

Review of Fiscal 2006 and Challenges in Fiscal 2007

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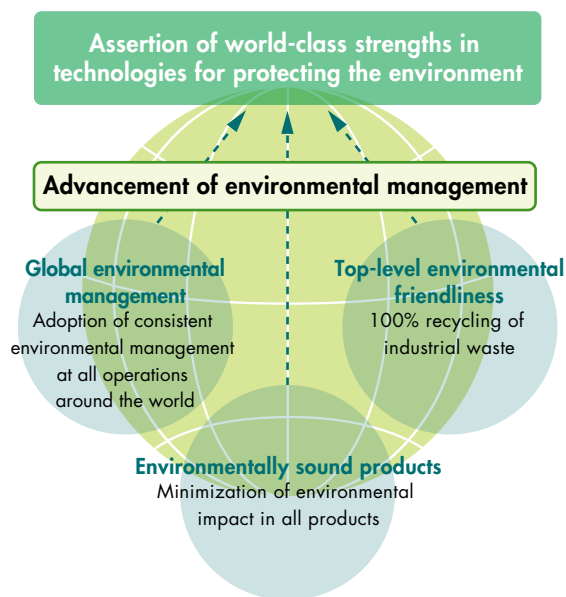
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Combating global warming is a global challenge

The Yokohama Rubber Group sees the fight against global warming as a top priority, and so is taking action to raise the level of its environmental management. Reading former Vice President Al Gore's *An Inconvenient Truth*, I was once again struck by the scale of the global environmental crisis that we face. Both the public and private sectors in countries around the world are now starting to take action, with the halving of greenhouse gas emissions by 2050 (compared with levels in 2000) being adopted as a key item on the agenda of the G8 summit held in Germany in June of this year, and the Yokohama Rubber Group, too, intends to play an active part in combating global warming.

The Three Guiding Principles of GD100 Phase I

The Yokohama Rubber Group has made asserting world-class strengths in technologies for protecting the environment an explicit objective of its new GD100 medium-range management plan. Phase I of GD100, which covers the first three years from 2006 to 2008, puts a strong emphasis on taking our environmental management practices to the next level. To this end, three guiding principles have been adopted: adopting consistent environmental management worldwide ("global environmental management"), minimizing the environmental impact in all products ("environmentally sound products"), and recycling and elimination of industrial waste ("top-level environmental friendliness").



Results of activities in fiscal 2006

The key developments in our activities to combat global warming in fiscal 2006 are summarized below.

● Production and logistics

Emissions of greenhouse gases, which are linked directly to global warming, were reduced by 8.2% compared with fiscal 1990 levels, due in considerable part to energy conversion in the form of conversion of heavy oil to natural gas at key tire plants and the introduction of cogeneration systems. On the physical distribution front, we began calculating transport energy and CO₂ emissions last year. This revealed that CO₂ emissions during transportation of tire products accounts for 80% of the total, leading to the formulation of finely-tuned countermeasures in response. The supply chain has not been neglected either, with steps being taken to strengthen collaboration with business partners in logistics and procurement.

● Product development

Yokohama Rubber aims to make all its products "environmentally sound" by fiscal 2017. In order to achieve this target, we first defined exactly what constitutes an "environmentally sound product." We decided to assess products quantitatively along four dimensions of environmental performance, and to call those new products that exceeded conventional products along all four dimensions as "environmentally sound products." As a result, it is now possible to state what proportion of our products is environmentally sound. The proportion of environmentally sound products in fiscal 2006 was 47% of our entire range, and 77% of all new products.

Establishment of "Eco Award" Scheme

In order to deepen understanding of GD100 policies on the environment and to promote further action by all divisions of Yokohama Rubber and group companies, an Eco Award was launched in fiscal 2006 to provide recognition for the environment achievements and efforts of individual organizations. The winning divisions and group companies in fiscal 2006 are shown below, and the award ceremony was held on May 25, 2007.

Eco Factory Award	Outstanding Performance Award: Mishima Plant Award for Effort: Facility Administration Dept. Yokohama Tire Philippines, INC.
Eco Office Award	Outstanding Performance Award: No winner Award for Effort: Yokohama Tire Shizuoka Hanbai Co., Ltd. The Yokohama Rubber MBT Co., Ltd. Yokohama Tire Taiwan Co., Ltd.
Environmentally Sound Product Award	Outstanding Performance Award: MB Business Development Dept. Award for Effort: Hamatite Technical Dept. TB Tire Designing Dept. Tire Materials Development Dept.

Challenges in fiscal 2007

In the light of environmental performance in fiscal 2006, we will be placing a particular focus on the following areas of activity in fiscal 2007.

●Reduction of waste emissions

Although we targeted a 35% reduction in emissions in fiscal 2008 (compared with fiscal 2006 levels), emissions in fact rose by 0.8% from a year earlier in fiscal 2006. Chastened by this setback, in fiscal 2007 we aim to cut emissions by 20% compared with fiscal 2006 by taking drastic measures to reduce emissions of waste such as product scrap.

●Global environmental management

Presently, nine overseas manufacturers in the Yokohama Rubber Group have acquired ISO14001 certification, which we regard as a key component of environmental management. In order to achieve consistent environmental management worldwide, however, environmental management practices on a par with those followed at Yokohama Rubber need to be introduced. For example, even in countries that are not signatories to the Kyoto Protocol, all group companies must adopt the same targets as Yokohama Rubber, and we are stepping up global action to put the necessary mechanisms in place for this to be achieved.



●Contribution to environment and society

The Yokohama Rubber Group's Japanese production sites and overseas producers interact with local communities in a variety of ways. The fact remains, however, that, among these activities, the activities initiated by the Yokohama Rubber Group are limited. To rectify this situation, we have decided to launch a new project, called the "YOKOHAMA Forever Forest" project, to plant trees and create woodland around our plants beginning in the present fiscal year. Through this project, we aim to not only contribute to the fight against global warming, but also to actively strengthen ties between local communities and our production sites.

The Yokohama Rubber Group aims to assert world-class strengths in technologies for protecting the environment in its centenary year in 2017, and it has adopted medium to long-range plans spanning a period of 12 years divided into four phases of three years in order to achieve this aim. This is born of recognition that activities to minimize the impact on the environment can only be effective if pursued steadily over an extended period. In fiscal 2007, we intend to clear each of the hurdles that lie in our path in accordance with these plans.

Self-evaluation of Environmental Management

Areas of Progress in Fiscal 2006

- Reduction of greenhouse gas emissions in line with Kyoto Protocol targets
- Quantification of impact on environment of logistics operations and implementation of measures to cut CO₂ emissions
- Measures to reduce environmental impact along the supply chain (concerning control of chemicals, procurement, and logistics)
- Continuation of zero emissions
- Definition of environmentally sound products and quantification of proportion of environmentally sound products
- Development of environmentally sound products (launch of new tire products for passenger cars, trucks and buses)

Challenges for Fiscal 2007 Onward

- Reduction of industrial waste emissions
- Enhancement of global environmental management
- Disclosure of data on environmental management
- Contribution to environment and society