



YOKOHAMA

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THE MARKET

It would be a formidable marketing challenge for any organization: How do you create and nurture the keystone attributes of a desirable brand in a product that some of your customers resent buying, others adore, and the rest might otherwise ignore?

That's how some observers might characterize the challenge of marketing automobile and light truck tires in Canada. It's an oversimplification, of course, but it points out the difficulty of building a brand in a category that regularly polarizes consumers. Still, with nearly 19 million replacement tires sold annually in this country, the market for new tires is a large, vibrant and changing business that places a premium on innovation and rewards leadership.

Innovation and leadership help explain the success of Yokohama in Canada.

It is innovation (readily apparent in the products) and leadership (in industry practices) that have helped Yokohama carve out a profitable place in the Canadian market while earning the respect of discerning consumers, opinion leaders, a vast national retail network and the auto industry. But it hasn't been easy.

Even though many consumers take them for granted, modern tires are extremely complex products, the result of sophisticated engineering and

product development. The past decade has seen remarkable advances in virtually every area of their performance. Keeping consumers abreast of the benefits of those advances has been a big part of brand-building for Yokohama.

The market for replacement tires isn't a single, homogeneous marketplace.

Weather, terrain, regional economies and a little folklore have created a patchwork quilt of distinct markets across the land. Quebeckers love their winter tires, for example, while trucks outsell cars in much of Alberta and the market for sophisticated luxury cars is concentrated in the large urban areas. But whether

you slice up this vast country by climate, geography, population density, vehicle type or product offering, it's clear that the Canadian tire market is a deep weave of opportunities and contradictions.

It's a market Yokohama understands well.

ACHIEVEMENTS

There are lots of ways to define the term "performance." Even when it comes to tires, performance can be measured by their longevity in service, their capability to grip rain-slicked roads, how quiet they are, their contribution to improving vehicle fuel economy, their ability to deliver breathtaking cornering traction or life-saving braking power. Yet while there are many ways to describe performance, it is how Yokohama meets and exceeds its

customers' performance *expectations* that is perhaps the company's greatest achievement.

Think of it as a trickle-down strategy: If you can meet the demanding criteria of the experts, you can measure up with everyone else.

The automobile enthusiasts who examine every product detail and study each new technical development would define performance in terms more closely associated with the race track. These enthusiasts exert great sway over their neighbours and friends, and Yokohama is frequently the name on their lips.

To capture and focus this important recognition, and to highlight the very best of the company's performance expertise, Yokohama created the ADVAN brand-within-a-brand. Yokohama ADVAN signifies the pinnacle of Yokohama's formidable engineering and design expertise, and the name has become synonymous with high performance.

Enthusiasts have been quick to recognize Yokohama's achievements in the world of motorsport, where the familiar Yokohama ADVAN logo has been emblazoned on winning entries from the renowned Le Mans 24-hour sports car race to the victors in the rugged and relentless rally events from Europe, Japan and Canada. Since 1979, the Yokohama ADVAN name has appeared on tires that have carried international superstars and local weekend warriors to the podium. From the outset, the company was committed to bringing the lessons learned in competition — and the performance reputation — to a line of tires for discerning consumers.

Filling up the trophy case was not the only objective. The validation of Yokohama's engineering



innovation has also come through the creation of ADVAN tires for use by prestige automobile manufacturers on some of the world's finest cars. Enthusiasts understand that when Yokohama ADVAN tires have been selected for use on high-performance cars from Audi, Bentley, Lexus, Lotus and Porsche, they have impeccable performance qualifications.

But there are performance achievements far from the race track that also resonate with consumers. Yokohama was the first Japanese tire manufacturer to be granted ISO 9001 certification in recognition of a quality-assurance model in design, development, manufacture, installation and related services. Yokohama tires were also ranked highest in customer satisfaction among car and light van owners replacing their tires in the inaugural JD Power survey in 2001.

On the engineering side, Yokohama was also the first tire manufacturer to incorporate nanotechnology in the manufacturing of tires with the introduction of the ADVAN Sport in 2006.

The company's contribution to improving the environment ranks as one of its most important achievements. Since 1990, Yokohama has committed to lowering greenhouse gas emissions as part of the manufacturing process. As of 2007, emissions have been reduced by 8.2%, surpassing the 6% goal set out in the Kyoto Protocol. As part of a global initiative leading up to the 100th anniversary of the company, Yokohama continues to search for new and innovative methods to create environmentally



tires of the day manufactured with fabric like canvas. A culture of innovation was born.

The company's development paralleled Japan's industrial growth through the 1950s and 1960s, as it expanded into the production of belts, hoses and rubber coatings. The aircraft industry further expanded the company's engineering and production base as it created fuel cells, structural adhesives and aircraft tires. New marine, industrial and sporting goods products added to the company's design and manufacturing expertise as well as to its size and scope. International expansion put Yokohama into competition with the world largest tire-makers, where it has placed a heavy emphasis on its research and development capability, and its particular skill at producing products that compete at the top of their product categories.

Today, the company operates state-of-the-art production centres in Japan, Asia and North America, and maintains a sales network covering the world. To meet the growing needs of the North American marketplace, the company established Yokohama Tire (Canada) Inc. as a separate Canadian presence in 1984.

THE PRODUCT

Its commitment to the high-technology, high-performance tires in the ADVAN line results in benefits for the Yokohama tires that compete effectively in the market for replacement tires for regular cars and light trucks. In the enormously competitive auto market, a new line called *.drive* (*S.drive* summer tires and *W.drive* winter tires) brings some of the latest Yokohama innovation to the mass market. The AVID line of passenger car tires provides the reliability and durability that drivers have come to expect from a tire but without compromising the performance they expect from Yokohama.

The Yokohama Geolander line for light trucks and SUVs is another success story, with products that span the market from industry-leading winter tires to comfortable and capable all-season tires to rugged tires for off-road use.

RECENT DEVELOPMENTS

The tire industry has become a relentless race to develop, perfect and commercialize new

technologies. Two recent examples highlight the extent of Yokohama's commitment to innovation.

The first is readily apparent in the newest generation of winter tires available to Canadians. Yokohama engineers' research helped identify the danger zone when temperatures are between minus 6 degrees C and 0 degrees C — the temperature when a thin film of water forms between the tire and ice, and creates some of the most difficult driving conditions. That, in turn, prompted the development of features for dealing with that water like the shelled micro-bubbles and absorptive carbon flakes used in the compound of the new Yokohama Ice Guard IG 20 automobile winter tires, and the Yokohama Geolander I/T G072 winter tires for light trucks and SUVs.

The development of "nanotechnology" has also been a focus for the company. Nanotechnology refers to components engineered at one nanometre or less, which is one bil-

lionth of a metre. This process involves a chemical reaction that combines elements like silica with polymers in a highly controlled manner, and yields a tread compound of extreme flexibility, high grip and great durability. The tight, chemi-



cal bonding of the elements results in a dense tread compound that enhances contact area 5 to 10 per cent without increasing tread size.

BRAND VALUES

Stated simply, Yokohama's brand is based on delivering the ultimate performance from an environmentally sustainable base. The company's design, engineering and manufacturing efforts successfully serve those twin masters by deploying the same passionate innovation that has driven the company forward for 90 years.

THINGS YOU DIDN'T KNOW ABOUT YOKOHAMA

- The Yokohama ADVAN AC Y-255 tire is a specialized radial tire for aircraft like the new Boeing 777-300, developed in response to the need for tires with enhanced durability and reduced weight.
- Yokohama manufactures a line of golf equipment under the PRGR brand.
- The drinking and waste water tanks for the new Airbus A380 are testament to both Yokohama's long history in the aircraft industry and expertise in the field of rigid molded plastics.



friendly products. One such innovation is the development of a new tire that uses Super Nanopower Rubber, a new compound comprising natural rubber combined with orange oil, resulting in a product that improves the usage of non-petroleum-based resources to 80% of the total raw materials.

HISTORY

Established in Japan in 1917, Yokohama Rubber Company gained a toe-hold in a fiercely competitive marketplace by finding openings for innovation in Japan's growing industrial infrastructure. During the early years, one of the company's most successful products was the cord tire, which was three times more durable than the standard