to defer its horizon for the 1 trillion yen sales target to 2019 or 2020. Yokohama remains committed, however, to achieving the target for operating income by 2017, and management expects the operating margin to reach the 10% target ahead of schedule.

The theme that Yokohama has adopted for Phase III of Grand Design 100 is Robust and Responsive Growth. That theme expresses a determination to build on the progress that Yokohama has achieved in fortifying its corporate vitality and to position the company to respond flexibly to change and risk in the operating environment. It addresses the uncertain outlook for the operating environment that Yokohama will face in Phase III.

Europe's credit crisis threatens to affect the entire global economy adversely, but the world's emerging economies exhibit potential to resume growing vibrantly in the medium term. In Japan, the persistently strong yen weighs heavily on exports, and the scheduled increases in the national sales tax could dampen consumption, but demand associated with the rebuilding effort in areas affected by the March 2011 earthquake and tsunami will stimulate GDP growth.

Tires are the focus of Yokohama's growth plans. The company is working to assert a distinctive identity in the global tire market, to expand its global supply capacity greatly, and to deploy high-value-added tire products worldwide. In diversified products, Yokohama will draw on compelling strengths in technologies for the three functions of carrying, affixing, and buffering. It will make the most of those strengths in developing products to assert market leadership and to cultivate business in new sectors.

Yokohama's technology strategy includes working through the BluEarth branding to develop and deploy products for benefiting the earth, society, and individuals through environmental safeguards and in other ways. The company is collaborating, meanwhile, with third-party research organizations in leading-edge projects aimed at developing high-functionality tire technologies. In every way, Yokohama is mobilizing its technological resources in support of delivering the best products at competitive prices and on time.

Phase III of Yokohama's Grand Design 100 also provides for redoubling the company's efforts in reinforcing its corporate foundation and in fulfilling its corporate social responsibility. Yokohama has tapped employee initiative in identifying and acting on opportunities for eliminating waste through its *Mudadori* activities. In Phase III, it will augment those activities with team projects for tackling issues designated by management. Yokohama has focused on seven priorities, meanwhile, under the International Organization for Standardization's ISO 26000 guidelines for social responsibility, and it will tackle those priorities through wide-ranging efforts.

Detailed Summary of Grand Design 100 Phase III

Growth strategy: tires

1. Asserting a distinctive presence in the global marketplace

Yokohama will work to strengthen its competitiveness in tire markets by bolstering its capabilities in technology and in product development. The company will serve the continuing growth in global demand for tires by expanding its supply capacity, mainly at overseas plants.

In consumer tires, Yokohama will strive to launch products of best-in-class fuel economy and products of high functionality. In commercial tires, the company will strive to differentiate its products advantageously through original technology and will put in place lifetime product support.

Yokohama will integrate its operations locally in principal markets in support of serving local demand with locally manufactured products. That will include establishing local R&D capabilities in principal markets. In addition, the company will work systematically to improve its global supply chain management.

2. Increasing supply capacity greatly

Increases in production capacity at Yokohama will center on Russia, China, the Philippines, and Thailand, and the company will increase its annual production capacity by about 7 million tires during the three years of Phase III. That will increase the company's global production capacity to 66 million tires a year by the end of 2014, from 59 million at the end of 2011.

In addition to the 7-million-tire increase in annual production capacity in Phase III, Yokohama has announced plans to increase its annual production capacity by a further 20 million tires in Phase IV. And it will allocate 140 billion yen to capital spending for that purpose in Phase III. The 20-million-tire increase in Phase IV would bring the company's production capacity to 86 million tires a year by the end of 2017.

Possible new plants for tires are under consideration at Yokohama, and the leading candidates are sites in China, India, North America, and Latin America. Also under consideration are expansion projects at the company's existing plants in the Philippines, Thailand, Vietnam, and Russia.

3. Deploying high-value-added products globally

Yokohama will continue to fortify its offerings in consumer tires under its ADVAN flagship brand for high-performance products, its BluEarth brand for fuel-saving tires, its iceGUARD brand for winter tires, and its GEOLANDAR brand for sport-utility vehicle tires. The company will move to strengthen its position in commercial tires by deploying radial tires for off-the-road vehicles in sizes of 49 inches and larger; by broadening its offerings in high-functionality tires for trucks and buses, such as ultralow-profile tires; and by expanding its market presence in retreaded tires.

Growth strategy: diversified products

1. Asserting market leadership with products based on three core technologies

The Yokohama portfolio of diversified products features compelling strengths in three core technologies for fulfilling the functions of carrying, affixing, and buffering. Yokohama will transcend conventional product categories in striving to translated those strengths into market-leading products. In addition, it will realign its Japanese production network for diversified products and will continue to expand and upgrade its overseas production network for those products.

2. Cultivating business in new sectors

Yokohama will employ telecommunications and measurement technologies in developing high-value-added products in new sectors. That will include developing new products for such applications as ship-maneuvering assistance, marine hoses, and sporting goods and related services.

Technology strategy

A commitment to safeguarding the earth, society, and individuals in accordance with the BluEarth concept is the centerpiece of technology strategy at Yokohama. The company's initiatives in connection with that commitment include working to reduce pass-by noise outside the vehicle and road noise inside vehicle and adopting the Advanced Inner Liner for preventing air seepage on a broadening range of tire products. Yokohama is supplementing its efforts by tapping third-party resources, such as Japan's SPring-8 synchrotron radiation facility and K Computer supercomputing project. Technology strategy at Yokohama also provides for reinforcing the company's ability to offer valuable products at competitive prices and in a timely manner by bolstering capabilities in creating basic technologies, in converting those technologies into products, and in moving products into mass production.

Reinforcing the company's corporate foundation

In 2006, Yokohama inaugurated its *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 yen. In Phase III of Grand Design 100, the company will augment the *Mudadori* activities with projects for tackling themes designated by management.

Fulfilling corporate social responsibility

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

In Grand Design 100 Phase III, Yokohama is devoting special attention to four themes: environmental protection, where the company's initiatives include developing products for minimizing environmental impact and working to eliminate landfill waste at plants; workplace safety, where Yokohama is working to eliminate hazards in work processes; stakeholder communication, where the company is highlighting its stance through such initiatives as tree plantings worldwide in the Yokohama Forever Forest project; and corporate governance and ethical compliance, where Yokohama is putting in place a framework for monitoring its corporate conduct, for ensuring compliance with rigorous standards of corporate ethics, and for addressing breaches and suspected breaches swiftly.