

February 19, 2018
For immediate release

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Yokohama Rubber Unveils New Medium-Term Management Plan: Grand Design 2020

*Plan calls for achieving annual sales of ¥700 billion and
annual operating income of ¥70 billion by 2020*

Tokyo—The Yokohama Rubber Co., Ltd., unveiled today a new medium-term management plan for the years to 2020. Yokohama's new medium-term plan, dubbed Grand Design 2020 (GD2020), is the successor to Grand Design 100 (GD100), which spanned the period from 2006 to 2017. GD2020 calls for fortifying Yokohama's business foundation by deploying growth strategy that encompasses original approaches to each operational emphasis. It is a framework for supporting new strides by Yokohama into the decade of the 2020s.

Yokohama will redefine its core strengths under GD2020 and will address focused strategic priorities in each sector of operations. Its strategy in consumer tires includes working to expand the company's presence in the market for premium-grade tires. GD2020 strategy portrays commercial tires, meanwhile, as a pillar of sales and earnings in Yokohama's second century, and it positions off-highway tires as a pillar of that growth. The company's strategy in MB operations under GD2020 calls for allocating resources on a priority basis to sectors of strength.

In addition, GD2020 presents three priority emphases for fortifying Yokohama's business foundation: strengthen the company's financial position by reducing interest-bearing debt and idle assets, revitalize Yokohama's corporate culture through human resources measures for energizing the company's organization, and minimize corporate risk through systematic management. The chief quantitative targets in GD2020 are to raise net sales to ¥700 billion, up 8.3% over 2017, and raise operating income to ¥70 billion, up 29.1%.

Note:

The preceding figures are International Financial Reporting Standards (IFRS)-basis projections for 2020 in reference to unaudited IFRS-basis calculations for 2017.

<GD100 in Review>

GD100 spanned the period from 2006 to 2017 and comprised four three-year phases. Net sales increased from ¥451.9 billion in 2005 to ¥668.0 billion in 2017, and operating income increased from ¥21.9 billion to ¥51.9 billion. Globalization proceeded rapidly under GD100, and the overseas percentage of net sales increased from 23% in 2005 to 56% in 2017.

<Summary of GD2020>

Positioning

GD2020 is a framework for fortifying Yokohama's business foundation by redefining the company's strengths and by deploying a growth strategy based on original approaches. Management is counting on that framework to support new strides for Yokohama in the decade of the 2020s.

Growth Strategy

Consumer tires

GD2020 strategy for consumer tires calls for focusing on premium-grade products, a sector that offers promising growth prospects. It identifies the following four emphases for that strategy.

Tires for premium-grade cars

- Become a “go to” tire maker for high-end quality and technology.

Winter tires

- Assert leadership in studless snow tires for Japan, in studded snow tires for Northern Europe and Russia, and in winter tires for other European nations.

Hobby tires

- Build a product line that serves the diverse needs of car enthusiasts, including racing, rallying, off-road driving, and classic car enjoyment.

Customer communication

- Help customers get more out of motoring lifestyles.

Commercial tires

In commercial tires, GD2020 provides for positioning off-highway tires as a growth driver and for using Yokohama's newly expanded production resources in North America to fuel growth.

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 Yokohama's 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 Yokohama asserts distinctive strengths.

Truck and bus tires

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

MB operations

GD2020 strategy in MB operations calls for allocating resources to sectors where Yokohama asserts a competitive edge. It centers on expanding business in automotive components and asserting strong leadership in marine products.

Automotive components

- Step up the pace in cultivating business globally in hose assemblies and sealants.
- Develop next-generation technologies and products

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 new products.

Technology

Special capabilities in controlling physical properties and a global network of R&D and evaluation platforms are crucial strengths for Yokohama in technology. GD2020 provides for leveraging those strengths in support of creating products of superior performance and quality. Motor sports will remain an important vehicle for Yokohama in honing its competitive edge in the vanguard of tire technology.

Branding

Yokohama will strive under GD2020 to raise its profile further in markets worldwide through effective branding. That will include making the most of the partnership agreement concluded in 2015 with English Premier League's Chelsea Football Club.

Fortifying the Company's Business Foundation

Measures for fortifying Yokohama's business foundation under GD2020 will address the issues of corporate social responsibility, human resources, corporate governance, risk management, and finance. In finance, GD2020 calls for using the robust cash flow to be generated through growth stratagems and the efficiencies generated through consolidated cash management to reduce interest-bearing debt and otherwise strengthen Yokohama's financial foundation while ensuring sound returns for shareholders.

Financial Targets for 2020

Net sales	¥700 billion
Operating income and operating profit margin	¥70 billion, 10%
Debt/equity ratio	0.6
Return on equity	10%
Operating cash flow	3-year total of ¥200 billion
Investment	Within scope of depreciation (not including strategic investments)



The logomark for Yokohama's new medium-term management plan, GD2020