

“Shaping a Global Organization Rich in Personality and Culture”

Hikomitsu Noji
President and Representative Director

Assert leadership among the world's middle-tier tire manufacturers by 2017

Our net sales in 2012 ranked eighth among the world's tire manufacturers. A large gap separates the three largest manufacturers from the industry's other companies in regard to sales and market share. But the middle-tier manufacturers fulfill a crucial role in serving the world's automakers and vehicle owners, and our medium-term vitality hinges on asserting leadership in the industry's middle tier. That is therefore one of our goals for our centennial year, 2017.

Building a distinctive presence in the global market will be crucial to attaining the leadership that we seek. We are therefore moving to expand our production

capacity and to assert unique technological strengths in all our principal product categories.

Our blueprint for growth is our Grand Design 100 medium-term management plan, launched in April 2006, and we entered the third three-year phase of that plan in 2012. In Phase III, we are focusing in our Tire Group on increasing production capacity greatly and on deploying high-value-added products globally. And we are focusing in our Multiple Business Group on increasing the number of product categories where we are a market leader and on cultivating business opportunities.

Expand tire production capacity steadily

We have earmarked an unprecedented amount of funding for investment in expanding tire production capacity in Phase III. Our three-year investment will total ¥140.0 billion. In passenger car tires, our investment projects include expanding production capacity at our plants in the Philippines and in Russia and building a plant in India. In truck and bus tires, we are expanding our production capacity in Thailand and announced plans in April 2013 to build a plant in the United States.

Our annual production capacity will increase by 7.35 million tires during the three years of Phase III, to 66.7 million tires. And we aim for our production capacity to reach 86.0 million tires a year in 2017.

Start small and grow large

We abide by a policy of producing tires in or near our principal markets. That can mean inaugurating local production with small-volume output and expanding our output in step with growth in sales. We therefore benefit greatly from the unique competence we have developed in achieving high production efficiency at different production volumes. "Starting small and growing large," as we characterize our approach, minimizes investment risk. That approach enabled us to become the first Japanese tire manufacturer to undertake local production in Russia and in Vietnam. Our Russian plant, especially, is a good example of accommodating sales growth with production flexibility. The plant had a start-up production capacity of 700,000 tires a year at 2011 year-end, but expansion under way is increasing its capacity to 1.6 million tires a year, and we plan to expand the plant further.

Position "Yokohama" as a strong global brand

In deploying high-value-added products globally, we are aiming to establish "Yokohama" as a strong global brand. In the vanguard of our branding strategy in passenger car tires are four high-end product lines: our ADVAN high-performance tires, our fuel-saving tires, our winter category tires, and our tires for sport-utility vehicles.

Our global branding efforts also include winning fitments on a growing portfolio of high-profile, premium-grade vehicle models. We will focus especially on ultrahigh-performance models that have extremely strong brand images. Fitments on those models will enable us to

showcase our strengths in ultrahigh-performance tires and in small-lot production and to hone those strengths further.

Strengthen our position in truck and bus tires and in off-the-road tires

Truck and bus tires and off-the-road tires, for which demand is growing rapidly worldwide, are important in positioning "Yokohama" as a strong global brand. We have fortified our offerings in truck and bus tires with high-functionality products, such as tires that minimize environmental impact and ultra wide base tires. But further gains in this product sector will require progress in strengthening our customer support in after-sales service.

Accompanying products with value-added service is especially important in mature markets. In those markets, customers expect and welcome driving tips for maximizing safety and minimizing costs. They also appreciate support in the form of collated data about such things as tire performance and wear. Retreadability, meanwhile, is a vital factor in product economics in truck and bus tires, and our products win high marks on this count. We will work to strengthen our position in these tires by accompanying high-quality products with comprehensive packages of after-sales service and retreading services.

Another important emphasis is on expanding our production and sales of off-the-road tires of sizes larger than 49 inches. Only a handful of manufacturers serve demand for tires that large, and we aim to build a solid presence in the mining sector with our large off-the-road tires.

Increase the overseas portion of our Multiple Business sales to 50%

The Multiple Business Group is fundamental to our growth strategy, and growth in Multiple Business sales will hinge on growth in overseas markets. We therefore aim to increase the overseas portion of our Multiple Business sales to 50% by 2017, from 33% in 2012.

Central to our Multiple Business strategy is increasing the number of product categories where we are a market leader. And the growth markets of electrical and electronic equipment are our chief focus in cultivating strong market positions. We have developed sealants and coatings for light-emitting diodes, touchscreen panels, and other fast-growing applications, and we are promoting our

products vigorously to manufacturers in China and in the Republic of Korea, as well as in Japan.

Meanwhile, we are reinforcing our competitiveness in traditional products where we have a large market share, such as high-pressure hoses and pneumatic marine fenders. That has recently included beginning construction work on a Chinese plant to produce high-pressure hoses and establishing a company in Singapore to market industrial products.

Another emphasis in the Multiple Business Group is on cultivating business opportunities. We are doing that, for instance, in developing products that incorporate telecommunications and sensor technology. An excellent example: our pneumatic marine fenders equipped with sensors and transmitters for monitoring the positioning of two vessels engaged in cargo transfers (*page 13*).

Strengthen corporate governance and corporate social responsibility

Global growth for corporations entails growing needs to upgrade corporate governance and to fulfill corporate social responsibility. Corporations where attitudes and action fail to address those needs will not function as integrated organizations. And they will therefore be unable to provide globally consistent product quality and service.

We at Yokohama work to integrate our organization globally through sharing information and through establishing common systems and rules. That includes holding global compliance meetings, global production conferences, global environmental conferences, and other gatherings for representatives from our operations worldwide. We underlined our commitment to fulfilling our corporate social responsibility by signing the United Nations Global Compact in 2012 (*page 23*).

Nurture personality and culture

I feel strongly about the importance of evoking personality and culture as a corporation. Our products are the chief vehicle for evidencing our personality as a manufacturer. We need to accompany absolutely reliable quality with new product concepts and new kinds of value. A good example is the ultrahigh performance that has driven the growth of our ADVAN tires—performance unlike anything in any previous line of tires, performance that is exactly



what driving aficionados wanted, performance that evokes personality imbued with flashes of inspiration.

As for culture, we need to become a company that people like and regard as indispensable. Culture depends on continuity, and we have therefore maintained a long-term approach in such facets of corporate culture as support for motor sports. We have supported the Macau Grand Prix, for example, for more than 30 years. That race is extremely popular in China, and our association with the race has reinforced perceptions of our company among vehicle-savvy Chinese as a topflight tire manufacturer.

The Macau Grand Prix is but one of numerous examples of our progress in evoking a distinctive corporate culture. And we will continue to foster culture and personality in step with our growth as a global corporation.

Grand Design 100



Medium-Term Management Plan

Our blueprint for growth is Grand Design 100, a medium-term management plan that we launched in 2006. That plan culminates in 2017, our corporate centennial, and comprises four three-year phases. Phase III began in 2012.

Grand Design 100 Vision and Basic Policy

To Mark the Yokohama Centennial in 2017

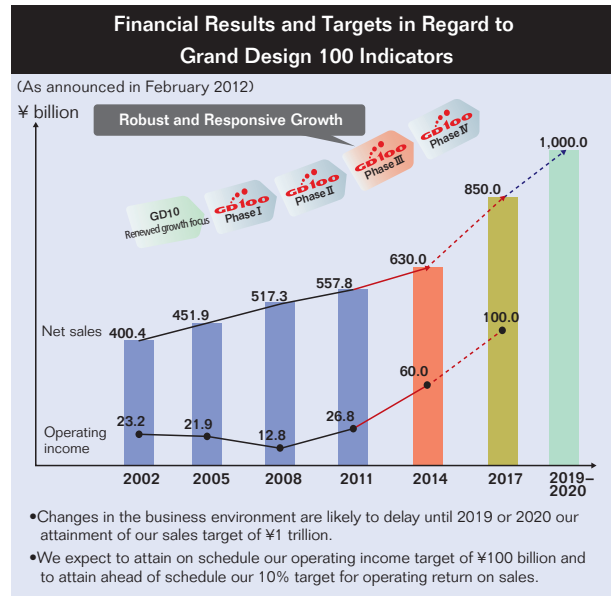
Evoke a distinctive global identity in building corporate value and in building a strong market presence

Long-Term Financial Targets

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

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



Our cumulative, three-year targets in Phase III are to achieve net sales of ¥1.8 trillion and operating income of ¥150 billion. We got off to a good start in 2012, posting record sales and earnings.

Financial Targets in Phase III of Grand Design 100

Years ended December 31; billions of yen, percent

	2012	2013	2014	Aggregate
Net sales	¥575.0	¥595.0	¥630.0	¥1,800.0
Operating income	¥40.0	¥50.0	¥60.0	¥150.0
Operating return on sales	7.0%	8.4%	9.5%	8.3%

Targets for Selected Financial Indicators in 2014

Operating return on assets ¹	More than 9%
Interest-bearing debt	Less than ¥220.0 billion
Asset turnover	More than 1
Debt/equity ratio ²	Less than 1

1. Operating income/total assets
2. Interest-bearing debt/net assets

(Billions of yen, percent)

Net sales	¥559.7
Operating income	¥49.7
Operating return on sales	8.9%

Financial Results: 2012

Basic Approach in Phase III of Grand Design 100

Aiming to attain the overall Phase III goals, we are tackling concrete measures for achieving growth in our Tire Group and Multiple Business Group, for asserting technological strengths, for reinforcing our

corporate foundation, and for fulfilling our corporation social responsibility. Here is a summary of our growth strategy in our Tire Group and our Multiple Business Group.

Fortify our operations to generate a strong cash flow, and invest heavily in expanding production capacity, especially in tires

Expand our supply capacity to keep up with demand in fast-growing economies

Pursue operating return on sales of 10% by strengthening our cost competitiveness and our branding

Growth Strategy: Tire Group

Asserting a Distinctive Presence in the Global Marketplace

- **Japan:** Bolster our competitiveness by strengthening our capabilities in technology and in product development
- **Overseas:** Expand our supply capacity in support of profitable growth

Expanding Supply Capacity Greatly

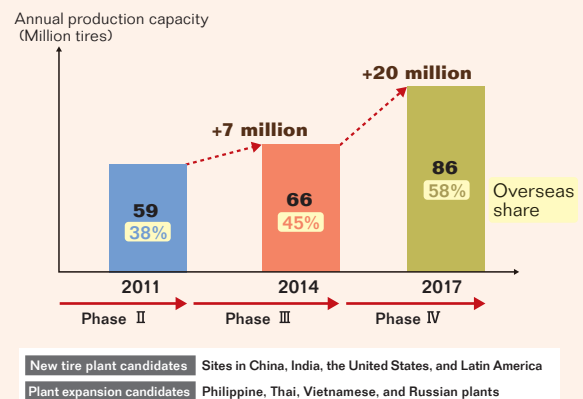
- Increase our annual production capacity by about 7 million tires during the three years of Phase III, principally in Russia, China, the Philippines, and Thailand
- Allocate ¥140.0 billion to capital spending in Phase III to increase our annual production capacity by 20 million tires in Phase IV

Deploying High-Value-Added Products Globally

- **Consumer tires:** Increase the global momentum for our ADVAN flagship brand for high-performance products, our BluEarth brand for fuel-saving tires, our iceGUARD brand for winter category tires, and our GEOLANDAR brand for sport-utility vehicle tires, and raise our market profile by winning factory fitments on globally prominent vehicle models

Planned Increases in Tire Production Capacity

(As announced in February 2012)



- **Commercial tires:** Increase sales and production capacity in large tires for off-the-road equipment, especially radial tires in sizes of 49 inches and larger; broaden our offerings in high-functionality tires for trucks and buses, such as ultra wide base tires; and expand our market presence in retreaded tires

Growth Strategy: Multiple Business Group

Asserting Market Leadership in Products Based on Three Core Technologies

- Create market-leading products based on the three core technologies of carrying, affixing, and buffering
- Realign our manufacturing operations in Japan and continue to expand our manufacturing overseas

Cultivating Business Opportunities

- Generate business opportunities by applying and combining advanced telecommunications and measurement technologies innovatively

Our Three Core Technologies

Carrying	Affixing	Buffering
Conveyor belts	Construction sealants	Rubber bearings
High-pressure hoses	Hard coatings	Marine fenders
Water tanks	Window sealants	Wheelchair cushions

Chronology of the Year's Highlights

March

Decision to build passenger car tire plant in India
Page 10



Opening ceremony for Russian tire plant

May

Official opening ceremony for passenger car tire plant in Russia
Page 10

August

"Offtake" agreement to obtain off-the-road tires from Chinese manufacturer
Page 10



iceGUARD 5 studless tire

September

Launch of iceGUARD 5 studless tire, which accompanies superior performance on icy surfaces with improved fuel economy

March

Commencement of international sales of ultra wide base truck tires, starting with launch of drive tires and trailer tires in North America
Page 11

Launch of sporty ADVAN NEOVA AD08R tire, which features advances in speed and fun

April

Decision to expand production capacity for truck and bus tires at Thai plant
Page 11

Decision to build truck and bus tire plant in North America
Page 11

2012

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12

2013

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12

April

Yokohama Forever Forest Project planting in conjunction with forestation efforts in areas affected by Great East Japan Earthquake
Page 22



Planting ceremony

June

Three-year renewal of contract to supply tires for the FIA World Touring Car Championship competition until 2015—10 consecutive years



World Touring Car Championship action in 2012

August

Integration of production and sales operations in Vietnam
Page 10

September/November 2012/January 2013

Fitments on five Mercedes-Benz models for Yokohama's global flagship brand, ADVAN

February

Decision to undertake second stage of expansion at passenger car tire plant in Philippines
Page 11



Philippine tire plant

Decision to establish industrial products sales company in Singapore
Page 10

Launch of ADVAN Sport V105 as global flagship passenger car tire that combines high performance with superior comfort and safety



ADVAN Sport V105

Decision to expand production capacity at passenger car tire plant in Russia
Page 10

Decision to build Chinese plant to produce hydraulic hoses
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