

Organizational Governance

Message From The President
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Policy

Yokohama Rubber believes that considering the sustainability of society and companies in decision making and execution is important in order to achieve the Corporate Philosophy of "To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products." In addition, Yokohama Rubber makes various efforts based on appropriate corporate governance when addressing the cores issues of human rights, labor practices, the environment, fair business practices, consumer issues, and community participation and community development. Along with this policy, the actions that should be taken by employees are stipulated in the [Yokohama Rubber Group Action Guidelines](#).

The Yokohama Rubber Group is making every effort to fortify and improve the support system for corporate governance to be established in order to realize management with transparency and fairness under our Corporate Philosophy. Thereby, this is becoming the management body to maintain our ever evolving corporate value in order for our management to continue to win unshakeable credibility.

Yokohama Rubber Group Action Guidelines

We shall conduct corporate activities with a high transparency and practice proper disclosure of information.

〈 Basic stance of the Yokohama Rubber Group 〉

1. We shall conduct corporate activities with a high degree of transparency, in keeping with our Corporate Philosophy.
2. We shall make effective use of our corporate assets and heighten our corporate value.
3. We shall make systemic arrangements for ever-vigilant monitoring of risks surrounding the Yokohama Rubber Group, deal promptly with such risks, and constantly review these arrangements.
4. We shall establish standards for business processing and see that they are rigorously applied for correct performance of such processing.
5. We shall practice timely and appropriate disclosure of information on our business result, financial position, and business activities to our stakeholders, and engage in open and fair communication with them.

〈 To practice our basic stance – our action 〉

1. We shall treasure the tangible and intangible assets of the Yokohama Rubber Group including our reputation and brand, and strive to heighten our corporate value.
2. We shall exclude any and all ties with anti-social forces.
3. We shall be on guard against risks in our midst that could lead to disasters, scandals, and accidents, and deal promptly and appropriately with any related occurrences.
4. We shall obtain personal information on our customers, third parties, our employees, and other persons as well as confidential information on our customers and third parties, only by legitimate methods. In addition, we shall strictly manage any such information, utilize it in a proper scope, and carefully protect.
5. We shall properly manage export in accordance with the laws and regulations in the host countries and regions.
6. We realize that the pool of information acquired through our work includes some important undisclosed information otherwise known internally or only within the other organization. We shall properly manage all such information. We shall not engage in any buying or selling of stock etc. using such inside information.

Message from a manager

In an aim for our management to continue to win unshakeable credibility, Yokohama Rubber Group is making every effort to fortify and improve the support system for corporate governance to be established in order to realize management with transparency and fairness under our Corporate Philosophy.

The current management structure of Yokohama Rubber consists of 9 Internal Directors including the Chairman and President with representation rights and 3 Outside Directors for a total of 12 Directors, as well as 16 Corporate Officers. The term of Directors is one year in order to clarify their management responsibilities.

In addition, in order to ensure the transparency and fairness of personnel and compensation matters involving company officers, the Personnel/Remuneration Committee for Corporate Officers and Directors that incorporates Outside Directors as members has been established to deliberate these matters before they are decided on by the Board of Directors.

In addition, the Outside Officers Meeting composed of only Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members) has been held since 2016 in an attempt to exchange opinions and information and share awareness based on an objective viewpoint as an Outside Officer in order to promote active discussions by the Board of Directors and to provide feedback on the opinions and proposals discussed in the meeting to executives within the company in an aim to improve the vitality and efficiency of our management.

We aim to improve the transparency and fairness of management by enhancing initiatives aimed at strengthening the corporate governance structure going forward.

Hisao Uchida

General Manager of Corporate Management Division and Corporate General Affairs Department

Data summary

[Organizational Governance \(495KB\)](#) 

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Corporate Governance Support System



Our support system of corporate governance is on top of various organizations stipulated under Companies Act (General Shareholders' Meeting, Representative Director, Board of Directors, Board of Auditors, and Accounting Auditors). We have also deployed a Corporate Officer System in order to ensure prompt management decision making and execution of work operations by making clear the supervision of our management and execution of work operations.

Also, in order to fortify strategizing functions in our top management, we conduct deliberation to understand the current status of various business schemes and business strategies by holding Management Meeting among our Directors as core members. The Chair of the Board Meeting is our Chairman and cannot serve as a Corporate Officer at the same time. Furthermore, at the 141st Ordinary General Shareholders' Meeting held on March 30, 2017, a proposal was made and approved to select three candidates as External Directors.

The attendance rate of Internal Officers at the Board of Directors was 100%, and the attendance rate of External Officers was as follows.

FY2016 attendance status

	Board of Directors	
	Number of time attended	Attendance rate
Director Naozumi Furukawa	14/14	100.0%
Director Hideichi Okada	11/14	78.6%
Director Nobuo Takenaka	10/10	100.0%
Audit & Supervisory Board Member Yoshiki Sato	13/14	92.9%
Audit & Supervisory Board Member Akio Yamada	14/14	100.0%
Audit & Supervisory Board Member Atsushi Kamei	14/14	100.0%

* For Outside Director Nobuo Takenaka, the status after appointment on March 30, 2016 is stated.

* Positions as of March 30, 2017.

* Please refer to the section on officers in [the annual report and Directors, Audit & Supervisory Board Members, and Corporate Officers \(available only in Japanese\)](#) for the career history and scope of responsibilities of officers.

Reasons for the selection of Outside Directors and Outside Audit & Supervisory Board Members

■ Naozumi Furukawa

Naozumi Furukawa will have served as the Company's Outside Director for a period of three years as of the conclusion of the 141st Ordinary General Shareholders' Meeting, and during this period he has expressed his opinion and provided advice based on an extensive knowledge of corporate management, accounting, and finance. He has been selected as a candidate for Director so that we can continue to incorporate his abundant experience and insight as an officer of Zeon Corporation in corporate management. Note that he has served as the Company's Outside Audit & Supervisory Board Member for a period of seven years and nine months since June 2006.

■ Hideichi Okada

Hideichi Okada will have served as the Company's Outside Director for a period of four years as of the conclusion of the 141st Ordinary General Shareholders' Meeting, and during this period he has expressed his opinion and provided advice from an international perspective based on deep insights related to phenomena surrounding corporate management including the economy and society. He has been selected as a candidate for Director so that we can incorporate his abundant experience and insight related to government offices and corporate management experience at Japan Petroleum Exploration Co., Ltd., etc. in corporate management. He was selected as an

Independent Outside Director as stipulated by the Tokyo Stock Exchange.

■ Nobuo Takenaka

Nobuo Takenaka will have served as the Company's Outside Director for a period of one year as of the conclusion of the 141st Ordinary General Shareholders' Meeting, and during this period he has expressed his opinion and provided advice based on many years of experience and an extensive knowledge of corporate management. He has been selected as a candidate for Director so that we can continue to incorporate his abundant experience and insight as an officer of Misawa Homes Co., Ltd. and its group companies in corporate management. He was selected as an Independent Outside Director as stipulated by the Tokyo Stock Exchange.

■ Yoshiki Sato

Yoshiki Sato was appointed as an Outside Audit & Supervisory Board Member in June 2011 to actively express his opinion and provide advice based on an extensive knowledge of corporate management, accounting, and finance. He was selected as an Independent Outside Director as stipulated by the Tokyo Stock Exchange to further strengthen our auditing system by utilizing his extensive experience and deep insights as an officer of Asahi Mutual Life Insurance Company and experience as an Outside Audit & Supervisory Board Member at other companies.

■ Akio Yamada

Akio Yamada was selected as an Independent Outside Director as stipulated by the Tokyo Stock Exchange to actively express his opinion and provide advice based on specialized knowledge gained through experience at government agencies and incorporate his experience as an Outside Audit & Supervisory Board Member at other companies in our audits and the strengthening of our audit system.

■ Atsushi Kamei

Atsushi Kamei has experience as an executive of Ito-Yokado Co., Ltd., a major company in the distribution industry, and he was selected as an Independent Outside Director as stipulated by the Tokyo Stock Exchange to further as it was deemed that it would be possible to strengthen our audit system by leveraging his experience and management perspective as Representative Director and President of that company.

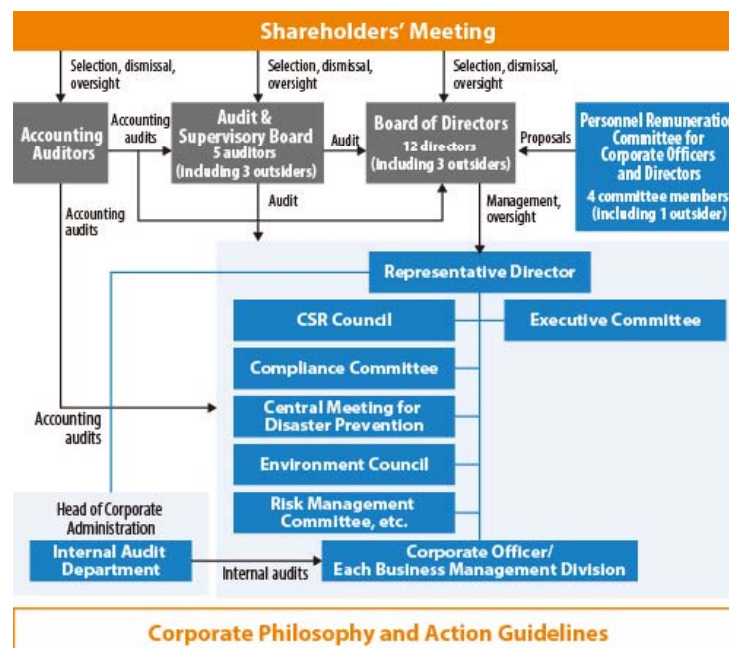
At the Board of Directors' Meeting was held 14 times and 69 proposals were deliberated in fiscal 2016.

In addition, we seek and incorporate the opinions of institutional investors in matters including proposals at the General Shareholders' Meeting for Outside Officers, proposals on dividends and the Corporate Governance Code, and how the Stewardship Code response policy.

Under our systems, Audit & Supervisory Board Members can get know the status of our business operations by attending various important meetings or committees such as the Management Meeting, and the Internal Audit Office that serves as an independent organization conducts internal audits of each business to check that operations are being conducted properly.

We have three pillars in our auditing system; the audits done by our Audit & Supervisory Board Members who supervise work execution by our Directors, accounting audits done by our independent accounting auditors as external audits, finally, the audits done by our Internal Audit Department for work operation by our each corporate division and group companies, plus accounting audits. They function by maintaining each other's independency; by establishing the three pillars of the audit system, our Audit & Supervisory Board Members can fortify the function of Audit & Supervisory Board Members by obtaining information from our Accounting Auditors and Internal Audit Department in a timely manner.

Also, in order to secure transparency and fairness in appointment and various benefits of our Directors, we determine them at the Board of Directors' Meeting by establishing a voluntary Personnel/Remuneration Committee for Corporate Officers and Directors followed by our review. Also, the measurement for critical matters such as conflict of interest will be determined in accordance with the Regulations of our Board of Directors. Also, conflict of interest transactions and competitive transactions of Directors shall be conducted in accordance with laws and regulations and under the approval of the Board of Directors, and the results shall be reported to the Board of Directors.



The structure is as of March 30, 2016.

Improvement of our Corporate Governance System



We have made resolutions under the “Basic Guidelines for Corporate Governance in Accordance with Companies Act” during our Board of Directors’ Meeting in May 2006. Not only do we follow up with their activity status every year, but also we keep making further enhancements such as our review by aiming for clearer description of the “Guidelines of the Elimination of Anti-Social Behavior” in April 2009 and re-establishment of the Basic Guidelines following the revision of the Companies Act in June 2015. Also, to comply with the J-SOX Law effective from the fiscal year of 2008 (evaluation of support system for financial account in accordance with Financial Instruments and Exchange Act), it has been confirmed that our corporate governance system is effective both in internal and external evaluation in the fiscal year of 2016. We will continue to make improvements on this aspect as well in order to maintain our sustainable and effective functions.

Candidates for Directors and Audit & Supervisory Board Members are selected by the Personnel/Remuneration Committee for Corporate Officers and Directors that incorporated Outside Officers as members as of 2016, submitted to a resolution by the Board of Directors, and then submitted to approval by the General Shareholders' Meeting. For remuneration, transparency and fairness are secured by the Personnel/Remuneration Committee for Corporate Officers and Directors, and remuneration is decided on by the Board of Directors. For the remuneration of Audit & Supervisory Board Members, the Board of Directors has established a policy of "determining remuneration by Audit & Supervisory Board Members after deliberation by the Board of Directors in order to ensure the transparency, fairness, and independence of audits." It was 613 million yen for fiscal 2016. We seek the opinions of stakeholders through means such as a shareholder questionnaire and the "Contact Us" page of our official website.

Details of executive remuneration

Executive category	Total remuneration (Million yen)	Total by type of remuneration (Million yen)			Number of applicable executives (persons)
		Basic remuneration	Bonus	Retirement allowance	
Directors (excluding Outside Directors)	513	375	138	-	12
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	58	45	13	-	2
Outside Officers	42	42	-	-	6

CSR and Environmental Management

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CSR and Environmental Management Promotion Framework

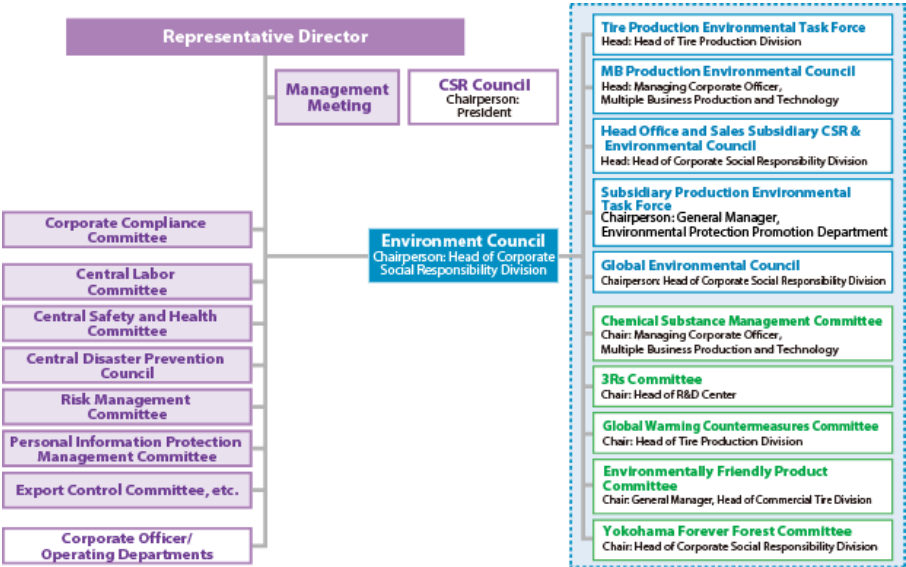
Twice a year, we hold a CSR Council where our President serves as a chairperson, and an Environmental Council where our company President serves as a chairperson, as part of an organizational framework that was set up to discuss and develop plans for addressing the social responsibility issues currently Yokohama Rubber Group is facing.

Organizations including the Corporate Compliance Committee, Environment Council, Central Labor Committee, Central Safety and Health Committee, and Risk Management Committee have been established under the CSR Council, with responsible officers serving as the chairperson as a structure to deliberate various issues.

Matters with a material impact on management are submitted to the Management Meeting for approval.

We have three task forces, two sub-councils, and five committees who promote environmental activities as sub-bodies within the Environmental Council. The CSR Council and Environmental Council evaluates the performance of CSR activities carried out by the Group in accordance with the critical issues of the Yokohama Rubber Group and develops plans for improvement in the subsequent fiscal year.

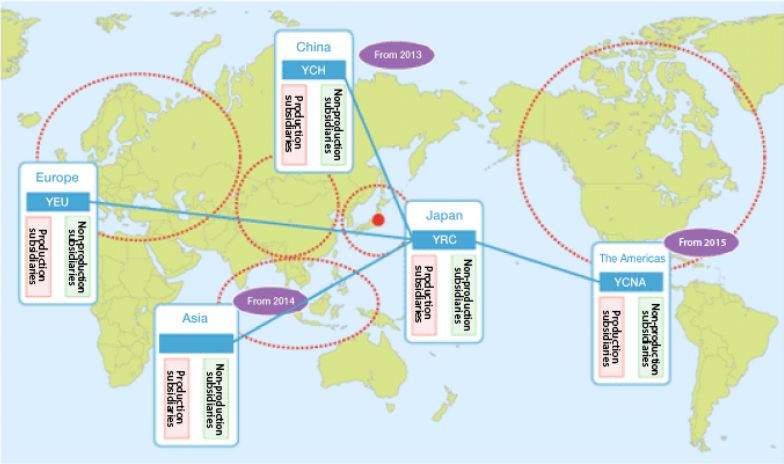
To pursue our efforts on practicing consistent and high-level environmental management in all our operations worldwide, we also annually hold a Global Environment Promotion Council, which is a gathering by managers from all of our overseas production operations. The council for fiscal 2016 was held on December 14 to engage in discussions focusing on promoting CSR and environmental activities at the overseas production operations and core distribution subsidiaries. Furthermore, in order to incorporate regional circumstances overseas, in fiscal 2016 Environment Councils in the China area and North America area were held in an aim to promote area management.



CSR and environmental management promotion framework (as of September 22, 2016)

Vision for FY 2017

The autonomous implementation of CSR and environmental management in line with regional circumstances centered around the supervising companies of each region around the world that is consistent with the environmental policy of the Group as a whole.





In order to build a trusted identity as a contributing member of the global community, Yokohama Rubber Group acts in accordance with the Yokohama Rubber Group Action Guidelines together with its stakeholders that include customers, shareholders and investors, business partners and suppliers, and employees.

To this end, the Yokohama Rubber Group has specified the following critical issues in reference to benchmarks including the GRI Guidelines and ISO26000, and conducts activities in response as the Critical Issues of the Yokohama Rubber Group.

As a company with a trusted identity as a contributing member of the global community, the Yokohama Rubber Group creates and provides to society the following forms of value while implementing the strategy of the medium-term management plan GD100 based on the Action Guidelines in order to move forward together with stakeholders.

Stakeholders	Yokohama Rubber's Important Issues	Activities	Issues
Global environment	We challenge to build a sustainable society in harmony with the environment, to protect our blue planet and human beings.	<ul style="list-style-type: none"> ■ Achieve a 50% reduction in CO₂ emissions compared to fiscal 2005 by fiscal 2050 in business activities including the value chain. ■ Turn all of Yokohama Rubber's products into environmentally-friendly products (reduce the environment burden by at least 5%) by fiscal 2017. 	<ul style="list-style-type: none"> ■ In response to the increase in overseas business locations, establish long-term targets for emissions per unit management and conduct ongoing CO₂ emission reduction activities. ■ Work together with customers, business partners, and suppliers and develop more advanced environmental technologies in order to develop environmentally-friendly products.
Local communities	We build a trusted identity as a contributing member of the global community by making contributions to the development and prosperity of local communities.	<ul style="list-style-type: none"> ■ Promote the conservation of biodiversity and for abundant nature in the future in order to ensure sustainable operations in regions where there are production bases. ■ Contribute to the resolution of social issues through social contribution activities in order to live in harmony with regions where there are business locations. 	<p>The following issues are associated with the increase in the number of overseas business locations.</p> <ul style="list-style-type: none"> ■ Identification of the environmental risks and deployment of effective conservation activities in regions where there are production bases. ■ Identification of the social issues and selection/deployment of effective social contribution activities in regions where there are business locations.
Customers	We supply safe and secure products through manufacturing focused on the heart and technology.	<ul style="list-style-type: none"> ■ We will take advantage of the voices of our customers to develop products that live up to their expectations and deliver them to the market in a timely manner. ■ We will fully devote ourselves to responding to all complaints. ■ We will achieve a global new car installation rate of 10% by fiscal 2017. 	<ul style="list-style-type: none"> ■ Establish a framework capable of providing products in line with the performance requirements for each market around the world. ■ With local production and local consumption as a general rule, promote the global standardization of materials evaluation and the management of product development, manufacturing, and quality.
Shareholders and investors	We improve our company value by growing business opportunities.	<ul style="list-style-type: none"> ■ We will achieve the targeted business growth based on the GD100 strategy. ■ We will contribute to 	<ul style="list-style-type: none"> ■ Deploy internal control on a global level in accordance with the Action Guidelines. ■ Identify CSR issues at

Stakeholders	Yokohama Rubber's Important Issues	Activities	Issues
		the resolution of global environmental, social, and economic issues through our business.	overseas business locations where we are expanding and establish improvement schemes through business activities.
Business partners and suppliers	We promote CSR activities throughout the value chain.	<ul style="list-style-type: none"> Promote exchange and cooperation with business partners and suppliers in order to implement CSR activities in an effort to resolve issues. 	<ul style="list-style-type: none"> Promote collaboration in CSR activities with the supply chain involved in natural resources such as natural rubber.
Employees	We value and develop our people, and create opportunities for people.	<ul style="list-style-type: none"> Offer systems at all business locations so that everyone who works at the Yokohama Rubber Group can feel secure in their livelihood and achieve high goals. Conduct satisfaction surveys to rectify issues and make improvements. 	<ul style="list-style-type: none"> Develop environments (working conditions and education & training) that make it easy to work in accordance with the Action Guidelines while giving consideration to the culture and customs of each business location.

Environmental Management System



Enforcement of Global Environmental Management Based on ISO14001

We aim to keep up with the high-quality environmental management under the same standard both in domestic and overseas group companies; thereby we have placed ISO14001 which is the international standard of Environmental Management System as the basis of our management. We are trying to get all our operation sites to obtain ISO14001; so far, a total of 16 operation sites in Japan, comprising nine from Yokohama Rubber and seven from our group for domestic operations have obtained it, whereas overseas a total of 21 operation sites of 17 group companies have been certified.

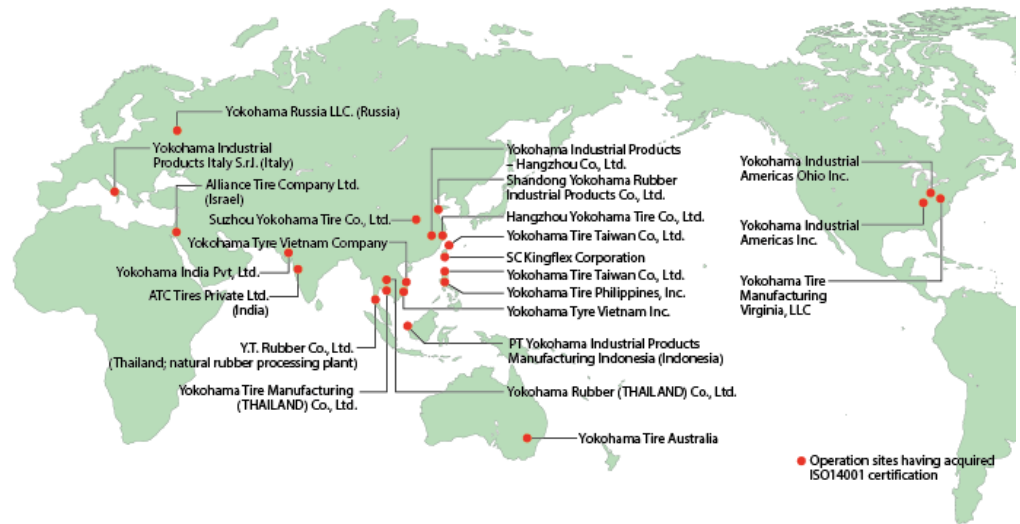
Note that during fiscal 2012, ISO14001 integrated certification was acquired for the integrated environmental management of Yokohama Rubber's ten production bases and the head office, reflecting the high level of homogenization.

In addition, our non-manufacturing sites are promoting environment management in accordance with 'CSR Environmental Management Guidelines' and our approach to the environment.

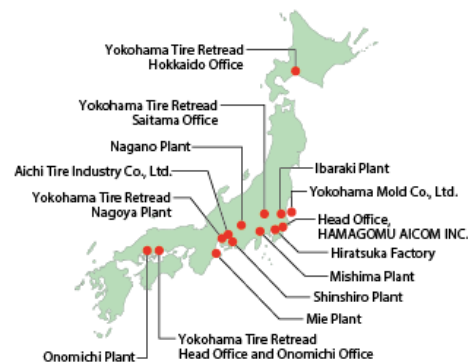
The Yokohama Rubber head office and systems company in Japan and Group distribution subsidiaries in Australia and Taiwan have acquired ISO14001 certification, under which they are further advancing their environmental management.

◀ Overseas business locations that have acquired ISO14001 certification ▶

◁ Overseas business locations that have acquired ISO14001 certification ▷



◁ Japanese business locations that have acquired ISO14001 certification ▷



As of July 2017

Execution of Comprehensive Environmental Audit

We are conducting audits as to continual progression for improvement on the management system of environmental management, improvement on the environmental performance, and minimizing environmental risks per operation unit by conducting internal audits of business locations as a first-party audit, corporate wide environmental audits by the Environmental Protection Promotion Department, and an external audit as a third-party audit every year (all audits are based on ISO14001).

Also, our Environmental Protection Promotion Department is checking and verifying the score of self-evaluation at each business site in accordance with CSR Environmental Management Guidelines for domestic distribution companies within our group.

Incidentally, there was no suspected item as to any violation against environmental legislation among all the auditing items in fiscal 2015.

◁ Internal Audit ▷

According to our manual of ISO14001:2015, we conducted a difference analysis at all our operation sites in fiscal 2016 as well.

Through our internal audit, we work to continually improve the level of our environmental management system. We conducted our audit not just to operate and maintain our environmental management system, but also by setting our common themes as whether our system is duly functioning for our purposes, whether each of our group is walking the talk by reviewing and setting up the guidelines, purposes, and target by shifting more focus on the reduction of environmental burden even more proactive manners during their normal business activities.

◀ Company-Wide Environmental Audit ▶

In order to make overall improvements to environmental management and work towards the cross deployment of key issues, corporate wide environmental audits are conducted by the Environmental Protection Promotion Department.

In fiscal 2016, we conducted internal audits based on the positioning for fiscal 2015, and we worked to improve the level of chemical substance control and response to environmental risks mainly for our production and development sites.

Also, we focused on the promotion of various activities to contribute to the society from the perspective of CSR and the level of communication with stakeholders including local residents in the audit.

◀ External Audit ▶

During fiscal 2016, an integrated EMS certification registration audit was conducted by an ISO audit registration organization that covered all of the group's Japanese production bases and its Headquarters, and as a result certification was continually acquired.

While no nonconforming items were found in the audit, we strove to make continuous improvements.

Audits were also conducted at overseas group companies.

In response to the revision in ISO14001: 2015, transitional audits are conducted at group companies in Japan and overseas.

After audits on the group's Japanese production bases and its Headquarters are completed, audits will also be conducted on overseas production bases.

Enforcement of Environmental Training and Education



| CSR and Environmental Training

We have incorporated CSR and environmental training as one of the subjects for newly hired employees. In addition, a CSR and Environmental Knowledge Course (Beginner) was held for technicians and staff members who have been with our company for two to three years in Techno College personnel training. In addition to learning about the environment in general, education on biodiversity conservation including a river monitoring experience was provided. A total of 21 persons participated in fiscal 2016. Furthermore, we held a CSR and Environmental Knowledge Course (Intermediate) for employees that have been with the company for about ten years in 2015. The course covered environment and biodiversity conservation as one of the issues of CSR, and was received by 23 participants.

Meanwhile, in order for our managerial and supervisor level employees to thoroughly understand ISO14001, we are conducting training classes for environmental internal auditors. Including 48 personnel who have completed this course to get certified in fiscal 2016, currently a total 2,047 personnel have been registered and are already active as our internal auditors.

We conducted skill improvement seminars to further improve the levels of employees with internal auditor qualifications. We provided training on ISO14001:2015 audit methodologies for a total of 826 environmental operations employees and lead auditors.

| Enhancement of Education Activities

As part of our environmental education activities, we conduct improvement activities by getting involved with our entire personnel by sending our President's message towards all our employees in the Energy Saving Month in February and the Environment Month in June every year. During our Environment Month in June, we are internally gathering environmental slogans and environmental posters from all our employees. In fiscal 2016, we were able to receive 5,534 entries for slogans and 118 entries for posters in Japan and 636 entries for slogans and 87 entries for posters overseas.

2016 monthly environmental poster excellence awards



Environment Month 2016 Eco Poster Excellent works



President's Award for Environmental Contribution

As a part of our strategy to raise awareness and enlighten with regards to the environment through our work operation, we have established a President's Award for Environmental Contribution system. The fields for the award consists of a Factory Award for the production group, a Products Award for the groups of development and designing of environmentally-friendly products, and an Office Award for secretarial groups such as sales and administrative teams, as well as a Special Award that has been established for especially unique product development efforts and initiatives. We select these upon screening and reviewing as to their activities for the past one year per case description of their field from all our groups of our entire corporation. The award winning groups from each award will receive the certificate from our President every year.

By implementing this President's Award for Environmental Contribution, it is evident that all our employees can have an even better awareness of getting involved with environmental contribution from their daily operation work.

Award for Environmental Contribution in FY 2016 (11th time)

Fields of Environmental Contributions Award			Award Winning Groups
Office Award	Top Award for Excellence		Yokohama Tire Japan Co., Ltd. Headquarters Corporate Administration Division
	Special Award		Yokohama Tire Japan Co., Ltd. Yamanashi Company
Product Award	Top Award for Excellence	Resin adhesive (WS-242/AN-1)	Hamatite and Electronic Materials Division
	Special Award	High-pressure hydrogen gas hoses (ibar HG82)	Hose and Couplings Engineering Department
Factory Award	Top Award for Excellence		Shinshiro Plant and Shinshiro Minami Plant
	Special Award		Hamatite Plant

Environmental conservation costs

Calculated since fiscal 2013 with the Head Office and domestic production bases as a boundary in reference to the environmental accounting guidelines issued by the Ministry of the Environment.

(Millions of yen)

Item	Major initiatives	FY 2015		FY 2016	
Business area costs		Investments	Costs	Investments	Costs
Pollution prevention costs	Installation of deodorization equipment, supporting CFC regulations, etc.	479	70.70	368	75.43
Global environmental conservation costs	Compressors, air conditioning renewal, adoption of hybrid forks, etc.	1,020	26	587	18
Resource recycling costs	Costs related to waste segregation and processing	0	359	0	393
Upstream and downstream costs	Expenses for reuse of tire bladders and plastics liners for rubber take-up	0	50	0	36
Management activity costs	EMS maintenance, management, and information disclosure costs	0	188	0	204
Research and development costs	Research and development costs for reducing the environmental burden	6,953	11,288	3,004	11,383
Social activity costs	Tree planting activities in areas affected by the Great East Japan Earthquake, social contribution activities, etc.	0	21	0	7
Environmental remediation costs	Reserves for PCB processing, etc.	0	336	0	98
Subtotal		8,452	12,339	3,958	12,214
Total		20,790		16,172	

Economic effect

(Millions of yen)

Type of effect	Major initiatives	FY 2015	FY 2016
Profits	Profits gained from wastes and recycling from business activities	71	5
Cost reduction	Cost reductions through energy conservation	304	381
	Cost reductions through the use of recycled products	183	173
Total		559	560

Environmental conservation effects

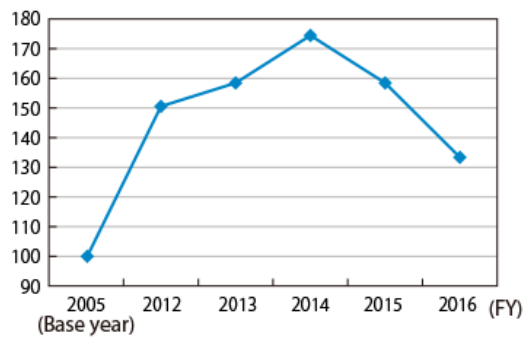
Type of effect	Year-on-year reduction	
	FY 2015	FY 2016
Greenhouse gas emissions (thousand tons, CO ₂)	12	-14.5
VOCs emissions (tons)	19	12.35
Waste reclamation quantity (tons)	0*	0*
Waste emissions (tons)	-2,369	1,312

* Zero emissions achieved domestically in FY 2010

Environmental efficiency

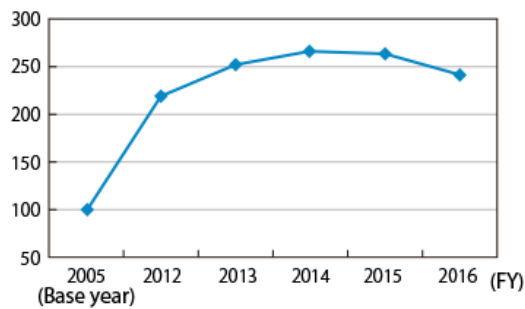
Greenhouse gas indicator

Index of sales/greenhouse gas emissions, with the 100 for the base year (FY 2005)



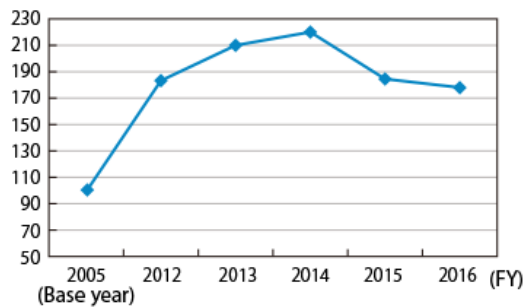
VOCs indicator

Index of sales/VOC emissions, with the 100 for the base year (FY 2005)



Industrial waste emission indicator

Index of sales/industrial waste emissions, with the 100 for the base year (FY 2005)



Risk Management

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Risk Management System



In order to strengthen our defense system against various risks in our operating environment, we have established a Risk Management Committee headed by the executive supervising CSR to manage risks in a cross-sectional manner and handle properly anything that may have a significant impact on the management of our company. Furthermore, in response to the specific individual risk involving compliance, safety, disasters, information security, and export management, we have established committees and councils including the Corporate Compliance Committee, Central Safety and Health Committee, Central Disaster Prevention Council, CSR Council, Environment Council, Information Security Committee, Personal Information Protection Management Committee, and Export Control Committee. We have prepared and developed regulations, guidelines, and manuals for implementing risk management, and we also conduct education and training activities. The status of the activities of each of these committees and councils are reported to the Management Meeting as appropriate and reported to the Board of Directors when deemed necessary.

They were held four times in fiscal 2016, and the results were reported to the Management Meeting.

Matters such as investigations on the risk of fraud and response to fraud were reported on and deliberated at the Management Meeting.

While reports were made to the Board of Directors for issues requiring advanced management decisions, there were no risk issues reported to the Board of Directors in fiscal 2016.

Going forward, we will not neglect our daily activities and implement the PDCA cycle by identifying possible risks, considering countermeasures, notifying the parties involved, and conducting verification.

Review of FY 2016 Activities



Verifying employee safety

Yokohama Tire Japan Co., Ltd., which sells vehicle tires and related products, has introduced an "Emergency Contact / Safety Verification Service" to verify the safety of employees in the event of a natural disaster. The e-mail addresses of around 4,000 employees (including employees of other Yokohama Group member companies) have been registered in the system, and thanks to repeated training, a safety verification e-mail response rate of 100% has been achieved.

In the past, when seeking to verify the safety of employees following a natural disaster, the method employed involved a time-consuming process of having the heads of the lowest-level units report to their superiors, and so on up through the corporate hierarchy. With the adoption of the new safety verification system, managers at all levels can simultaneously verify the safety status of employees, making for a significant time saving.

The photo shows training in using the new system being undertaken at the Kanto Koshin Sales Office.



Compliance

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Basic Stance Towards Compliance

Based on our CSR Visions of "to build a trusted identity as a contributing member of the global community," we will create a corporate culture with a high level of awareness of not only corporate ethics and legal compliance, but also information security, personal information protection, and environmental preservation. To that end, we listen carefully to the opinions of customers, business partners and suppliers, and people living in local communities.

One of the management policies of the Corporate Philosophy established in 1990 is to "deal fairly with society and value harmony with the environment," and there has been no change in our stance of emphasizing compliance from this time.

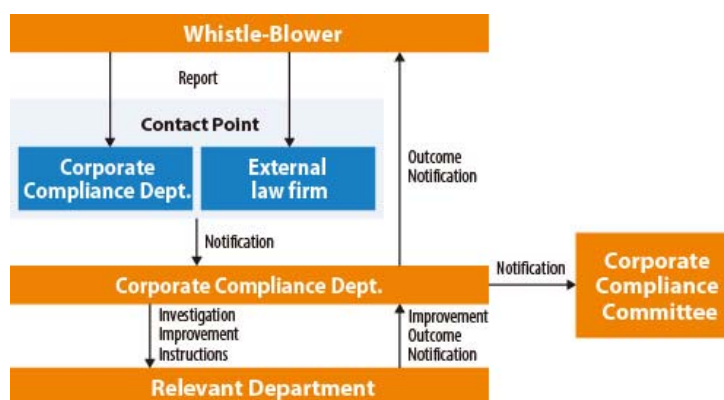
Compliance System

Yokohama Rubber has established a Corporate Compliance Committee with the Representative Director in charge of compliance dept. as the Committee Chair and the Corporate Compliance Dept. as the implementation department. The Corporate Compliance Committee is held four times per year to continually implement various measures related to compliance at the Yokohama Rubber Group and report the state of these activities to the Board of Directors and Audit & Supervisory Board. The Corporate Philosophy and Action Guidelines of the Yokohama Rubber Group are made known and presented to Group companies including overseas companies to serve as the guidelines for the execution of duties by Directors and employees at each company. Every division in Yokohama Rubber Group is placed with personnel who belong to the Corporate Compliance Dept. as well, to continue to share the progress of the activities in internal education and related information in the workplace. In our domestic and overseas Group companies as well, we have appointed our managers to facilitate each of them to develop the same level of activities.

Whistle-Blowing System (Corporate Compliance Hotline / General Counseling Room)

The Corporate Compliance Hotline refers to the system to accept even anonymous whistle-blowing in accordance with Whistle-Blower Protection Act. The telephone number and email address is stated on the Corporate Compliance Card that is distributed to all domestic Yokohama Rubber Group's employees. There are two hotlines, an internal hotline and an external hotline. As the external hotline has been established at an external law firm, independence has been secured for this hotline. The General Counseling Room is the contact point where all members can utilize as to any doubt or anxieties at work related to corporate compliance, and requires name registration as a general rule. In fiscal 2016, we received a total of 87 cases of questions and concerns for items to confirm or seeking advice, consisting of 47 items through the hotline and 40 items through the General Counseling Room.

Whistle-Blowing System (Flow chart)



Education and Awareness Raising Activities

Using internal compliance issues as themes, we offer both general compliance materials that we would like all employees to know about as well as contents for specific departments and positions, with teaching methods that range from the distribution of educational materials, group learning at work, and group education. During fiscal 2016, we focused on the Antimonopoly Act and compliance education for executives and regular employees who have received an unofficial announcement of

overseas assignment.

Seminars conducted (FY 2016)

(Unit: person)

Training opportunity	Number of participants
Pre-departure orientation for overseas dispatch for executives	15
Pre-departure orientation for overseas dispatch	35
Antimonopoly Act and compliance training for Yokohama Industrial Products Japan	481
Grand total	531

* Implemented by the Corporate Compliance Dept.

Privacy policy for employees

We strictly manage employees' personal information by obtaining prior consent by quoting the purpose of its usage. We understand the importance of employees' personal information and ensure its proper treatment; we also let our employees know through our internal intranet that we continue to take measures to protect their personal information.

Measures against violations

- No sanctions against Anti-Monopoly Acts have been imposed on our company.
- No sanctions against fraudulent accounting practice, any discrimination or misconducts at workplace have been imposed on our company.
- No sanctions owing to any violation against environmental regulations have been imposed on our company.
- No complaints have been lodged over the loss of our customers' data.
- No law violations with regards to the supply of products, services, and their usages.

〈 Non-conformance with the spring-like effect rule by PRGR golf club Driver RS-F 〉

The golf club Driver RS-F sold by PRGR was deemed as not conforming with the spring-like effect rule of R&A Rules Limited, and was removed from the list of the spring-like effect rule. We will provide notifications to customers who purchased this product of replacements with conforming heads through means such as news releases and the websites, and sequentially replace these products.

〈 Voluntary recall information in China and Canada 〉

In fiscal 2017, due to a problem with part of the production process for passenger car studless tires exported to China and Canada, certain tires may have insufficient input of a compounding agent for the under tread layer. This could cause a portion of the tire tread to swell and bulge during driving. If the vehicle is operated with this condition, the bulge area may peel off which could affect steering stability. For these reasons, a voluntary recall is conducted in both China and Canada, and affected tires are being recalled.

Economic Performance

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Responsible Department

Each business location and department

Stance and Target

Why is "Economic Performance" a critical issue to be addressed? Explanation of the reason and background

Yokohama Rubber will celebrate its 100th anniversary since foundation in 2017, and so that we can continue to be a manufacturer of tire and rubber products needed by customers for the next 100 years, it is necessary that we provide products and service that improve customer value and expand on a global scale. To this end we recognize the sustainable demonstration of economic performance to serves as the source of funds for improving customer satisfaction, providing products and services typified by Yokohama Rubber's unique presence, a sound financial structure, and active investments as an important issue.

Vision (attainment goal) / target

〈Phase IV (FY 2015 to 2017)〉

Consolidating our growth potential—Consolidating YOKOHAMA's potential to pioneer the next 100 years

We will improve customer satisfaction and maintain sound finances while expanding the scale of our business through products and services that are unique to Yokohama Rubber.

Phase IV quantitative targets
In 2017

Net sales	770 billion yen	ROA (net income)	At least 5%
Operating income	80 billion yen	ROE (net income)	At least 12%
Operating margin	10.4%	D/E ratio	No more than 0.8 times

Measures for vision achievement

We will conduct integrated efforts through the development and executions of tire and MB business strategies and technology strategies that anticipate the future social environment, external collaboration and cost reductions, and CSR activities.

Tire business strategy	Focus on the global OE (new car installation) market Improve presence in markets with high levels of demand and customers Expand production goods tire business
MB business strategy	Global expansion of automotive parts business Expand to gain top share in marine products Global expansion of construction machinery and mining business Expand new business through unique technologies
Technology strategy	Develop more advanced material recycling and environmental technologies Global production and supply of Yokohama quality Establishment of foundations for next generation technologies
Company-wide strategy CSR initiatives	Development and promotion of global human resources Initiatives in response to CSR critical issues in accordance with international standards, etc.

[Phase IV themes and quantitative targets](#) 

Review of FY 2016 Activities

Distribution of economic value to stakeholders

Distribution of economic value to stakeholders

Stakeholders	Distribution amount (million yen)			Calculation method
	FY 2016	FY 2015	FY 2014	
Business partners and suppliers	250,606	282,664	287,037	Cost of sales + SG&A expenses (excluding personnel expenses)
Employees	52,230	62,344	52,403	Cost of sales + SG&A expenses (personnel expenses)
Shareholders	8,339	7,747	7,747	Dividends paid
Creditors	2,699	2,961	3,361	Interest paid
Government and administration	12,638	20,177	20,923	Corporate taxes, etc. paid
Society	21	12	37	Donations (entertainment expenses), etc. [High school and university laboratories]
Internal	10,112	3,937	25,579	Net income - dividend amount
Total	336,645	379,842	397,087	

* The figure for "Creditors" and "Government and administration" are for Yokohama Rubber on a consolidated basis, while the other figures are on a non-consolidated basis.

Considerable financial assistance received from government

The amount of financial assistance in taxes and subsidies received from national and municipal governments was 24.1 million yen.

Human Rights

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Stance

Human rights are the fundamental rights that have been granted to all people, when taking into consideration processes back to the stage of the procurement of raw materials, there is an extremely large number of people involved in Yokohama Rubber's business and an extremely diverse range of human rights that should be respected. In addition, as our business activities expand on a global level and we become increasingly involved with a diverse range of people, the probability of having a direct impact or indirect impact on human rights violations increases. For that reason, we believe that it is important to fulfill our responsibility towards respecting human rights while taking into consideration the range of our impact, and accordingly the [Yokohama Rubber Group Action Guidelines](#) state that human rights should be respected both inside and outside of the company and stipulate the actions that should be taken by employees to this end.

Policy

Yokohama Rubber Group Action Guidelines

We shall respect human rights inside and outside the company

〈 Basic stance of the Yokohama Rubber Group 〉

We shall respect human rights, and shall not practice or be a party to discrimination or harassment.

〈 To practice our basic stance — our action 〉

1. With an awareness of the diversity of the people working for us, we shall refrain from any action grounded in discrimination for reason of race, ethnicity, nationality, religion, sex, or other attributes. In addition, when we notice any such action, we shall resolutely point it out and urge its correction.
2. We shall refrain from harassment in any shape or form.
3. We shall not permit any violent behavior in the workplace.

Message from a manager

As the Yokohama Rubber Group expands production and sales bases overseas, it will employ more local employees and conduct more transactions with suppliers in each country and region. We will remain strongly aware of respecting human rights both inside and outside of the company in recognition of the possibility of violating human rights in local culture, customs, and business practices as we perform our business activities.

We will work together with suppliers at each business location to promote business activities without child labor and forced labor and respond sincerely to any inquiries or complaints regarding human rights.

Kazuhito Yanadori
Head of Raw Materials Procurement Department, Global Procurement Division

Vision for FY 2017

- We will respect human rights both inside and outside of the company, and respond sincerely to complaints concerning human rights and make improvements to ensure that there is no child labor or forced labor at the Group or our suppliers.

Main action items to be addressed first

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of social interest.

Child Labor	Forced or Compulsory Labor	Human Rights Grievance Mechanisms
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Data summary

[Human Rights \(495KB\)](#) 

Child Labor

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KPI

Item	FY 2015 results	FY 2016 results
Businesses specified as being exposed to child labor risks (manufacturing plants, etc.) and the number of suppliers	(Consolidated) 0 (Upstream) 0	(Consolidated) 0 (Upstream) 0

Responsible Departments

Raw Materials Procurement Department, Indirect Materials Procurement Department, Global Procurement Division
Corporate Compliance Department, Global HR Department

Stance and Target

Why is "Child Labor" a critical issue to be addressed? Explanation of the reason and background

At the Yokohama Rubber Group, we comply with the [action guidelines](#) of respecting human rights both inside and outside of the company, and for this reason child labor including the supply chain is also prohibited in the CSR Procurement Guidelines. Meanwhile, as the Group procures natural rubber through mainly trading companies and because the probability of child labor is believed to be highest at the procurement stage, we also request surveys on the current state of production areas. While there have been no reports of cases of child labor at the current stage, it cannot really be said that they will not occur in the future when considering the situation in regions surrounding production areas for raw materials where rubber plantations are located. In consideration of the fact that natural rubber is the main raw material of tire and industrial products that are the core products of the Group, we believe that child labor should be recognized as a risk associated with our growth strategy, and accordingly we have selected it as a critical issue to be addressed.

Vision (attainment goal) / target

We aim for zero child labor at the Group, primary suppliers, and plantations for natural rubber that is directly or indirectly purchased by the Group by 2017.

Measures for vision achievement

During fiscal 2015, we established a human rights due diligence framework at one domestic business location and at one business location for each area overseas, and conducted a test run. During fiscal 2016, we covered human rights due diligence in CSR workshops, and requested the subsidiaries, suppliers, etc. of suppliers to make efforts to prevent and rectify human rights and labor issues within the scope of their influence.

In fiscal 2017, we will implement human rights due diligence frameworks at suppliers with high human rights risks.

Review of FY 2016 Activities

Identification of presence of child labor at the Yokohama Rubber Group and the supply chain

The presence of forced or compulsory labor in the supply chain was confirmed through self-diagnosis conducted by suppliers and interviews during fiscal 2015 as well.

A questionnaire survey with natural rubber suppliers in Thailand (all suppliers we have transactions with) was completed, and it was confirmed that no forced/compulsory labor or child labor was conducted during fiscal 2016.

Countermeasures to eradicate child labor

In addition to the efforts to assess the current state of child labor, study sessions were held on the procurement code of conduct and CSR procurement for procurement representatives at domestic and overseas business locations of the Yokohama Rubber Group.

In addition, CSR study sessions were held at each business location with the participation of suppliers in order to raise awareness of CSR. For fiscal 2016, we covered the prohibition of forced

labor in CSR workshops, also provided explanations on the contents of the workshops conducted with natural rubber suppliers on Suppliers' Day.

Issues and Future Improvement Measures



In response to the target of "zero child labor at the Group, primary suppliers, and plantations for natural rubber that is directly or indirectly purchased by the Group," we believe that an issue going forward will be continuing to conduct visiting audits to ensure that self-diagnosis is being conducted correctly. Beginning in 2015, we have developed a human rights due diligence framework, and we will also develop a framework for visiting audits as we expand the implementation scope to include the supply chain.

In the natural rubber supply chain, we have completed surveys on primary suppliers, and going forward we will gain an understanding of the current situation and study improvement measures for upstream producers including plantations while also considering third parties with the cooperation of NGOs in production areas by 2017.

Forced or Compulsory Labor

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KPI

Item	FY 2015 results	FY 2016 results
Businesses specified as being exposed to forced labor risks (manufacturing plants, etc.) and the number of suppliers	(Consolidated) 0 (Upstream) 0	(Consolidated) 0 (Upstream) 0

Responsible Departments

Global HR Department
Indirect Materials Procurement Department, Raw Materials Procurement Department, Corporate Compliance Department, Global Procurement Department

Stance and Target

Why is "Forced or Compulsory Labor" a critical issue to be addressed? Explanation of the reason and background

At the Yokohama Rubber Group, we comply with the action guidelines of respecting human rights both inside and outside of the company and creating safe and healthy workplaces, and for this reason forced or compulsory labor including the supply chain is also prohibited in the CSR Procurement Guidelines.

Meanwhile, in consideration of the risk of illegal labor being forced upon people who work at plants, business locations, and suppliers as we expand production and sales overseas, we have selected forced or compulsory labor as a critical issue to be addressed.

Vision (attainment goal) / target

We will achieve zero forced or compulsory labor at the Group and primary suppliers by 2017.

Measures for vision achievement

During fiscal 2015, we established a human rights due diligence framework at one domestic business location and at one business location for each area overseas, and conducted a test run. During fiscal 2016, we covered human rights due diligence in CSR workshops, and requested the subsidiaries, suppliers, etc. of suppliers to make efforts to prevent and rectify human rights and labor issues within the scope of their influence.

In fiscal 2017, we will implement human rights due diligence frameworks at suppliers with high human rights risks.

Review of FY 2016 Activities

Identification of presence of forced or compulsory labor at the Yokohama Rubber Group and the supply chain

An internal audit was conducted on the presence of forced or compulsory labor at the Yokohama Rubber Group and official documents on matters such as labor conditions and working hours were checked, and accordingly it was confirmed that there was no forced or compulsory labor at any business location.

A questionnaire survey on compliance (human rights, child labor, and the environment) with all natural rubber suppliers we have transactions with has been completed. We are observing compliance and legal systems while conducting CSR initiatives (plantation support).

Countermeasures to eradicate forced or compulsory labor

In addition to the efforts described above to assess the current state of forced or compulsory labor, study sessions were held on the purchasing code of conduct and CSR procurement for procurement representatives at domestic and overseas business locations of the Yokohama Rubber Group. CSR study sessions were held at each business location with the participation of suppliers in order to raise awareness of CSR.

For fiscal 2016, we covered the prohibition of forced labor in CSR workshops, and also provided explanations on the contents of the workshops conducted with natural rubber suppliers on Suppliers' Day.



We believe that an issue going forward will be conducting visiting audits to ensure that self-diagnosis is being conducted correctly. Starting from fiscal 2015, we developed a human rights due diligence framework and conducted an internal test run, and we will also develop a framework for visiting audits as we expand the implementation scope to include the supply chain.

In the natural rubber supply chain, we have completed surveys on primary suppliers, and going forward we will gain an understanding of the current situation and study improvement measures for upstream producers including plantations while also considering third parties with the cooperation of NGOs in production areas by fiscal 2017.

Human Rights Grievance Mechanisms

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Item

Total number of complaints concerning human rights formally submitted to the system for handling complaints concerning human rights

* Number of cases official measures taken for

FY 2015 results

(Consolidated) 0

FY 2016 results

(Consolidated) 0

Responsible Departments

Contact point: Corporate Compliance Department

Individual response: Global HR Department

Stance and Target

Why is "Human Rights Grievance Mechanisms" a critical issue to be addressed? Explanation of the reason and background

At the Yokohama Rubber Group, there is an increasing diversity of people working at domestic offices and subsidiaries. The nature of complaints concerning human rights is also becoming more diverse and the number of complaints is also on the rise. Considering this diversification of employees and ways of working, we view the presence of contact points at both domestic and overseas business locations that enable direct consultations on sexual and power harassment at the workplace to be important.

Complaint handling policy

The following seven items are set forth in the Yokohama Rubber Group Action Guidelines, and the same policy is followed in handling complaints.

1. We will respect human rights both inside and outside of the company.
2. We will create safe and healthy workplaces.
3. We will aim for harmony with the global environment.
4. We will provide safe and high quality products and services.
5. We shall conduct corporate activities with high transparency and practice proper disclosure of information.
6. We shall follow not only laws and regulations, but also social norms.
7. We shall strive for co-prosperity with regional society.

Overview of Human Rights Grievance Mechanisms

In Japan, the Corporate Compliance Department has established a whistle-blowing system that consists of the Corporate Compliance Hotline and General Counseling Room. In addition, a Compliance Officer has been assigned to all departments and related subsidiary companies. This Compliance Officer gathers complaints and inquiries from employees.

Complaints concerning human resources are jointly resolved by the Corporate Compliance Department and HR departments.

Scope of use of the system for handling complaints concerning human rights

The system can be used by all executives and employees, part-time employees, temporary employees, dispatch employees, and employees of contractors that work at the Yokohama Rubber Group.

Methods for spreading awareness of the system for handling complaints concerning human rights

The system is described on the intranet that can be used within the Yokohama Rubber Group, and it clearly states that consultations and reports can be conducted either with one's name stated or anonymously. In addition, a Compliance Card that states matters including the whistle-blowing process is distributed to all employees to inform them of the presence of contact points.

◀ Resolution process when a complaint is submitted ▶

1. The Corporate Compliance Department confirms the facts related to the consultation by the whistle-blower.
2. The necessary measures are taken in consultation with the HR department.
3. The results are directly reported to the whistle-blower if they have disclosed their name.
Reminders are issued within the company as necessary if the whistle-blower is anonymous.

◀ Monitoring of the effectiveness of the system for handling complaints concerning human rights ▶

At the Corporate Compliance Committee that is held quarterly with the Director responsible for compliance as the Committee Chair, reports are made, the appropriateness of response is assessed, countermeasures are implemented, and follow-up is conducted.

| Vision (attainment goal) / target

A code of conduct for each business location, whistle-blowing system, and meeting bodies have been established at each business location including overseas business locations in an aim for uniform management.

| Measures for vision achievement

We will continue communication through a document called the Compliance Monthly with each business location once per month. We aim to create a compliance structure in which the three points above are uniform in the future.

Review of FY 2016 Activities

The “Whistle-blowing Consultation Desk” established by the Corporate Compliance Department is used by Yokohama Rubber’s employees, dispatch employees, partner companies that work on the premises, and the employees of Group companies. The complaints relating to human rights mainly involved damage from sexual harassment or power harassment. During 2016, 6 of whistle-blowing reports were all handled appropriately.

Issues and Future Improvement Measures

We will establish contact points for complaints while respecting the cultures and customs of countries and regions with offices that will be opened in the future, establish frameworks capable of fully gathering information to ensure that there are no human rights issues at business locations or suppliers, and conduct education.

Labor Practices

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Stance

Labor practices are practices that affect employee hiring and promotion, remuneration, disciplinary action, complaint response system, transfers and reassignment, termination of employment, human resources development, occupational safety and health, and working conditions (working hours and remuneration).

Considering that all corporate activities are made possible through the labor of employees, protecting the basic rights of workers is something that is very important for both companies and society.

As a manufacturer with rubber manufacturing plants, Yokohama Rubber has established [the Human Resource Policy](#) and [Basic Policy Towards Health and Safety](#), while [the Yokohama Rubber Group Action Guidelines](#) stipulate the company's basic policy towards creating safe and healthy workplaces and the actions that should be taken by employees.

Policy

Human Resource Policy of Yokohama Rubber

We will create an environment in accordance with our management policy of creating a workplace to value, improve, and energize people, where each of our ever-diversifying personnel can equip themselves with the necessary skills and perform by utilizing their capabilities to the fullest. Also, we aim to create a workplace where our employees can realize a work-life balance.

Furthermore, we will address the development of personnel able to perform on the global stage as a pressing issue in order to achieve the GD100 business strategies and technology strategies.

Basic Philosophy towards Health and Safety

With health and safety as the basis of all our activities, we work to prevent occupational injuries and create pleasant workplaces where employees are mentally and physically healthy.

Yokohama Rubber Group Health and Safety Policy

1. All employees make safety a primary concern, and improve safety activities through their participation, actions, and cooperation with others from all office organizations and job positions.
2. We faithfully adapt to laws and government guidelines related to safety and health.
3. We familiarize employees with the importance of safety and health, and provide the necessary education and training.
4. We work to strengthen cooperation with related partner companies and ensure the safety and health of everyone involved in business activities.
5. We utilize the PDCA cycle and make continuous improvements to reduce risks for the elimination of potential hazards related to work and facilities through the Occupational Safety and Health Management System.
6. We strengthen 2S activities (seiri and seiton, or sorting and straightening) based on the idea that "2S is the basis of health and safety."
7. We promote a comfortable working environment where employees can work free from anxiety, and provide active support to promote mental and physical health.
8. As a company that plays a role in the automobile industry, we contribute to efforts to prevent traffic accidents.

Yokohama Rubber Group Action Guidelines

We shall create workplaces that are safe and healthy

〈 Basic Stance of the Yokohama Rubber Group 〉

1. We shall not tolerate child labor or compulsory labor at any of our member companies or suppliers.
2. We shall respect the rules governing working hours, days off, leave/vacations, minimum wage, and other factors as defined by laws and regulations in host countries and regions (i.e., those where we do business).
3. We shall place top priority on assurance of safety and health in the workplace, and strive to prevent accidents and disasters.
4. We shall aim for the growth of all members of the Yokohama Rubber Group through their work, and proactively support their career and capacity development.
5. We shall confer with worker representatives in good faith in order to build and maintain sound labor-management relations.

〈 To practice our basic stance — our action 〉

1. We shall be on guard against the supply of labor by children who have not yet reached the employable age prescribed in the laws and regulations of the host countries, not only at member companies of the Yokohama Rubber Group but also at our suppliers.
2. In the realization that all labor must be supplied voluntarily and that all workers may freely quit their jobs, we shall be on guard against the compulsory or forced supply of any labor.
3. In order to build workplaces in which safety and health are assured, we shall proactively participate in activities aimed at the improvement and penetration of rules and setups for safety and health.
4. We shall obey rules governing safety and health in the workplace and show concern for a good work-life balance.
5. In the event of disasters, we shall respond properly, in accordance with the prescribed rules.
6. We shall help employees with problems on the job to deal with them in cooperation with concerned personnel instead of treating them as personal worries or difficulties to be handled by those employees alone.
7. People who are under the influence of alcohol or drugs shall not be permitted to enter the workplace.

Message from a manager

In order to establish the global human resources management system aimed for by the Yokohama Rubber Group in the future, we believe that it is even more important to become an organization where diverse human resources can perform to the fullest regardless of age, gender, nationality, etc. In order to achieve this, we will implement concrete measures including the hiring and development of human resources to support the next generation, human resource interchange of Group employees on a global level, further utilization of women, and improvement in the disabled person employment ratio. In addition, we will develop working environments that are easier to work at and enable employees to perform to their fullest by enhancing measures for childcare and nursing case and by promoting initiatives relating to mental health.

Shingo Ishimitsu
General Manager, Head of Global HR Department

As we expand the production of tires and other rubber products including hoses and conveyor belts, adhesives, and sealants in regions around the world, it is important to ingrain a culture of creating "a safe and ideal working environment and good health" that Yokohama Rubber has fostered. Through the cooperation between labor and management to establish safety and health management systems at each business location; the prevention of the recurrence of disasters and

identification and eradication of latent causes of disasters through safety patrols, safety diagnosis, and follow-ups; and the elimination unexpected risks through risk assessments, we will work to make the transition from workplaces with zero accidents to workplaces with zero risks. In addition, we will share information and activities with the relevant safety and health organizations overseas and in Japan as we aim to further improve safety levels.

Toru Nagao

General Manager, Head of Safety & Health Management Department, Corporate Social Responsibility Division

Vision for FY 2017

- Become an organization where diverse human resources can perform to the fullest regardless of age, gender, nationality, etc.
- We will establish a safety culture aiming for zero risks by promoting both physical and mental health.

Main action items to be addressed first

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of social interest.

**Occupational Health
and Safety**

**Training and
Education**

**Diversity and Equal
Opportunities**

Data summary

[Labor Practices \(495KB\)](#) 

Occupational Health and Safety

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KPI

Item	FY 2015 results	FY 2016 results
Lost-time injury frequency rate (Total directly employed)	(Consolidated) 0.47	(Consolidated) 0.60

Responsible Departments

Each business location

* Activities are conducted by each business location, and the Central Committee of Safety and Health that the Safety and Health Management Department serves as a secretariat implements company-wide policy discussions and activities.

Stance and Target

Why is "Occupational Health and Safety" a critical issue to be addressed? Explanation of the reason and background

We believe that workers being able to work in a secure and safe manner serves as the foundation for operations. In terms of work-related accidents at the Yokohama Rubber Group in Japan and overseas, while the frequency of occurrence is low when compared with the average occurrence frequency for the production and manufacturing industry as a whole, it is not zero. Analysis of the causes of such accidents has revealed that many were prevented by countermeasures taken in advance. Because it is necessary to handle large-scale machinery at production plants due to the nature of our business, this leads to the possibility of major accidents from defects in equipment specifications and mishandling, and for this reason safety countermeasures are necessary. In addition, due to factors such as the fact that mental health issues account for an increasing percentage of long-term absentees, we need to respond fully to not only physical health, but mental health as well. For this reason, at the Yokohama Rubber Group we have selected occupational safety and health as a critical issue to be addressed.

Supporting System of Safety and Health Management

In Japan, we formed the "Safety and Health Sub-Committee" per division and workplace and the "Office-Wide Safety and Health Committee (legally stipulated)" per office under our Central Committee of Safety and Health that is headed by the CSR Department Manager. Activities on safety and health are an important approach common in companies and unions. Through interaction with the Japan Rubber Manufacturers Association and Japan Rubber Workers Union Confederation to share safety information with other companies and other union confederation members, we are also trying to facilitate those by labor and management sides getting together. We also share our activities with our subcontractors by having them join their respective committees. As for our various overseas offices, they have their own supporting system in place according to the prevailing law under their country's governance. Safety and Health Management Department manages activities on safety and health in both Japan and overseas.



Vision (attainment goal) / target

- We will promote the creation of a safe and comfortable working environment and good health.
- We will establish a safety culture aiming for zero risks and aim for zero work-related accidents.

Measures for vision achievement

We will implement the following seven measures to create workplaces that enable employees to work in a safe and healthy manner.

1. Strengthen safety measures for equipment and work
Implement risk assessments for all equipment and work, create facilities so that sources of danger don't reach the bodies of people and cannot be reached, and implement safety measures in consideration of the line of vision of workers and the motion lines of people.
2. Developing human resources that are aware of safety
Conduct One-on-One education, develop safe workers.
Reinforcement of Stop-Call-Wait procedure and countermeasures in response to causes.
Implementation of KYT (kiken yochi training/hazard prediction training), sampling and improvement of near-miss incidents, and hazard demonstration training in order to improve sensitivity towards risks.
3. Development of standard work manuals
Identify unsafe places and unsafe behaviors and review standard work through open work observation.
4. Promoting both physical and mental health
Strengthen mental health countermeasures (management of working hours, face-to-face guidance and work improvement suggestions for employees working long hours, education for improving communication skills through attentive listening training classes, conducting stress checks).
5. Improvements in workplaces
Chemical substances risk assessment, improvements in equipment development and working methods, thoroughly enforcing the 5Ss (seiri [tidiness], seiton [being organized], seiso [cleanliness], seiketsu [hygiene], and shitsuke [discipline]).
6. Prevention of traffic accidents
Conduct accident prevention activities and identify risk points on commuting routes in order to achieve zero accidents resulting in injury or death.
7. Establishment of a safety and health platform
Continuation and spiraling up of management systems (JISHA method qualified OSHMS, OHSAS18001), development of job grade-specific training system, enhancement of check function through safety patrols, safety diagnosis, and diagnosis follow-up

The following activities were conducted for the measures implemented in FY 2016.

1. Strengthening of facility measures

Risk assessment for all facilities and work is implemented in a planned and ongoing manner, and safety measures are being implemented for facilities. In particular, we focused on implementing safety measures in consideration of non-routine tasks and transporting heavy loads.



Risk Assessment

2. Further Enlightenment for Safety

We are trying to train our workers for good sensibility; who can foresee risks in any potential incident. We are conducting KYT (Kiken Yochi Training/Hazard Prediction Training) which is to be done by every worker every day, along with sampling and improvement for Hiyari Hatto (a near-miss accident) incidents that are voluntary activities to be attended by everybody. We have also conducted hazard demonstration trainings at Taikan Dojo (training through actual experience for accident prevention). Also, we have facilitated enlightenment on safety by focusing on communication like supervisor interacting with a worker one-by-one whilst understanding the meaning of each operation until they can have autonomy to conduct safe operations on their own. In addition, partner employees also participated in activities to prevent the occurrence of disasters as people who work together with us in an effort to improve safety levels.



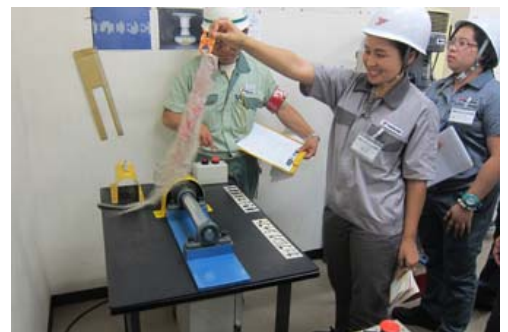
KYT



Hands-on safety drills with overseas trainees
(V belt catching hands-on experience equipment)



Hands-on safety drills with overseas trainees
(Dust explosion hands-on experience training equipment)



Hands-on safety drills with overseas trainees
(Shaft catching hands-on experience equipment)

3. Development of standard work manuals

We conduct open work observation in a planned and ongoing manner, and identify unsafe places and unsafe behaviors and review standard work manuals.



Working Procedure Demonstration

4. Promoting both physical and mental health

Our efforts in mental health include management of working hours through a clocking in and clocking out system, face-to-face guidance and work improvement suggestions for employees working long hours, education for improving communication skills through attentive listening training classes, etc. In addition, stress checks were commenced from fiscal 2016. These checks are mainly for the purpose of assessing the level of stress of employees and encouraging employees to notice their own stress levels in order to lead to improvements in the workplace and encourage the creation of ideal working environments, which will prevent mental health issues among employees (primary prevention).

For the reinstatement of long-term absentees absent due to mental health reasons, we hold interviews with the employee involved, and confirm the situation with family physicians, industrial physicians, public health nurses, and the workplace in order to discuss matters such as the means of reinstatement, timing, and work limitations in order to achieve a well-planned reinstatement. Reinstatement has been achieved at the Head Office and Hiratsuka in cooperation with the Jikei University Hospital and three industrial mental health physicians, which is still a relatively rare position.

Furthermore, after reinstatement, regular three-party interviews are held between employees, industrial physicians, and workplace representatives in order to gradually loosen work limitations and provide follow-up until all restrictions have been fully released.



Stress check course by the Japan Industrial Safety and Health Association (Companywide Safety and Disaster Prevention Meet in December 2016)

5. Improvements in workplaces

We improved equipment and promoted the improvement, maintenance, and management of working methods aimed at using working environment measurements in order to maintain a pleasant workplace. In addition, based on the 5S (seiri, seiton, seiso, seiketsu, and shitsuke, or sorting, straightening, systematic cleaning, standardizing, and sustaining) methodology, we promote manufacturing so that the things you need are available in a location that is not unsafe when you need them.

6. Preventing traffic accidents

Each business locations conducts awareness raising activities while cooperating with the holding of traffic safety seminars with local police stations and traffic safety related organizations. In addition, traffic etiquette classes are provided by the traffic safety expert Yahashi for students in the fourth grade of elementary schools located near our business locations to contribute to the prevention of local traffic accidents. Education was provided for 13 schools, 31 classes, and 46 courses during 2016. We will continue to expand these efforts in the future.



Traffic manner class for elementary school fourth graders

7. Establishment of a safety and health platform

We have acquired Occupational Safety and Health Management System (JISHA/OSHMS) certification at 16 domestic and overseas business locations, and renewed this certification at 4 business locations during fiscal 2016 (certification ongoing at other business locations).

In addition, OSHMS level-up audits by Japan Industrial Safety and Health Association (JISHA) based on JISHA standards that started in Japan in April 2015 were expanded to 2 business locations in 2016, and it was possible to renew certification. We will continue and improve management systems and implement the PDCA (plan, do, check, act) cycle as we work to enhance safety and sanitation infrastructure.



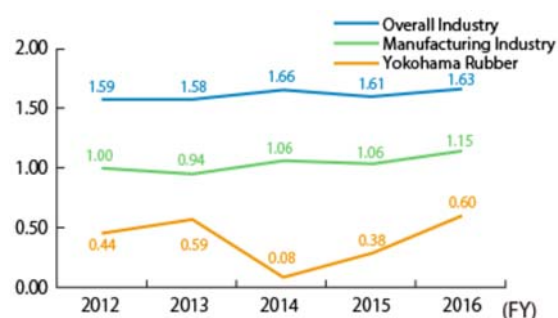
OSHMS level-up audit based on JISHA standards



Safety diagnosis implementation status

The frequency of occupational accidents was 0.60. We will be working in an aim for zero accidents as well as zero risks.

Frequency of Occupational Accidents (Lost-time injury frequency rate)



Explanation of the numbers

* Lost-time injury frequency rate = (number of work-related injuries / total working hours) x 1,000,000 hours
 * All data are annual aggregated value (January to December)
 * All production industry (excluding general contracting) and manufacturing industry figures based on the statistic table Survey on Industrial Accidents released by the Ministry of Health, Labor and Welfare

	FY 2014	FY 2015	FY 2016
Lost-time injury frequency rate	0.08	0.38	0.60
YRC frequency rate	0.86	1.30	1.03

The Group conducts strict management based on Yokohama Rubber's unique frequency rates (all frequency rates).

Yokohama Rubber's unique management standards (YRC frequency rate): The YRC frequency rate covers all accidents that occur at the company, and it is calculated including dispatched and contracted workers based on a coefficient of 1.0 for major or Lost-time injury resulting in leave (one day or more), 0.3 for minor injury not resulting in leave, and 0.1 for light injuries.

This is because we believe that it is necessary to enact countermeasures and work to prevent recurrence of not only injuries resulting in leave but all injuries including injuries not resulting in leave and light injuries involving everyone working at Yokohama Rubber in order to achieve zero accidents.

Introduction of Initiatives

Awarded a certificate of appreciation from JISHA

In recognition of our social contribution to occupational accident prevention activities through cooperation with the JISHA project, JISHA awarded the Safety and Health Management Department with a certificate of appreciation in March 2016.



Nagano-Toyooka Plant awarded the Safety Management Excellence Award

In recognition of the maintenance of completely zero accidents since operations commenced in 2014 and the thorough implementation of safety activities and safety management, the Nagano-Toyooka Plant was awarded with the Safety Management Excellence Award in June 2016 by the Iida Labor Standards Association.



Nagano Plant awarded the Nagano Labour Bureau Director's Encouragement Award

In strong recognition of efforts including the acquisition of OSHMS certification based on JISHA standards, pro-active risk assessment and risk visualization initiatives, and innovations to improve receptivity to risks, the Nagano Plant was awarded with the FY2016 Nagano Labour Bureau Director's Encouragement Award by the Nagano Labour Bureau Director at the Nagano Prefecture Industrial Safety and Health Convention in July 2016.



Issues and Future Improvement Measures



There are still scattered chronic issues at older facilities, etc., and we are constantly committed to addressing these issues. In addition, we will strengthen initiatives addressing mental health, which has become increasingly important in recent years.

Training and Education

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KPI		
Item	FY 2015 results	FY 2016 results
Annual average hours of training per employee	(Non-consolidated) Regardless of gender, 8.9 hours (managerial positions) * 44.0 hours (including new employee training) 6.0 (technical positions)	(Non-consolidated) Regardless of gender, 8.9 hours (managerial positions) * 44.0 hours (including new employee training) 9.0 (technical positions)

Responsible Departments

Global HR Department

Stance and Target

Why is "Human Resource Development through Training and Education" a critical issue to be addressed? Explanation of the reason and background

We are fully supporting aforementioned notion based on the idea that it is the growth of every single one of our employee that will lead to our company's growth. We recognize that the assignment of professional human resources that have a strong desire to achieve and a broad range of perspectives and are capable of performing to their fullest while having an influence around them is required at business locations that are expanding on a global scale, and we also recognize that the development of an education system is an important issue to this end.

Vision (attainment goal) / target

We will aim to develop the sentiment, capabilities, and skills required for global business deployment and individual skills that include leadership for each management level, the ability to solve problems while working closely with the field, presentation skills, and negotiation skills while implementing genba, genbutsu, and genjitsu principle-based education in which employees learn from sensation and experience.

Measures for vision achievement

The following measures will be implemented to achieve our vision.

New human resources system GLOBAL (development of core human resources)

Our Human Resources System which has been implemented in 2010 is focusing on personnel training for those who are able to perform on a global stage. For example, we have set up eight hierarchies from new entry level to divisional General Manager; each threshold must be cleared in order to go up to the next level. The threshold comprises of performance evaluation, work experience (total number of work rotation), compulsory training, and language skills; this way, relevant personnel can acquire necessary skills as a candidate so he/she can perform on the global stage by clearing each threshold one-by-one.

Use of re-employment employees aged 60 or above

Operations were commenced by Yokohama Business Association Corporation (YBAC), which was established in July 2013 as a staffing company specializing in re-employment employees.

Personnel Training Program

1. Fresh Graduates

1.1 Overseas training program

Starting from fiscal 2009, we have been providing training for all of our fresh graduates under comprehensive work positions in our overseas group offices for about two months plus in order to have them enhance their sensibility towards different cultures and make them more comfortable towards by having the experience first-hand that not everything is different as there are some universal things through hands-on experience of diversified culture while they are young.

1.2 Brother System

This system has been around for as long as 25 years already; initially it started as a system to give man-to-man training by seniors to nurture young engineers, now it has also been spread to the entire fresh graduates in administrative positions (main career track).

2. Advanced Specialists and Skills Meister System

We are certifying our personnel as “Advanced Specialists” with a top level of specialization in a technology area those who have contributed greatly among them and those who are necessary to fortify our businesses so that they can focus on their activities on technology. In addition, from fiscal 2015, the “CIA Program” was launched as a framework for young employees that will become specialists in the future to devote themselves to research as a form of R&D certification.

Also, we are certifying from our personnel as “Technical Meisters” those who are able to train juniors by utilizing their specialized skills and knowledge among our employees in the technical fields in order to inherit our technology to the new generation.

3. Enlightenment for Company Expatriates and their Family Members

Amid global expansion of our businesses, the number of company expatriates is on the rise every year. Since fiscal 2009, we have provided overseas pre-relocation seminars for all employees going overseas. The seminars consist of information of how to proceed with work operation in different cultures, any necessary formalities, safety lecture per destination region (necessary knowledge as to status of their public order and ensure safety), medical training, legal and compliance training, accounting and internal control training, language training, and information on schooling for dependent family members.

4. Incentive to Obtain Official Certifications

We have an incentive system for our employees to obtain official certifications which are advanced levels which may not be easy to obtain but yet are essential for our company growth; the company is thereby trying to encourage our personnel to obtain as many as possible.

5. Qualified Employee Allowance

As a company, an allowance is provided to employees notified as qualified employees who maintain the official qualifications required for plant operations.

6. Foreign Language Subsidy

To encourage improvements in foreign language abilities, a foreign language subsidy has been provided to those employees who have achieved at least intermediate level in a language other than their native tongue.

Review of FY 2016 Activities



The following results were achieved for the measures implemented in fiscal 2016.

| Use of re-employment employees aged 60 or above

As of the end of December 2016, there were 520 re-employment employees enrolled, including partner employees directly employed by Yokohama Rubber and YBAC employees. In fiscal 2016, 90.2% of employees reaching the retirement age continued working using the re-employment system. Efforts will be made to develop successors and pass on skills while utilizing the experience and advanced skills of these employees.

| Personnel Training Program

Name of training program	Number of participants		
	Men	Women	Total
New employee training	35	14	49
New employee follow-up training	29	13	42
Hierarchical training (third year since company entry)	24	11	35
Hierarchical training (sixth year since company entry)	31	4	35
Hierarchical training (ninth year since company entry)	25	7	32
Training prior to re-employment	26	3	29

Education and training expenses	124 million yen
Annual average hours of training per employee (managerial positions)	8.9 hours/person (44.0 hours/person including new employee training)

* Regardless of gender, the annual average hours of training for technical workers is 9.0 hours/person

〈 System users and number of applicable employees for each program 〉

* As of December 2016

1 New employees	1.1 Overseas training program	49 employees	Total of 391 up until now
	1.2 Brother System	49 employees	
2 Advanced Specialists and Skills Meister System	Advanced Specialists	21	
	Skills Meister System	53	
3 Enlightenment for Company Expatriates and their Family Members		71	
4 Incentive to Obtain Official Certifications		20	
5 Qualified Employee Allowance		132	
6 Foreign Language Subsidy		519	

〈 Number of employees that obtained official certifications 〉

Certification	Number of Achievement Cases				
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Radiation Protection Supervisor	1	-	1	-	1
Certified Measurer	-	-	-	-	-
Special Boiler Expert	-	-	-	1	-
Qualified Energy Manager	4	2	2	-	1
Class-1 Health Supervisor	9	2	11	13	10
Industrial Hygiene Health Officer	1	1	-	1	1
High Pressure Gas Production Safety Manager	1	1	2	2	1
Class-1Boiler Expert	1	1	-	3	2
Operations chief of radiography with X-rays	2	1	-	2	2
Class-3 Electrical Chief Engineer	-	1	-	1	1
Manager in Charge of Pollution Control	-	1	-	4	1
Work Management Measurement Expert	-	-	1	-	-

Issues and Future Improvement Measures



In education at Group companies in Japan and overseas, we will continually improve development

structures for the sentiment, capabilities, and skills required for business and development programs for creating high-performance human resources based on the development of young employees.

Diversity and Equal Opportunities

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Item	FY 2015 results	FY 2016 results
Female employee ratio	(Consolidated) 14.1% (Domestic) 8.7%	(Consolidated) 12.8% (Domestic) 6.7%

Responsible Departments

Global HR Department

Stance and Target

Why is "Human Resources Diversity" a critical issue to be addressed? Explanation of the reason and background

In order to achieve the targets of the Medium-term Management Plan GD100 (Grand Design 100) and increase our presence on a global level, it is necessary to promote the diversity of human resource even more so than up until now. We recognize that the building of frameworks that allow diverse human resources to perform to their fullest to be an important issue in order to create workplaces that will allow all employees to work happily and enthusiastically together.

Vision (attainment goal) / target

We will hire employees regardless of their nationality and gender. Note that there is no gap between the base salary and treatment of men and women currently employed at the company, and going forward we will maintain a situation in which there is no discrimination based on gender, race, religion, culture, etc.

Yokohama Rubber (non-consolidated) will maintain a ratio of women in managerial positions of at least 30%.

Measures for vision achievement

The following measures will be implemented to achieve our vision.

Employing diverse employees in managerial positions

Under the new human resources system GLOBAL introduced in July 2010, we aim to provide opportunities to employees with ambitions and capabilities. In addition, a regional-specific managerial position system was introduced in 2014. These are positions that work closely together with regions as human resources that fulfill an important function at domestic plants that are the core of Yokohama Rubber's manufacturing.

Stable new graduate hiring and mid-career hiring according to business strategy

New graduates are stably hired from a long-term perspective. In addition, experienced employees (mid-career hires) are also hired depending on business needs.

Employment of people with disabilities

Up until now new employees with disabilities have been hired on a regular basis for mainly work within our existing operations that could be conducted regardless of their handicaps, and they have been accepted as new graduates on a regular basis at each business location. Going forward, we will develop new businesses in order to expand the scope of employment of people with disabilities.

Support of a work-life balance through various systems

We will develop and expand various programs to support the work-life balance of employees, including a childcare leave system and career return system, a nursing care leave system, and shorter work hour system.

Support through seminars, etc.

Second life seminars will be held jointly by labor and management to support revitalization while employed life planning after reaching retirement age.

During fiscal 2016, we conducted the following activities and achieved the following results in ensuring the diversity of human resources and the provision of equal opportunities.

Employing diverse employees in managerial positions

Since the introduction of a regional-specific managerial position system in July 2014, it has been continually implemented and deployed at each business location, and it has currently been led to the adoption of regional-specific managerial position at four business locations at present.

Stable new graduate hiring and mid-career hiring according to business strategy

During fiscal 2016, 103 employees were hired, and 118 employees resigned. Of these, 59 were managerial positions (ratio of female employees of 34%).

Number of female employees (managerial positions: new graduates + mid-career) (unit: person)

	FY 2014	FY 2015	FY 2016
Women	20	12	15
Men	33	36	44
Total	53	48	59
(Ratio of women)	38%	25%	34%

The number of employees in the Group (domestic) by age and gender is as follows.

Number of employees by age and gender (unit: person)

	Male	Female	Grand total
Less than age 30	1,026	91	1,117
Age 30 to 50	3,267	247	3,514
Above age 50	877	35	912
Grand total	5,170	373	5,543

Employment of people with disabilities

From fiscal 2011, we started accepting interns from special needs high schools on the assumption of future employment. Moreover, in March 2012, in order to offer work places to an increased number of hires with disabilities, the Company launched operations at Yokohama Peer Support Co., Ltd., established for the employment of persons with disabilities. Subsequently, on May 31 the entity acquired recognition as a Special Provision Subsidiary under the Act for the Promotion of Employment of Persons with Disabilities (Disabled Persons Employment Promotion Act). We have focused on the employment of persons with intellectual disabilities since January 2012, and as of January 2017, 21 persons with disabilities were employed.

In addition, the four companies of Yokohama Rubber, Yokohama Peer Support, Yokohama Tire Japan, and Yokohama Rubber MB Japan have been recognized for having a disabled person employment ratio systems or as special subsidiaries in accordance with the grant system for employing persons with disabilities, and the employment rate of people with disabilities was 2.21% as of the end of January 2017 (total for the four companies).

Support through our Systems

Childcare Leave System

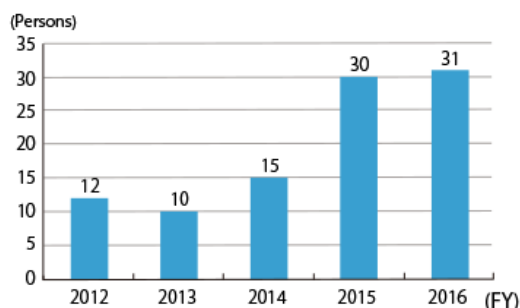
Since 1992, we have supported our employees with a child less than 1 year old (up to 1 year and 6 months if certain criteria are met) with a childcare leave system. With respect to employees who obtained childcare leave in the period 2012 to 2016, the labor retention rate among them was 89.8%.*

* Deemed as being enrolled twelve months following reinstatement

Changes in the Number of Employees who have taken Childcare Leave (unit: person)



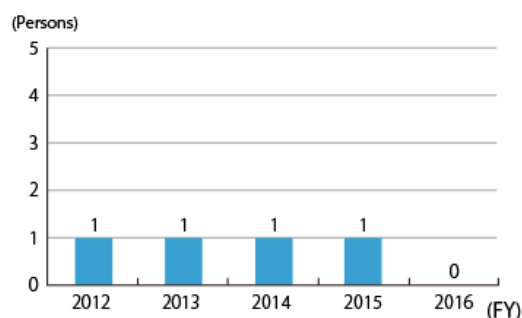
Changes in the Number of Employees who have taken Childcare Leave (unit: person)



〈 Family-Care Leave System 〉

We introduced the Family-Care Leave System from fiscal 1994 to support employees with family members requiring constant nursing care. In addition, it is possible to acquire paid nursing care leave for a period of 5 days per year if there is 1 family member who requires nursing care, and 10 days per year if there are 2 family members or more. Furthermore, it became possible to acquire nursing care leave in units of one hour as of January 2016. Also, we are expanding the range for “nursing leave for children” (5 days/annually) which is to take care of the children who became ill, until their children enter the elementary school by the law.

Changes in the Number of Employees who have taken Nursing Leave for Children (unit: person)

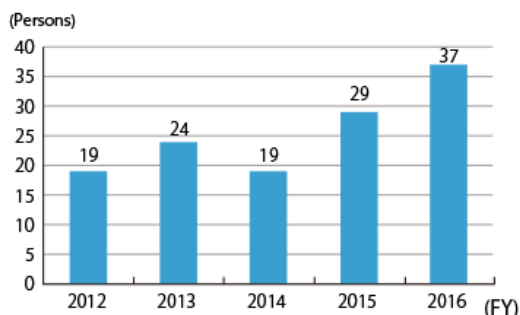


〈 Shorter Working Hour Scheme 〉

Employees may utilize our shorter working hour scheme for those who have pre-school children or any family members who need nursing care upon the relevant employees' request. Also, we have a staggered working hour system for those who have children within the third year of primary school or younger.

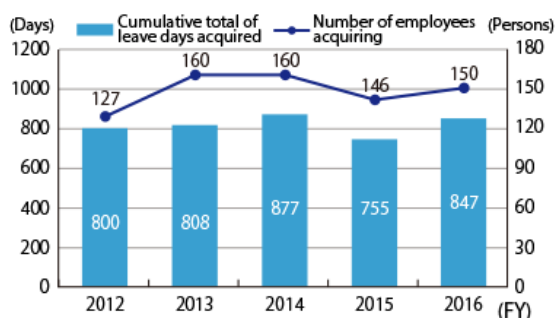
Furthermore, since fiscal 2010 we have deployed a system for employees those who wish, located in the assigned area only without having relocation for the next two years.

Changes in the Number of Employees who have taken Shorter Work Hour Scheme (unit: person)



◀ Child-birth Leave and Child-care Leave ▶

So far male employees had been entitled to take a paid two-day child-birth leave and an unpaid one-year child-care leave. The amendment on April 1, 2011, to up to ten days of leave until the child is one year old marks not only an increase in the number of leave days but also the number of leave takers has gone up by a wide margin.



Introduction of Initiatives

“Women’s Participation and Advancement in the Workplace Promotion Task” activities

In response to the enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace, Yokohama Rubber launched the “Women’s Participation and Advancement in the Workplace Promotion Task” initiative in October 2016, with 7 female employees participating. The following activities have been implemented with the aim of clarifying the concerns and issues facing female employees now and in the future, and of determining the types of measures that the company should implement to deal with these.

1. **Implementation of an employee questionnaire survey (January 2017)**
A questionnaire survey was administered to approximately 1,700 employees, including all female employees, with an 89% return rate.
2. **Implementation of discussion meetings with female employees (February–March 2017)**
Interviews were held with around 300 female employees (representing approximately 90% of all female employees in the company) in all workplaces, at which female employees were asked about their work and their working environment, the systems affecting them, and their hopes for the future.
3. **Exchange of views with divisional managers**
Meetings were held with divisional managers to exchange views, providing an opportunity to gain managers’ insights and advice.

On the basis of the results obtained in these activities, we implemented an analysis of the current situation and examined potential new measures; the strategies outlined below were formulated. In the future, we will be implementing the preparatory work needed to strengthen awareness and to put in place and revise the systems needed to realize the intended reforms.

Basic strategy (provisional)

“Positioning ourselves as a company that welcomes diverse workstyles and that people will want to continue working at over the long term”

1. **An enjoyable place to work:**
Making it possible for employees to utilize their time efficiently for different purposes
Reforming workstyles, and creating new positions that are attractive to women
2. **Coordination:**
Helping employees to help each other
Fostering the growth of a corporate culture in which people receive the help they need to stay in their jobs even when their life circumstances change
3. **Helping employees to fulfil their potential:**
Enabling every individual employee to maximize their potential, regardless of gender
Assigning roles in ways that make effective use of individuals’ strengths, and allow each employee to develop their own career path

Completion of new form of company housing and employee dormitory, improvements in communication and disaster response

The new integrated company housing and employee dormitory facility Ciento Musashi-Kosugi (the nearest station: Musashi-Kosugi) has been constructed in Imainishimachi, Nakahara Ward, Kawasaki City, Kanagawa Prefecture, and it started to accept residents from the end of March 2017. The facility is characterized by being a new form of facility that contains company housing, a men's dormitory, and a women's dormitory.

This new integrated facility is based on the three concepts of stimulating communication among employees, improving safety levels and the ability to respond when disasters occur, and the provision of secure housing to employees as an integrated facility that brings together company housing, a men's dormitory, and a women's dormitory.

The word ciento means "100" in Spanish, and this name was used to commemorate Yokohama Rubber's 100th anniversary since foundation.



Outside of Ciento Musashi-Kosugi



Communal lounge with kitchen where both adults and children can gather

- Effective utilization of a popular and convenient location for employees

We aim to increase motivation by creating a comfortable living environment that effectively utilizes a location that is popular as a neighborhood people want to live in and is convenient for commuting for employees.

- Stimulating communication between employees

In an effort to deepen communication regardless of gender or generation, we have established a wide variety of comfortable communal spaces that include a lounge with kitchen where both adults and children can gather on the 1st floor, a library where adults can study in a quiet setting, and a garden and patio.

- Improving safety levels and the ability to respond when disasters occur

We will improve safety levels and the ability to respond when disasters occur by consolidating company housing and employee dormitories.

In addition, the facility will be used as a base for providing united support for employees and the region by making available emergency equipment and emergency food supplies, and opening it as an evacuation area for people from neighboring areas during disasters.

- Provision of secure housing to employees

This facility that will serve as the first women's dormitory for Yokohama Rubber will be equipped with strong security features in order to provide secure housing where people can gather during emergencies while maintaining privacy.

- Contributing to the regional environment

We have actively conducted greening in gardens and areas surrounding the building, and installed foot paths, benches, etc. In addition, we aim to contribute to safety and an abundant regional environment through a bright neighborhood with lighting directed at the building and planting.

Issues and Future Improvement Measures



With the provision of pay during nursing care leave and it becoming possible to acquire nursing care leave in hourly units, we have established a framework that makes it easy to work while providing nursing care for family members. Going forward, we will promote the creation of environments that make it easy to work while providing child care and nursing care, and also work actively in activities such as the operations of Yokohama Peer Support Co., Ltd. for the employment of people with disabilities, as we strive to create a workplace so that all of our diversified personnel can perform to the fullest.

The Environment

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Stance

Currently, society faces various issues such as the depletion of natural resources, climate change, and the destruction of ecosystems, and all business activities have an impact on the environment. Furthermore, it is also a fact that changes in the environment can lead to major risks involving business continuity. For this reason Yokohama Rubber works to minimize its environmental footprint in all business processes. As part of these efforts, environmental assessments are conducted with respect to global warming prevention, resource recycling, resource conservation, and safety and comfort, and only the products that fulfill the stipulated criteria are released on the market in order to expand our line-up of environmentally-friendly products.

This way of thinking, and these activities, have been clearly stated in [the Environmental GD100](#) and [Yokohama Rubber Environmental Policy](#) as declarations both inside and outside of the company of our position as a top-level environmentally-friendly company. In addition, the actions that should be taken by employees are stipulated in [the Yokohama Rubber Group Action Guidelines](#).

Policy

Environmental GD100

Following the principle of dealing fairly with society and valuing harmony with the environment, we shall assert our world-class strengths in technologies for protecting the environment.

- Continued improvement of environmental management.
- Action to combat global warming.
- Contributing to the creation of a sustainable recycling society.

Yokohama Rubber Environmental Policy

Following the principle of dealing fairly with society and valuing harmony with the environment, we shall assert our world-class strengths in technologies for protecting the environment.

1. Under the leadership of top management, Yokohama Rubber will globally initiate environmentally conscious measures in all of its activities, and will make all of its manufactured goods environmentally friendly products.
2. Yokohama Rubber will deepen communications with stakeholders and will strive to make contributions to local communities and to society as a whole.
3. Yokohama Rubber will strengthen its environmental management system and will continually strive to help improve the environment by using preemptive approaches to mitigate its impacts on the environment, prevent environmental pollution, and reduce sensory nuisances.
4. Yokohama Rubber will comply with all related laws, regulations, and agreements as well as endeavor to continually implement activities that help improve the environment.
5. Yokohama Rubber will strive to prevent global warming, conserve energy and resources as well as promote resource recycling aimed at the fulfillment of a recycling oriented and low carbon society.
6. Yokohama Rubber will strive to conserve biological diversity and use organic resources in a sustainable manner in its business activities.
7. Yokohama Rubber will promote harmony with local communities as part of its commitment to work with local communities and become a company that is trusted by local communities.
8. Yokohama Rubber shall publish this policy and make it known to all.

Yokohama Rubber Group Action Guidelines

We shall harmonize our activities with the global environment

〈 Basic Stance of the Yokohama Rubber Group 〉

1. As members of a corporate group with the highest levels of contribution to the environment, we shall take up the challenge of environment-related issues and help to build a sustainable society.
2. We shall construct and operate mechanisms for companywide management in order to observe environmental laws and regulations in each host country and region.

〈 To practice our basic stance — our action 〉

1. We shall observe all laws and regulations for prevention of air pollution, water pollution, soil contamination, etc.
2. In accordance with laws and regulations, we shall control environment-burdening substances, strive to reduce environmental risks deriving from them, and exclude prohibited chemical substances from our product manufacturing processes.
3. In all stages of our business activities, we shall eliminate the waste of resources and energy, and reduce emissions of CO₂ and other greenhouse gases.
4. In all stages of our business activities, we shall promote the reduction of industrial waste derivation and final disposal volumes.
5. In order to preserve biodiversity, we shall engage in various activities in accordance with our Guidelines on Biodiversity.

Message from a manager

With the aim of achieving harmony with the global environment in line with international agreements, and in order to achieve sustainable business management, the Yokohama Rubber Group is promoting the homogenization of global environmental management aimed at the realization of a low carbon society, the realization of a recycling oriented society, and the preservation of biological diversity. For the realization of a low carbon society, we will deliver environmentally-friendly products and work to reduce greenhouse gas emissions (GHG) throughout the entire value chain in accordance with medium to long-term targets. For the realization of a recycling oriented society, we will promote the recycling of regenerated rubber, reduce industrial waste, and increase the number of production bases that have achieved completely zero emissions. In regard to the preservation of biological diversity, we will conduct surveys and preservation activities in order to reduce water risks in environments near production bases in Japan as well as to help ensure the stable supply of natural rubber overseas.

Furthermore, we believe that the tree planting and seedling activities in local communities and disaster areas as part of our Yokohama Forever Forest Project reflect our intent to work together with local communities in order to continue protecting our blue earth.

We will promote these activities in coordination with Group companies in locations including China, Asia, North America, and Europe.

Fumito Yatsuyanagi

General Manager,

Head of Environmental Protection Promotion Department, Corporate Social Responsibility Division

Vision for FY 2017

- We will turn all our products into environmentally friendly ones.
- 25% reduction in GHG emissions at plants in Japan and the Head Office (compared to emissions in 2009)
- We will achieve and maintain total zero-emissions in both in our domestic and overseas production bases.
- We will promote the effective use of water resources in line with the characteristics of water risks.
- We will implement biodiversity preservation activities at domestic and overseas production bases (7 locations in Japan, 7 locations overseas).
- 500,000 trees have been planted in the YOKOHAMA Forever Forest Project
- Conduct surveys on suppliers with 80% of natural rubber procured through CSR procurement.

Main action items to be addressed first

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of social interest.

Energy	Water	Biodiversity
Emissions	Materials	Products and Services
Environmental Grievance Mechanisms		

Data summary

[The Environment \(495KB\)](#) 

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KPI		
Item	FY 2015 results	FY 2016 results
Total energy consumption	(Consolidated) 1,313,532 MWh * Crude oil equivalent: 333,453,141 kg	(Consolidated) 1,341,111 MWh * Crude oil equivalent: 338,375,141 kg
Total external energy consumption * Reported as Scope 3 (Other emissions)	673,189,190 MWh	675,757,910 MWh

Responsible Departments

Each business location

* Activities are conducted by each business location, and the Global Warming Countermeasures Committee that the Environmental Protection Promotion Department serves as a secretariat for implements company-wide policy discussions and activities.

Stance and Target

Why is "Energy" a critical issue to be addressed? Explanation of the reason and background

The Yokohama Rubber Group, which conducts production activities in 13 countries (Japan, United States, the Philippines, China, Thailand, Russia, Vietnam, India, Taiwan, Indonesia, Italy, Mexico and Israel) around the world, uses a large volume of energy in each business process. Because the reduction of energy consumption will lead to a response to the issue of climate change that is a problem on a global scale, the effective use of resources that are becoming depleted, and cost reductions, we have selected energy as a critical issue to be addressed.

Policies and stance relating to energy

The Yokohama Rubber Group has embodied our stance towards the environment in [the Environmental GD100](#) and [Yokohama Rubber Environmental Policy](#) and will work to minimize the burden on the environment by the provision of products and services in accordance with [the Yokohama Rubber Group Action Guidelines](#). To this end, we take steps to realize sustainable, appropriate energy use and reduction of energy consumption throughout the value chain, starting from the design and manufacturing stage, by developing and adopting environmentally-friendly technologies and working closely with everyone involved in the provision of related products and services.

We will conduct activities in an aim for the appropriate use and reduction of energy in accordance with international agreements concerning the proper use of energy, the regulations of countries where we conduct business (such as Japan's Act on the Rational Use of Energy and Act on Promotion of Global Warming Countermeasures), and the policies of related organizations.

Vision (attainment goal) / target

In line with our shared global goal of reducing greenhouse gases by half by 2050, the Group is working to reduce total greenhouse gas (GHG) emissions as an energy use reduction target.

- Long-term target:
By 2050, reduce total CO₂ emissions throughout the entire value chain of the Group by at least 50% of total CO₂ emissions in the base year (fiscal 2005).
- Mid-term target:
 - By 2030, reduce total CO₂ emissions per unit of net sales throughout the entire value chain of the Group by at least 40% of total CO₂ emissions in the base year (fiscal 2005).
 - At our domestic group companies, we are working towards reducing the ratio of greenhouse gas emissions by 25% compared to the base year (fiscal 1990) by fiscal 2020.
 - By 2030, reduce manufacturing-related CO₂ emissions per unit of net sales, including both Scope 1 and Scope 2 emissions within the Group and (through collaboration with our partner companies) manufacturing-related CO₂ emissions throughout the value chain, by at least 30% compared to the base year (2013).

Measures for vision achievement

We will implement the following measures aimed at promoting the appropriate use and reduction of energy throughout overall business activities.

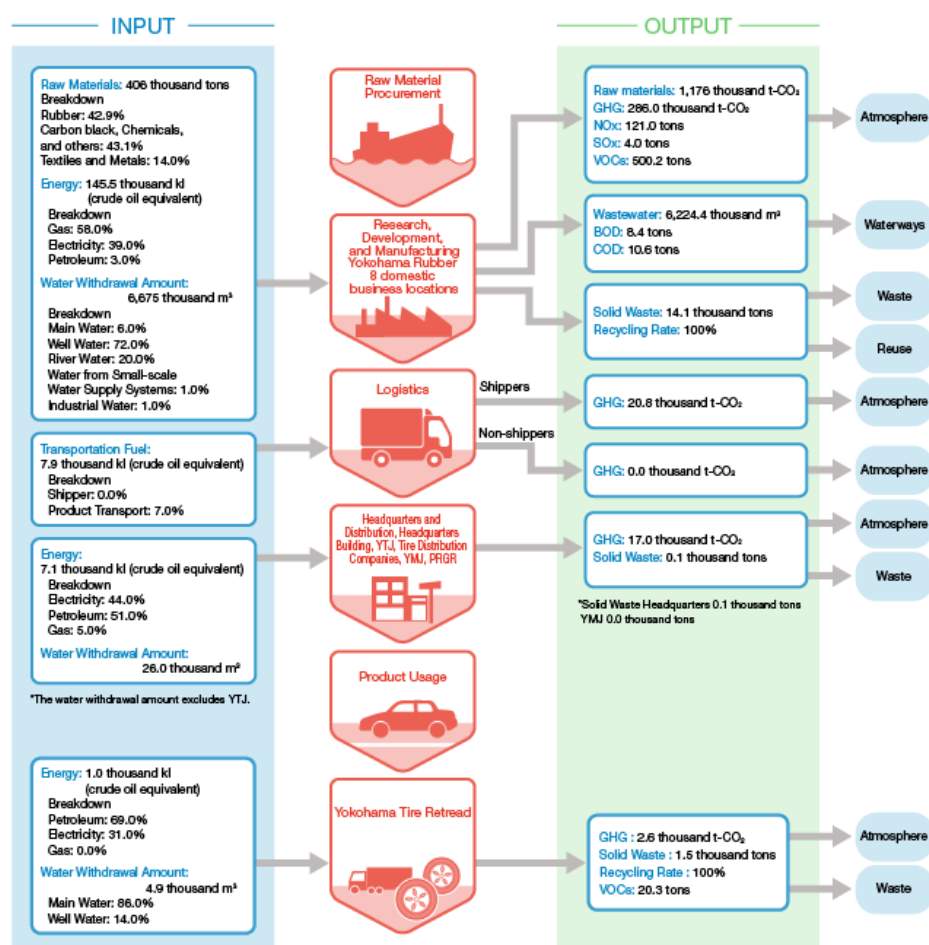
1. Promotion of a modal shift in logistics
2. Management of energy in production

We will promote the effective use of energy through system improvements, savings improvements, process improvements, the development of management systems, the introduction of production systems, and the introduction of new energy (renewable energy) in the production process.
3. The Yokohama Group will establish seven energy-saving subcommittees under the supervision of the Global Warming Countermeasures Committee, and will promote energy reduction activities.
4. We will promote the development and sales of eco-products in order to reduce the amount of energy use when products are used.

Review of FY 2016 Activities

GHG emissions were reduced by 19% compared to fiscal2005 as a result of system improvements (the development of energy-efficient vulcanization systems, and utilization of cogeneration), savings improvements (expanded use of LED, improvements in capacity utilization), process improvements (optimization of the rubber kneading process), and the introduction of new energy (introduction of solar cell power generation systems).

Overall picture of the environmental burden in Japan



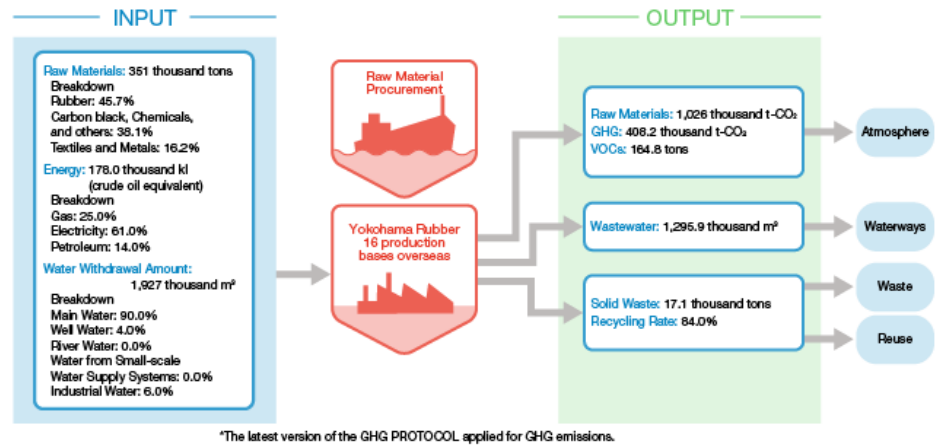
* GHG emission is calculated based on the actual emission coefficient.

* For sales relationship, the amount of data has increased for recording warehouse and PRGR portions (from FY2015)

* YTJ oil category data was recorded from FY 2015.

<Statistics Source>

Research, Development, and Manufacturing: Yokohama Rubber 8 domestic business locations
Headquarters and Distribution: Headquarters Building, YTJ, Tire Distribution Companies, YMJ
Retread Tires: Yokohama Tire Retread (YTR)

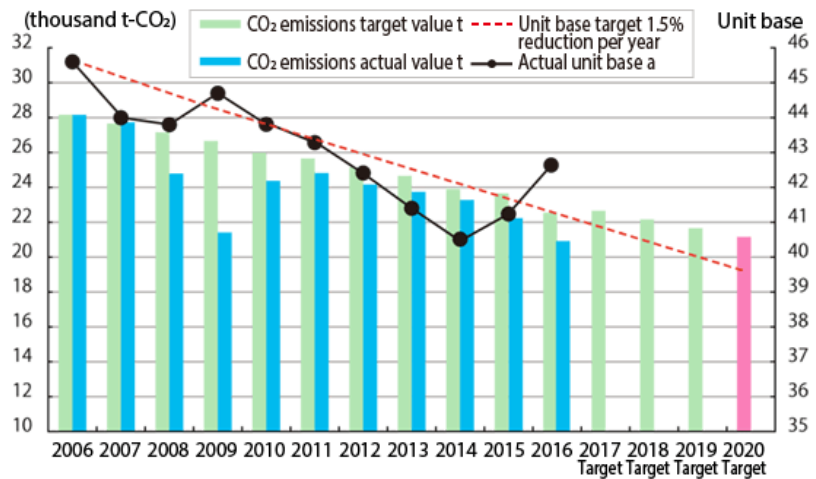


Introduction of Initiatives

Reduction of energy usage and CO₂

- Target: Reduce CO₂ emission by 25% by 2020 compared to the base year of 2006.
- Results: A 5% reduction in CO₂ emissions to 22,211 tons was achieved over the previous fiscal year during fiscal 2016 and there was a decrease in ferry deliveries from domestic plants due to an increase in tire imports. On the other hand, emissions per unit deteriorated by 0.6% to 41.2 KL per million ton-kilometers.

CO₂ emissions and emissions per unit of output (from 2006)



* Yokohama Rubber on a non-consolidated basis



Rail transport for Shinshiro to Kyushu shipments

| Energy management

1. Use of in-house power generation
2. Control of peak demand through demand control equipment
3. Building heat retention and insulation
4. Production equipment investment (improving the efficiency of motors and pumps)

Emissions per unit were reduced through the efforts noted above.

| Full Operation of Co-generation Systems

At tire plants that use a large volume of energy and steam, it is possible to achieve a significant reduction in CO₂ emissions through the adoption of co-generation systems that supply energy and steam at the same time. As of 2016, co-generation system had begun operation at three domestic plants. As a result of continuous 24-hour operations, 72% of the energy and nearly all of the steam used by these plants is now supplied by co-generation systems, contributing to a reduction in CO₂ emissions and a reduction in peak electric power consumption and in the overall amount of power purchased from the electric company.



Mie Plant co-generation system



Mishima Plant co-generation system



Shinshiro Plant co-generation system

| Improving the efficiency of production equipment motors and pumps

We will update production equipment motors and pumps that consume large volumes of energy to high-efficiency models, and will also review capacity to achieve major energy savings compared to previous equipment.



High-efficiency motor

| Improving the efficiency of production equipment cooling-water pumps

We are replacing the cooling-water pumps which play a vital role in supplying cooling-water for tire production facilities 24 hours a day with new, highly-efficient pump models, thereby reducing electric power consumption.



Cooling-water pump

| Adoption of LED lights

We will renew the overhead lighting (mercury lamps and fluorescent lamps) for our buildings in Japan and overseas with LED lights and high-efficiency lighting. We are achieving significant results in power reduction for lighting.



Mercury lighting → LED lighting

| Solar power generation

We are proceeding with the installation of environmentally-friendly, renewable solar power generation facilities.



Solar power generation

| Energy Saving Month activities

Based on the vision of “building up goal-oriented team efforts by aggressively taking on energy saving challenges,” during the energy-saving month of February, significant results were achieved through the accumulation of multiple small efforts, thanks to effective coordination between the production department, equipment maintenance department, and administration department at plants.



Education activities during the Energy Saving Month

| Activities to strengthen energy management based on guidance from consultants.

We are strengthening energy guidance through means such as reductions in energy loss in line with production variation (switching equipment on and off), representing the adoption of a just-in-time system for energy.

Consultants provide guidance every year at business locations in Japan and overseas.



Provision of guidance by consultants

Issues and Future Improvement Measures



We expect to achieve our targets for reductions in total energy use as we will continue to expand the introduction of cogeneration systems.

With the aim of increasing the renewable energy usage ratio, we plan to adopt solar power generation, etc. at locations such as Europe and North America in order to increase the percentage of our business locations that use renewable energy.

Water

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KPI		
Item	FY 2015 results	FY 2016 results
Water intake	(Consolidated) 8,682 thousand m ³	(Consolidated) 9,044 thousand m ³
Percentage of recycled and reused water (Circulating water/water intake ratio)	(Consolidated) 113%	(Consolidated) 134%
Water sources significantly affected by water intake	—	(Consolidated) NA

Responsible Departments

Each business location

* Performance is managed by the Production Environmental Task Force.

Stance and Target

Why is "Water" a critical issue to be addressed? Explanation of the reason and background

Yokohama Rubber Group's use of water consists of two forms: the use of water such as cooling water for boilers and production facilities at production bases (direct use) and the use of water at suppliers of raw materials etc. (indirect use).

For direct use, the risks (physical, regulatory, reputation risk, etc.) vary depending on the region of each business location. For this reason, we believe that it is important to effectively use precious water resources in line with the characteristics of each production base.

In addition, for the indirect use of water in the production process for raw materials such as natural rubber as well, we believe that it is necessary to confirm the situation and take the appropriate responses as necessary. This is based on our stance that if it is not possible to procure raw materials due to water-related risks at suppliers, this could directly result in serious problems that affect our operations.

Water use policy

Our domestic bases have rich water resources, and while we use these resources effectively as a recycled resource*, there are areas with water use constraints among our overseas business locations. For this reason, it is necessary to conduct water risk assessments in these areas and work to ensure that water is properly managed. We also believe that it is necessary to confirm the state of water use at suppliers and work together to adopt countermeasures in the event of water risks arising.

For this reason, we will conduct the following measures in the three years from 2015. Furthermore, we will broadly release updates on the progress of these measures through means such as external questionnaires (CDP's water, etc.).

* We use water based on formal procedures such as agreements with regions (governments).

FY 2015	FY 2016	FY 2017
Visualization of information <ul style="list-style-type: none"> ■ Understanding the situation in Japan and overseas ■ Formulation of water management standards 	Establishment of mid-term target (FY 2020) <ul style="list-style-type: none"> ■ Deployment of water management standards ■ Establishment of an activity follow-up system ■ Consideration of supply chain initiatives 	Commencement of implementation of mid-term target <ul style="list-style-type: none"> ■ Implementation of water management standards (strengthening risk management) ■ Creation of long-term roadmap (FY 2030 and FY 2050)

| Water risk assessments

For many production base areas that use a lot of water, we use existing water risk assessment tools such as WRI's Aqueduct to confirm potential water risks. As there are cases where the use of only existing tools might be unable to provide a completely accurate picture of the actual water risk, we also incorporate local information to make judgments on comprehensive water risks.

Based on these results, we identify the highest risks among representative water risks for each business location (physical, regulatory, reputation risk, etc.), and consider measures that should be taken, starting with the highest priority risks.

| Vision (attainment goal) / target

- Strengthen measures to reduce the amount of water used in locations with high physical (water shortage) risks
- Ensure thorough wastewater quality management in locations with high regulatory risks
- Strengthen local communication in locations with high regulatory risks

Through measures such as the ones described above, we will strengthen initiatives for these water risks and promote optimal water use.

| Measures for vision achievement

At domestic and overseas production bases, we conduct initiatives aimed at reducing water intake per unit of output by 1% year-on-year.

In fiscal 2017 we will implement water management standards aimed at ensuring the sustainable use of water resources, and will review our long-term objectives.

Review of FY 2016 Activities

- A water risk assessment is conducted by incorporating local information with the results from WRI's Aqueduct existing water risk assessment tool to manage risks by country in the categories of water volume risk (India, the Philippines, Italy), water quality risk (Japan, US, Thailand, Vietnam, Russia, Taiwan), and water volume and water quality risk (China, Indonesia). Reduction of 1% over the previous fiscal year was set.
- We completed a questionnaire relating to the CDP Water program and supply chain water usage once again in fiscal 2016, and reported to suppliers.
- We have implemented the effective use of water at all business locations through continuous leakage prevention and improvements to equipment using recycled water. In particular, water closed systems have been introduced at many overseas production bases in response to physical (water shortage) risks.

Introduction of Initiatives

We have made capital investments at our Mie and Onomichi domestic production bases in leakage protection for facility pipes and recycled water use facilities.

At overseas production bases, a closed system was introduced at the time of plant construction in India.

In addition, water treatment facilities are being installed at all production bases to prevent deterioration in wastewater water quality.

Water treatment facilities at our production base in Italy



We are also conducting [biodiversity conservation activities](#) at Mie, Shinshiro, Mishima, and Ibaraki to investigate the impact on rivers that are water discharge sites.

A framework will be established for the assessment of global data on water use, and the following initiatives will be implemented.

- Formulation of Yokohama Rubber Group standards (guidelines) for the proper management of water
- Enhancing internal awareness of the water initiatives and the need for these initiatives
- Joint implementation of water initiatives throughout the supply chain

Biodiversity

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KPI		
Item	FY 2015 results	FY 2016 results
Implementation rate of biodiversity conservation activities for ecosystems near production facilities	(Consolidated) 39% (7 domestic business locations, and 4 overseas locations)	(Consolidated) 38% (8 domestic business locations, and 5 overseas locations)
Biodiversity in each area, and impact	—	Yokohama Tire Retread Co., Ltd. (YTRH) Vicinity of Lake Utonai
Habitats being safeguarded or restored	—	Satoyama (traditional community-managed forest) conservation in Toyooka Village, Nagano Prefecture; Satoyama conservation in Tsuchiya district, Hiratsuka City, Kanagawa Prefecture; conservation of Loggerhead Turtle egg-laying sites along the Ominato Coast in Ise City, Mie Prefecture
Total number of species included in the IUCN Red List of Threatened Species or in Japan's domestic list of species requiring special conservation efforts	—	Rivers receiving wastewater Critically-endangered or Endangered: One species: Chara braunii Vulnerable: Three species: Japanese Killifish (all rivers); Japanese Fluvial Sculpin (Kuroda River); Loach Catfish (Tenryu River) Near-threatened: Three species: Kamatsuka Pike Gudgeon (Kaname River); Sicyopterus Japonicus (Kaname River); Appasus Japonicus (Sonobe River) Least concern: Four species: Dark Chub (Goten River); Gnathopogon elongates (Goten River); Rhinogobius kurodai (Goten River); Japanese Common Catfish (Kaname River) Within factory grounds and in Satoyama forests Vulnerable: One species: Cephalanthera falcata Near-threatened: One species: Siphocampylus

Responsible Departments

Each business location

* Activities are conducted by each office, with the Biodiversity Committee (which the Environmental Protection Promotion Department serves as a secretariat for) implementing company-wide policy discussions and activities.

Stance and Target

Why is “Biodiversity” a critical issue to be addressed? Explanation of the reason and background

We are engaged in a business that is dependent on natural capital (the gifts of nature) including natural rubber. In addition, many production facilities use large quantities of water for the cooling of equipment, and emit heat and carbon dioxide. We recognize that the burden on the natural environment caused by these kinds of business activities is not unrelated to the loss of biodiversity currently proceeding on a global scale. We view efforts to preserve the links between the variety of life nature has blessed us with (= biodiversity) and to use natural resources in a sustainable manner and carry biodiversity on to future generations to be our responsibility.

Guidelines on Biodiversity

〈 Basic Policy 〉

In running our business, we rely heavily on nature’s blessings. We should pass on this rich nature to our future generations by addressing the preservation of biodiversity and utilization of sustainable biological resources through our business activities, whilst recognizing the fact that “linking diversified lives equals biodiversity”, which is the basis of nature’s blessings, has been dwindling rapidly on a global scale in recent years.

〈 Action Guidelines 〉

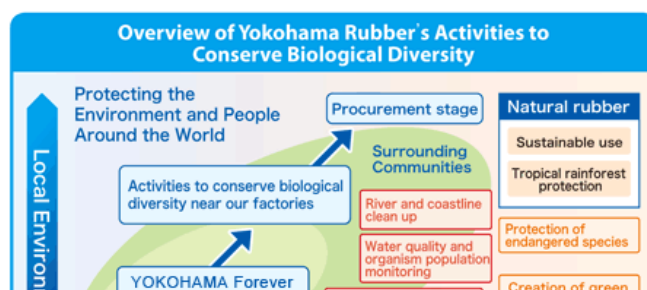
1. Recognition as a Management Issue
Since Yokohama Rubber is directly using biological resources and conducting business activities that may affect biodiversity, we recognize the importance and risks towards the grace of nature. Therefore we will address the preservation of biodiversity from a long-term perspective.
2. Participation by All Employees
We will raise the awareness of our employees in regards to the grace of nature. All our employees will contribute to the preservation of biodiversity both at work and their local communities.
3. Determine the Effect on Biodiversity and its Reduction
We will determine the effect that our business activities may have on biodiversity, and shall thereby try to avoid or minimize such effect.
4. Preservation of Biodiversity through the Supply Chain
In order to preserve biodiversity, by understanding that it is important to be considerate as early as the stage of resource extraction, we shall contribute to the preservation of biodiversity at resource mining sites through cooperation with relevant personnel of the supply chain.
5. Sustainable Usage of Biological Resources
We will work on any sustainable usage of biological resources by gathering knowledge with regards to biodiversity, and also through technological development, innovation of design and production, or approaches to biodiversity in the value chain.
6. Information Sharing and Communication
We will work on the information gathering or social requirement as to preservation of biodiversity; we shall thereby disclose our activities and achievements proactively to facilitate dialogue and tie-ups with our stakeholders, such as customers, local communities, NGOs, and the government.

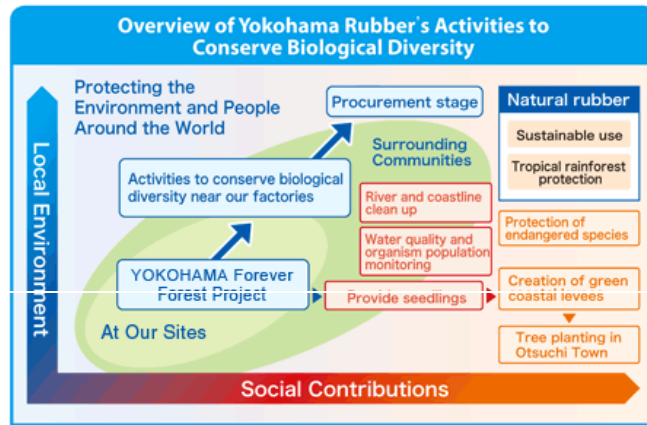
Vision (attainment goal) / target

In the preservation of biodiversity, we evaluate the impact that our business activities have on the natural environment and upon ecosystems, and then implement conservation activities in order that this impact can be further mitigated. Additionally, we aim for harmony with nature and the development of employees with an awareness of the environment.

YOKOHAMA Forever Forest project aims to plant 500,000 seedlings in both our domestic and overseas production sites and related department sites by 2017.

〈 Overview of Yokohama Rubber’s Activities to Conserve Biological Diversity 〉





Measures for vision achievement

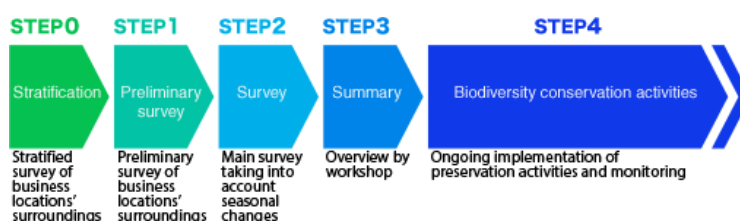
The locations of our offices differ in terms of geography, history, and culture. Because the living things that live at these locations also differ, we believe that it is necessary to assess the situation and establish issues for each office, and based on this we deploy our biodiversity conservation activities in stages. After gaining a general understanding of the environments surrounding offices, including waters, green areas, nature reserves, residences, and plants, we conduct surveys on the water quality of rivers that our business activities have an effect on, and monitoring of observed wildlife in the communities surrounding offices that have been surveyed, and specify the organisms subject to assessment. Through monitoring throughout the year, we assess the impact of our business activities, determine which organisms are subject to preservation, conduct preservation activities, and release the results.

In water quality surveys, we measure water temperature, electrical conductivity, pH, etc., and in the monitoring of organisms, we conduct bird observation, vegetation surveys, and observation of aquatic organisms and insects.

It should be noted that seven domestic business sites are now in the Step 4 stage, and these efforts are ongoing. These activities are also gradually being deployed overseas.

Business location	Location	Water quality*	Aquatic life	Vegetation	Wild birds	Insect	Other
Mie Plant	Within premises	○	○		○	○	
	Outside premises	○	○	○		○	Loggerhead turtle
Mishima Plant	Outside premises	○	○		○		
Shinshiro Plant	Within premises	○	○				
	Outside premises	○	○		○		Amphibians
Onomichi Plant	Within premises			○	○	○	
	Outside premises	○	○	○	○		
Hiratsuka Factory	Within premises	○	○	○	○	○	
	Outside premises	○	○	○	○		
Ibaraki Plant	Within premises	○			○		
	Outside premises	○	○	○	○		
Nagano Plant	Outside premises	○	○	○	○		
Yokohama Tire Retread Hokkaido Plant	Outside premises			○			
YTMT	Within premises	○			○	○	
YTRC	Within premises	○	○		○		
CHZY	Within premises			○	○	○	
	Outside premises	○	○	○	○	○	
YTPI	Within premises			○	○	○	
YTMV	Within premises			○	○		Mammals
	Outside premises	○	○		○		

* Presence or absence of biodiversity activities



YOKOHAMA Forever Forest Project

A cumulative total of 453,000 trees have been planted as of the end of 2016 (representing an

achievement rate of 91%). In order to assess forest growth and environmental changes, we conduct surveys on the amount of growth (measurement of tree height and diameter at breast height) and surveys on wild birds observed within plant premises. From surveys on the growth amount of seedlings we have calculated the fixed quantity of carbon dioxide from the YOKOHAMA Forever Forest Project and determined that the fixed quantity of carbon dioxide from the YOKOHAMA Forever Forest Project is higher than that for a typical broadleaf forest. This is likely the effect of the mixed planting and close planting of various kinds of trees.

In wild bird surveys at the Hiratsuka Factory, 55 species of wild birds have been observed on plant premises up until now. From the third year of tree planting, we began to see brown-headed thrushes that have a penchant for forests. We believe this reflects how the Forever Forest is functioning as it should as a forest for wild birds. In addition, we observed the crowned willow warbler and the great reed warbler that is seen near water, which suggests that the Forever Forest is functioning as a stopover for wild birds as they move throughout their habitat.



Review of FY 2016 Activities

Step 4 (conservation activities) are ongoing at all seven domestic plants, and at several overseas production facilities, including our tire plant and natural rubber processing plant in Thailand and the Hangzhou Plant in China.

Participation in initiatives aimed at maintaining natural rubber as a sustainable resource

Yokohama Rubber supports the aims of the Sustainable Natural Rubber Initiative (SNR-i), an initiative launched by the International Rubber Study Group (IRSG) with the aim of developing rubber as a sustainable natural resource, and has participated in SNR-i activities.

Expansion of biodiversity conservation activities in supply chain

At the “8th ThinkEco Hiratsuka” public event held at the Hiratsuka Factory, a panel discussion on biodiversity was held for the third year running. Based upon the theme of “What can we do to protect the environment around Hiratsuka waterways? How mountains, villages and rivers are linked together by water,” we gained the participation of a total of around 40 stakeholders including employees, local residents, and environmental NPOs, and shared activities concerning the results of Yokohama Rubber’s report on biodiversity, and policies on future activities.

Classroom-based biodiversity training for overseas managers

In September, managers responsible for biodiversity activities at three overseas production facilities were brought together for a classroom-based training activity. The training covered basic biodiversity knowledge, as well as the purpose and practical implementation of monitoring surveys, supported by practical activities. In addition, managers from each facility gave presentations on the types of activities that their facilities will be implementing to safeguard biodiversity in the future, followed by a discussion of these plans.

Employee education

We are working to preserve biodiversity through our business activities, carrying out employee education to increase awareness, and are further ensuring that all employees act with an awareness of the benefits of biodiversity through employee education. A biodiversity course is now provided for young employees as part of their Technology training, trainees further their understanding through lectures, monitoring, and workshops.

Introduction of Initiatives

| Hiratsuka Factory

The Hiratsuka Factory comprises multiple divisions and departments, thus this is the location for employee training in biodiversity activities.

Activities are being carried out on the mid- and downstream portions of the Kaname River. The presence of birds including streaked fantail warblers, kingfishers, great reed warblers, bull-headed shrikes, and migratory fish including eels, rhinogobius, and gobies in the Kaname River are indicative that both the river and the nearby sea are healthy. However, investigations of the vegetation showed significant quantities of introduced species such as giant ragweed and bur cucumber, and we decided that our conservation activities should include removal of specific introduced species. Last year, with help from our employees (around 230 of whom took part in the activities), we removed a cumulative total of approximately 1.6 tons of introduced species. In March each year, at the invitation of the Kaname River Basin Watershed Network, we conduct river cleanup activities in collaboration with local government authorities and civic organizations. Additionally, starting in 2015, we began to implement activities aimed at revitalizing Satoyama (traditional community-managed forests), including renting abandoned land in Yadota, near Komagataki in the Tsuchiya district of Hiratsuka, to create a biotope through manual labor. In May 2017, a “dragonfly pond” was made in the grounds of the Hiratsuka Factory through manual labor, and activities began to be held to enable people to experience for themselves our links with other living things by observing the dragonflies, butterflies, frogs etc. that congregate at the pond.

| Mie Plant

Three teams are continuing to implement biodiversity conservation activities as follows.

- “Black Team”: Conducted water quality survey on rivers that factories discharge wastewater into (Hinokijiri River and Hotosu River) and aquatic life survey on organisms such as killifish
- “Tall Team”: Measured the number of foreign species removed and native plants and conducted a loggerhead sea turtle egg laying survey at beaches (Ominato sea coast) near to where wastewater flows out
- “Short Team”: Created biotopes in rainwater ponds at plants, conducted water quality survey, biological survey, aquatic life survey, and water quality measurements

We presented lectures at the local Ominato Elementary School. Children at Ominato Elementary School learned about living things along the Ominato coast, and also participated in removing introduced species.

Together with people from the local community association at Kanomi town in Ise city, we are continuing to implement surveys of water quality of the rivers flowing through the town that play host to fireflies, as well as of living creatures, along with surveys of the groves of alder trees growing in the wetlands.

| Mishima Plant

The factory discharges water into the Goten River, and we had three teams—“Loach Team,” “Softshell Turtle Team,” and “Eel Team”—carry out ongoing surveys into water quality and wildlife. These confirmed that the Goten River was home to a huge variety of wildlife, including larvae from damselflies and koyama dragonflies; fish such as the Zacco platypus (pale chub) and the dark chub; reptiles including the Chinese pond turtle; and birds such as kingfishers. However, the river also included large amounts of discarded trash, and so after monitoring, we also carried out some cleaning to do what we could in order to preserve the Goten River in a pristine state. We are also working together with NPO Groundwork Mishima to undertake restoration of the Haizuka River (which runs along what was formerly the course of the Kano River).

| Shinshiro Plant

We have been carrying out monitoring of water quality in the Noda and Kuroda Rivers, which also receive discharge from factories. The biotope located within the plant grounds, which had become neglected, has been restored; Japanese Killifish are thriving in the discharge water from the plant, which suggests that the discharge water has no adverse effect on the wildlife.

At Yotsuya Senmaida, we are creating and maintaining a biotope in unused farmland. Here, we can find freshwater crabs, pond frogs, forest green tree frogs, fire belly newts, and other creatures. On July 7, we attended the 8th Chubu Region Five Environmentally Progressive Cities Summit (TASKI) at the invitation of Shinshiro City government, where we gave a presentation on our efforts to expand the scope of activities at our factories aimed at safeguarding biodiversity, and engaged in discussion with other participating organizations.

| Onomichi Plant

At the Onomichi Plant, we are carrying out surveys of water quality and of aquatic life, birds, and plants at the Nishifuji Shinsui Park on the Fujii River, as well as observing wild birds and insects within the plant premises.

Surveys of aquatic life in the Fujii River found aquatic insects including mayflies, damselflies, and dragonflies; fish such as cyprinids, sleepers, and rhinogobius; and crustaceans such as mitten crabs and lake prawns.

Within the plant premises, we are providing a mosaic of environments to host wildlife, by growing trees to create a Forever Forest and by creating ponds and marshes from groves, grass areas, and rainwater—this has become home to dragonflies, butterflies, crickets and grasshoppers. Within the plant premises, we can also see nest-building by skylarks, shrikes and redstarts staking out their territories, and wintering by bush warblers.

At the 41st Fujiigawa Evening held on June 3, we introduced activities contributing towards biodiversity in the plant, and distributed 200 seedlings for the Forever Forest.

| Nagano Plant

The Nagano Plant is located in an area that is highly natural compared to other plants. As there is almost no drainage other than rainwater, we believe the environmental impact of this plant is low compared to other plants.

We are carrying out surveys into water quality, aquatic life, and wild birds at the confluence of the Tenryu River, which is the site of our Nagano Plant, and its subsidiary the Oshima River, as well as at the Shinsui Park on the Terasawa River. Goosefoot, which is a quasi-endangered species in Nagano Prefecture, and stonewort, which is a category I endangered species, were found during monitoring last year.

Based upon the “Forest Adoption Promotion Project” being promoted by Nagano Prefecture, we concluded with Toyooka village a “forest adoption agreement” to cooperate in maintenance of the village’s forest.

| Ibaraki Plant

We continued to conduct water quality surveys and biological surveys on the Sonobe River where factory wastewater is discharged to. In biological surveys we studied vegetation, aquatic life, and birds. Because the Sonobe River is used as agricultural irrigation water, we take great care in safeguarding the quality of discharge water. Because electrical conductivity is lower and transparency is higher in the water at the plant water discharge area than in other stretches of the Sonobe River, we believe that plant wastewater management is acceptable. A water tank has been installed at the entrance to the plant offices; fish caught in the Sonobe River are able to live in the tank, which contains discharge water from the plant. Appasus, an aquatic insect that is classified as a quasi-endangered species in Ibaraki Prefecture, was found in the aquatic life survey.

When implementing monitoring, the Ambrosia trifida, Goldenrod and Star Cucumber plants that were growing rampantly on the embankments of the Sonobe River were removed; as a result, the area covered by these three non-native species has been reduced.

Additionally, in 2015, we started surveys of bird life within the plant premises. Comparing the results of observations within the park area has helped us to understand the different environments, further assisting in letting us provide more support for local wildlife.

These activities have been carried out with guidance from the Wild Bird Society of Japan (Ibaraki Office), and from the Omitama Wildlife Association. The activities implemented at the Ibaraki Plant to safeguard biodiversity have been featured on the Omitama Wildlife Association’s website.

| Yokohama Tire Manufacturing (Thailand) Co., Ltd. (YTMT)

Yokohama Tire Manufacturing (Thailand) Co., Ltd. (YTMT), a tire plant in Thailand, is located within an industrial park. Because water intake and discharge is centrally managed at industrial parks in Thailand, unlike the plants in Japan, it is not possible to confirm the impact of individual plants on water intake and discharge areas. For this reason, we monitor birds and insects in order to assess the green areas (Forever Forests and biotopes) on plant premises. In order to recreate a rich ecosystem within the plant premises, we are creating two types of biotope—marshes and ponds. We have been carrying out further planting in order to preserve the connection between aquatic and land wildlife. We also secure habitats for local species and conduct environmental education for employees through these activities.

Additionally, we carried out activities to create areas of saline soil, with the aim of helping preserve the wildlife within the Khao Yai National Park, a world heritage site.

| Y.T. Rubber Co. Ltd. (YTRC)

Y.T. Rubber Co., Ltd. (YTRC) is located in Surat Thani Province, Thailand and is the only natural rubber processing plant in the Yokohama Rubber Group. While large volumes of water are used in the natural rubber processing process, we work to effectively use water resources through 100% recycling.

We have conducted regular monitoring of aquatic life (fish) and water quality since November 2014. We discovered that anti-flood ponds are connected to the adjacent Tapi River during flooding in the rainy season, and contain the same kinds of fishes. Additionally, we observed that providing different configurations within the anti-flood ponds allows coexistence of different species of fishes. We found that, currently, 17 different species of fish are living in the anti-flood ponds, and 21 different bird species are found there. We realized that this contributed to saving the different types of fishes in the Tapi river as well as their genomes, and we are aiming to reduce the amount of circulating water in the plant so as to enhance the water quality of the anti-flood ponds, so that these more closely match the water quality of the river.

| Hangzhou Yokohama Tire Co., Ltd. (CHZY)

Hangzhou Yokohama Tire Co., Ltd (CHZY) is situated in an industrial park in Hangzhou, China. While there are green areas within the industrial park, there are not many species of trees, and the park has a paucity of biodiversity. Accordingly, we have carried out an evaluation of the Forever Forest, and surveys of wildlife within the Forest to confirm whether the Forever Forest at CHZY was suitable for forest dwelling wildlife.

Additionally, the Qiantang River which flows near the plant is connected to many other waterways, and sewage flowing into these has raised concerns about water quality. Together with Hangzhou Normal University and local government, we are implementing biodiversity conservation activities, using one of these waterways as a model for making improvements to water quality.

| Yokohama Tire Philippines, Inc. (YTPI)

Yokohama Tire Philippines, Inc. (YTPI) is situated in the Clark Special Economic Zone in Pampanga, Philippines, and is not near any sizable wooded areas. Accordingly, we thought that the plant's Forever Forest could provide a habitat for forest-dwelling creatures, and thus we are conducting surveys into trees, birds, butterflies, and moths in the Forever Forest.

Issues and Future Improvement Measures



Up until now, activities have focused on assessing the species that live in areas affected by the business activities of the Yokohama Rubber Group. In the future, we will expand activities to include overseas business locations, and maintain and improve biodiversity in areas where our businesses are located with the aim of realizing sustainable operations.

Because biodiversity is a concept that people in general are still not familiar with, we will enable employees to deepen their understanding of the importance of biodiversity conservation through participation in monitoring activities and conservation activities, and we will actively communicate information to local communities to provide a better understanding of our efforts.

Effluents and Waste

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Item	FY 2015 results	FY 2016 results
Achievement of total zero-emissions	Landfill rate 1.0%, percentage of bases achieving target 83.0%	Landfill rate 7.2%, percentage of bases achieving target 86.0%
Water quality and total wastewater emissions by type of discharge	Surface water 6,257,000 m ³ Groundwater 0.0 m ³ Sewerage 461,000 m ³	Surface water 5,837,000 m ³ Groundwater 0.0 m ³ Sewerage 1,183,000 m ³
Total number of serious leaks and amount of wastewater treated	None	None
Total quantity of hazardous waste transported, imported or processed, and percentage of waste that was transported internationally	NA	NA
Waterways and connected habitats affected by wastewater discharge —locations, size, conservation status, and value of	NA	NA

Responsible Departments

Each business location

Stance and Target

Why is "Effluents and Waste" a critical issue to be addressed? Explanation of the reason and background

We believe that minimizing the impact of our business activities in Japan and overseas on the environment will lead to sustainable operations. Accordingly, we believe that it is important for effluents and waste to be minimized as much as possible in a form with a low environmental impact.

Vision (attainment goal) / target

Mid-term targets are set for water use in Japan and overseas. Based on these targets, and after confirming water risks and the status of wastewater, we will improve recycled water use and ultimately aim for a closed system. We will work to achieve a reduction of 1% in waste materials per unit of waste, and aim for the attainment and maintenance of 100% recycling*¹. We will then aim to achieve total zero-emissions*² at all production bases. Specially managed industrial wastes such as PCB, asbestos, and chlorofluorocarbons will be appropriately processed in accordance with relevant laws and regulations.

*1 100% recycling: Achieve zero final disposal (= direct landfilled amount + incineration disposal amount resulting in ineffective use)

*2 Total zero-emissions: Make the direct landfilled amount zero.

Measures for vision achievement

- We will introduce water recycling facilities, increase recycled water use, and reduce the volume of water discharge.
- Even in the case of business locations that are legally entitled to have waste disposed of in landfill sites, we will look for and select industrial waste disposal contractors that do not conduct landfilling, and contract with them to undertake recycling processing.
- The processing of PCB-containing devices will be conducted within the deadline specified by law.

Review of FY 2016 Activities

At overseas production bases in areas with high water risks (Thailand and India), closed systems have been introduced at the time of plant construction, and there is minimal water uptake and no water discharge.

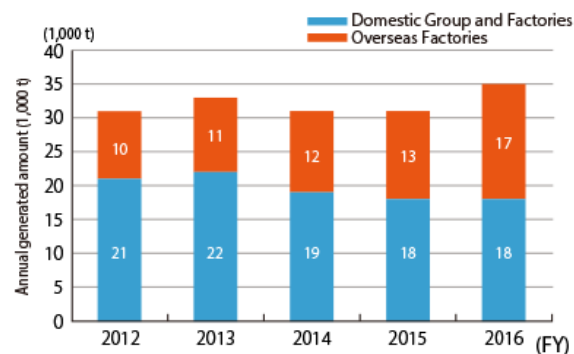
Amount of waste material generated at Group companies in Japan and overseas

The amount of waste material generated at all Group production bases in Japan and overseas during fiscal 2016 increased by 8.0% year-on-year to 35,003 tons due to the addition of four new overseas production bases.

We conduct recycling and activities aimed at achieving total zero emissions at all production bases in Japan and overseas.

We are conducting activities aimed at the target of total zero emissions by fiscal 2017 at our overseas production bases in North America (excluding one new production base in the United States).

Additionally, other new plants overseas are also developing activities aimed at achieving zero emissions.



PCB wastes

Used PCB-containing devices are properly stored and processed according to relevant laws and regulations. During fiscal 2016, 47 tons of PCB-containing devices were processed.

In fiscal 2016, we performed registration of PCB stabilizers, and are now waiting to have stabilizers processed.

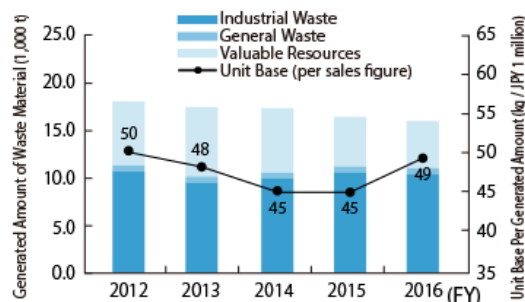
We will continue to implement proper processing of PCB-containing devices.

Introduction of Initiatives

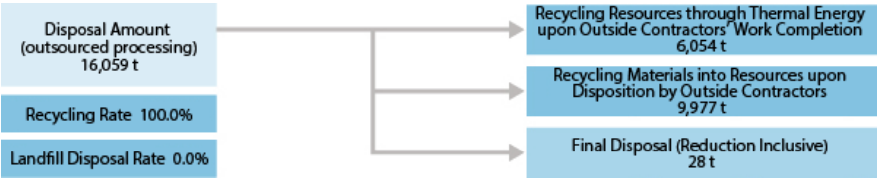
At the Onomichi Plant, we improved and strengthened water filtration capabilities, worked to stabilize water quality, and succeeded in significantly improving the period of possible repeated use.

Amount of waste material generated at production bases in Japan

The amount of waste materials generated in fiscal 2016 totaled 15,938 tons, representing a 3.4% decrease year-on-year; the unit base of the generated amount of waste materials (per net sales) deteriorated by 10.1% compared to the previous year.



The processing flow for waste materials at production bases in Japan during fiscal 2016 was as follows.



In order to prevent improper disposal such as illegal dumping, local audits of processing contractors are conducted every year. A total of 93 audits were conducted fiscal 2016, and it was confirmed that waste was properly disposed of.

Issues and Future Improvement Measures

- Selection of overseas production bases of industrial waste disposal contractors that don't conduct landfilling
- Development of low-water-use facilities, and review of and investment in closed systems
- Formulation of disposal plans for devices that are currently in use which contain low concentrations of PCB

Emissions

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KPI		
Item	FY 2015 results	FY 2016 results
Emissions of greenhouse gases	(Consolidated) Scope1 326 thousand tons Scope2 358 thousand tons Scope3 23,831 thousand tons	(Consolidated) Scope1 342 thousand tons Scope2 357 thousand tons Scope3 23,920 thousand tons
Ozone-depleting substances	Emissions of CFCs (Domestic) 483.4 tons	Emissions of CFCs (Domestic) 578.0 tons
HAPs (Hazardous Air Pollutants)	(Domestic) 31 tons	(Domestic) 27 tons

Responsible Departments

Each business location

* Activities are conducted by each location, and the direction of policies and activity measures are decided on by bodies that include the Global Warming Countermeasures Committee and the Chemical Substance Management Committee.

Stance and Target

Why is "Emissions" a critical issue to be addressed? Explanation of the reason and background

We use resources to manufacture and sell various rubber products such as tires, hoses, and belts. In addition, we handle chemicals adhesives and sealants. In particular, we recognize the reduction of emissions in the manufacturing process and the use of products as an important initiative that will lead to the prevention of global warming and environmental pollution, as well as sustainable operations at each business location.

Policies and stance relating to air pollution

The Yokohama Rubber Group will work to minimize the burden on the environment caused by the provision of products and services in accordance with [the Environmental GD100](#), [Yokohama Rubber Environmental Policy](#), and [Yokohama Rubber Group Action Guidelines](#).

To this end, we will develop and introduce environmental technologies while working together with various people involved in the provision of products and services to reduce air pollution throughout the entire value chain.

We comply with international agreements on emission, the regulations of each country (in Japan, the Energy Saving Act, Act on Promotion of Global Warming Countermeasures, etc.), and the regulatory response policy of related organizations such as the Japan Rubber Manufacturers Association while setting stricter self-imposed standards in order to control air pollution.

Risks and opportunities at the Yokohama Rubber Group related to greenhouse gas emissions

◀ Risks ▶

Risks include an increase in facility investment costs incurred in order to reduce emissions, an increase in energy costs related to the use of renewable energy, and global warming leading to deterioration in the working environment and an increase in investment costs for countermeasures.

◀ Opportunities ▶

We contribute to society by improving the energy efficiency of operations through the reduction of emissions, environmental conservation in the areas we operate in, and the external provision of heat insulation materials, etc. Because controlling emissions of volatile organic compounds (VOC) and air pollutants in addition to greenhouse gas emissions makes it possible to reduce the cost of environment-related investment, this leads to a reduction in product manufacturing costs.

Use of offsets

Use of offsets

Offsets are not used.

Vision (attainment goal) / target

As international regulations related to emissions become increasingly stringent, as a general rule we aim to achieve control standards equivalent to those of the developed economies.

The Yokohama Group is working to reduce total greenhouse gas (GHG) emissions as an energy use reduction target.

■ Long-term target:

By 2050, we will have reduced total CO₂ emissions throughout the entire value chain of the Group by at least 50% compared to the base year (fiscal 2005).

■ Mid-term target:

By 2030, we will have reduced total CO₂ emissions per unit of net sales throughout the entire value chain of the Group by at least 40% compared to the base year (fiscal 2005).

By 2030, we will have reduced the Group's Scope 1 and Scope 2 emissions, as well as product manufacturing related CO₂ emissions per unit of production output (through collaboration with our supply chain partners) by at least 30% compared to the base year (2013).

Measures for vision achievement

The Group conducts the following measures to monitor and reduce the environmental footprint that is produced through our production activities, R&D, and offices.

1. The Group sets independent management standards that are stricter than those required in accordance with laws and regulations, and based upon which we conduct constant monitoring.
2. Legally-required measurement results are regularly reported to government authorities and local residents.
3. We will strengthen activities aimed at reducing our environmental burden, such as improvements to our production process.
Conversion of energy used, introduction of renewable energy, control of waste heat through heat retention and insulation, and the introduction of the latest environmental technologies and systems.
4. Prevention of environmental pollution
Identification and remedying of environmental pollution risks, conducting regular monitoring and measurements, etc.

Review of FY 2016 Activities



There were no events that led air pollution.

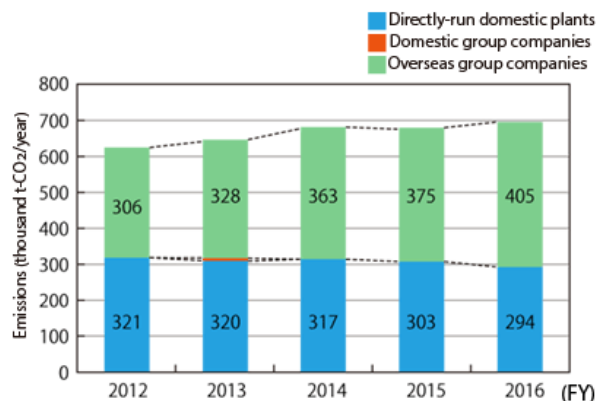
We carefully manage the concentration of our NO_x and SO_x emissions to fully comply with parameters specified by law.

Emissions of NO_x, SO_x, etc.
(Domestic) (Unit: tons)

Category	NO _x	SO _x
FY 2015	128.0	5.0
FY 2016	121.0	4.0

We do not use or emit any ozone-depleting substances. There were no cases of dioxin use.

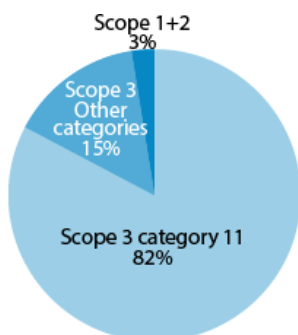
While GHG emissions decreased by 4% in Japan, because overseas emissions increased by 8% due to expanded production, emissions grew overall. Emissions of VOCs were down by 4% overall.



Scope 3 estimation

Scope 1 to 3 emissions for fiscal 2016 are as follows. A breakdown of Scope 3 is also displayed. Greenhouse gas emissions (Scope 1+2) resulting from the corporate activities of Yokohama Rubber during fiscal 2016 were 699 thousand t-CO₂, and greenhouse gas emissions for the entire value chain including indirect emissions (Scope 3) were 23,920 thousand t-CO₂.

Scope 3 accounted for 97% of this, and use of products accounted for 82% of Scope 3 emissions. We will work towards the spread of environmentally friendly products and fuel efficient tires while working together with suppliers to reduce GHG emissions throughout the value chain.



Category	Scope 3 category	Emissions (thousand t-CO ₂)
1	Purchased products and services	2,340
2	Capital goods	371
3	Fuel and energy	115
4	Transportation and distribution (upstream)	148
5	Waste	2
6	Business travel	22
7	Commuting employees	27
8	Upstream lease assets	NA
9	Downstream transportation and distribution	51
10	Processing of sold products	4
11	Use of products	20,275
12	Disposal of products	456
13	Downstream lease assets	0
14	Franchise	NA
15	Investment	111
		23,920

*1 Scope 1: Direct emissions of greenhouse gases by the company (examples: fossil fuel, natural gas, etc.)

*2 Scope 2: Indirect emissions of greenhouse gases by the company (electric power use, etc.)

*3 Scope 3: Greenhouse gases emitted indirectly by the Company through the supply chain (examples: manufacturing, transportation, business travel, commuting, etc.)

*4 The calculation was conducted in accordance with the criteria of Scope 3 issued by the GHG PROTOCOL.

Verification of greenhouse gas (GHG) emissions

Verification by a third party was obtained in order to verify the reliability of GHG emission calculation information.

■ Third-party greenhouse gas verification report

- [Japanese version \(337KB\)](#) PDF
- [English version \(452KB\)](#) PDF

Introduction of Initiatives

Conversion to the use of natural gas as fuel

The Vietnam Plant is reducing CO₂ emissions by switching over from using heavy fuel oil to using natural gas, which is a clean energy source with a low environmental burden.



Utilizing heat recovery technology to use factories' waste heat for air-conditioning (absorption chilling equipment)

By adopting absorption chilling equipment, which uses heat recovery from waste heat etc., we are able to reduce CO₂ emissions and also reduce peak electric power consumption during the summer months.



Absorption chilling equipment

Energy saving improvements through heat insulation materials

We manufacture and install heat insulation materials fitting the size of equipment and piping. We are implementing energy-saving activities that control heat release by installing heat insulation materials on and near steam pipework in our business locations both in Japan and overseas.



Pipe insulation

Energy-Saving Technology Committee

The Energy-Saving Technology Committee helps to improve the effectiveness of measures to reduce energy consumption through the adoption of energy management methods conforming to the Act on the Rational Use of Energy, the introduction of energy-saving equipment, etc.



Energy-Saving Technology Committee

Issues and Future Improvement Measures



Issues include thorough management of data on global air emission volumes at overseas sales bases, etc. and working to reduce emissions in collaboration with the supply chain.

Materials

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KPI

Item	FY 2015 results	FY 2016 results
Total volume of raw materials used	(Consolidated) 789,000 tons	(Consolidated) 757,000 tons
Ratio of rubber recycling	(Consolidated) 0.8%	(Consolidated) 0.8%

Responsible Departments

Technology and design departments

* Supervised by the 3Rs Committee

Stance and Target

Why is "Materials" a critical issue to be addressed? Explanation of the reason and background

Yokohama Rubber Group sells products using chemicals and natural capital such as natural rubber and water. These raw materials are made from the Earth's natural resources, and they are by no means infinite. Accordingly, we view using minimal raw materials, promoting the sales of recycled products (such as retread tires), and the delivery of products that will please customers and society using recycled raw materials (such as regenerated rubber) to be important issues.

Policies and stance relating to raw materials

The Yokohama Rubber Group will work to develop raw materials that minimize the burden on the environment, and to minimize procurement and use volumes in accordance with [the Environmental GD100](#), [Yokohama Rubber Environmental Policy](#), and [Yokohama Rubber Group Action Guidelines](#).

Vision (attainment goal) / target

By reducing the amount of raw materials used, promoting the sales of retread tires, and working to expand use of recycled raw materials, we will establish a raw materials procurement system that can be used in a sustainable manner with a minimal impact on the environment and society throughout the entire life cycle. These activities will contribute to reducing CO₂ emissions in Scope 3 Category 11 (product use stage) by fiscal 2050.

Measures for vision achievement

We will develop and use raw materials with a reduced burden on the environment and society through the following initiatives in order to achieve business continuity.

1. We will review factors such as structural design and material rigidity to fulfill the required performance while achieving weight reductions.
2. We will work to promote sales of retread tires.
3. Furthermore, we will develop tires and belts with a high regenerated mixture ratio, and reusable products.

Review of FY 2016 Activities

Expand the use rate of rubber recycled materials

The Yokohama Rubber group is effectively utilizing recycled materials, and working to expand the usage of regenerated rubber in all models of tires.

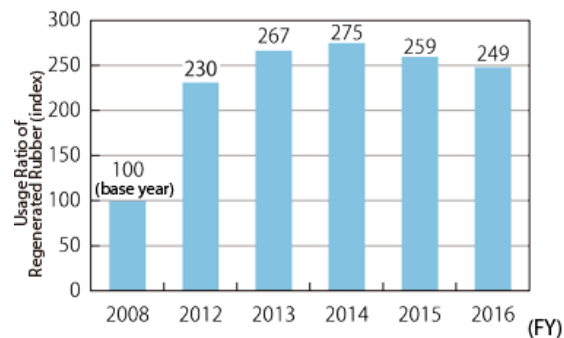
Rubber recycled materials can be categorized as three types—rubber powder, reclaimed rubber, and rubber reclaimed from our rubber trash.

The percentage of purchased raw materials accounted for by rubber recycled materials was 0.8% for the entire group (1.1% for domestic business locations and 0.4% for overseas business locations). We are working to enhance rubber compounding and blending technologies with the aim of increasing the adoption ratio of rubber recycled materials overseas.

Regenerated rubber powder is a powdered material obtained by grinding up waste tires, principally by using heat on the waste tires, and this recycled material contributes to major savings and recycling of resources. In the past, regenerated rubber powder had large particle size, and blending

with rubber resulted in degraded physical properties—this meant that it was difficult to use in tires. However, Yokohama Rubber established blending technologies that control physical degradation with compounds of fine powder grade, and commenced mass production of tires made from a compound of this regenerated rubber from February 2009. The use of regenerated rubber powder has expanded over the past five years, and the regenerated rubber use volume ratio at Yokohama Rubber has grown by 2.7 times since 2008.

Usage ratio of regenerated rubber in all Yokohama Rubber products*¹



*¹ Ratio of new rubber consumption based on results of acceptance inspections

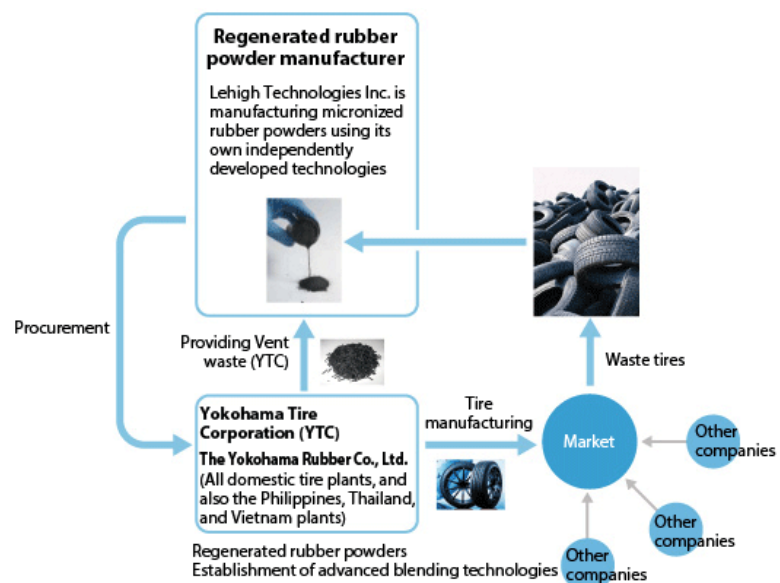
Currently, we are utilizing regenerated rubber powder in various compounds found mainly in PC, TB, and OR tread liners manufactured at our plants in Japan, the United States, the Philippines, Thailand, Vietnam, China, and India. In terms of technology, we will work to improve blending technologies, expand the applicable compounds that can be blended for regenerated rubber powder, and also actively strive to increase the compound volume through further miniaturizing of powder size.

Initiatives to expand usage, and development of new technologies

A regenerated rubber powder manufacturer has calculated that since use of recycled rubber powder was commenced at plants in the U.S. in 2006, the use amount at the Yokohama Rubber Group is equivalent to 1.47 million waste tires. This is equivalent to approximately 82,100 kl if converted into oil and equivalent to resource and energy savings of approximately 263,690,000 kWh if converted into power. In addition, if converted into CO₂ emissions, this is equivalent to an emissions reduction of approximately 31,149 tons.

We are newly establishing and expanding overseas plants, and we plan to produce tires incorporating regenerated rubber powder, further developing the effective usage of recycled materials.

Resources circulation by using regenerated rubber powder

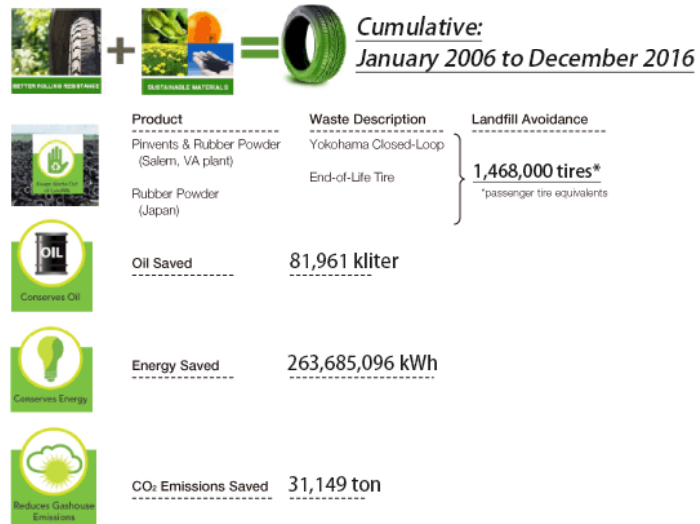


Environmental impact reduction effect from the use of regenerated rubber*²

Helping Tire Companies
Create the Greenest Tires Possible



Helping Tire Companies
Create the Greenest Tires Possible



*2 Data provided by Lehigh Technologies

High-rigidity wind sealant

Our automotive glass sealant (wind sealant) has a positive reputation for its high durability, and we have developed high-rigidity wind sealant to improve the rigidity of car bodies. This not only improves safety, but also contributes to lighter car bodies through a decrease in the volume of sealant used.

Recycling activities in the MB business

Currently, recycled rubber is mainly used in the manufacturing of rubber belts for use with railway track ballast; around 3.0% of such belts are made from recycled rubber. The thermoplastic resin used in hose manufacturing can be crushed and melted down again after use; however, in the past the powder generated in the crushing process has normally been discarded as waste. By introducing a two-stage crushing process, the crushed particles can be kept at a larger size in the first stage, controlling the generation of powder. The powder generated in the next stage of the crushing process can be collected and reused with the same level of traceability as the larger crushed particles. As a result, a recycling rate of over 90% has been achieved.

Issues and Future Improvement Measures

While using raw materials in business activities is unavoidable, our final goal is a state which minimizes the use of the Earth's resources.

A key issue is correctly assessing whether the use of reusable products and recycled materials is leading to a reduction in the use of the Earth's resources and the environmental impact, and to deploy these assessments on a global level.

Products and Services

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Item	FY 2015 results	FY 2016 results
Ratio of environmentally-friendly products to all products based on LCA	(Consolidated) 98.3%	(Consolidated) 98.9%
Reuse and recycling ratios for used products and packaging materials	(Consolidated) Used products Tires 47% MB 28% Packaging materials 98%	(Consolidated) Used products Tires 52% MB 56% Packaging materials 98%

Responsible Departments

Product development and planning division
Supervised by the Environmentally-Friendly Product Committee

Stance and Target

Why is "Environmentally-Friendly Products" a critical issue to be addressed? Explanation of the reason and background

LCA (life cycle assessment) refers to the method used to understand the environmental load (CO₂ emissions) in numerical data of each stage of the product lifecycle from production to disposal. In the case of tires, which are the core products of the Yokohama Rubber Group, 80–90% of CO₂ emissions take place during the usage period of the life cycle. For this reason, the Yokohama Rubber Group is focusing on coming up with environmentally-friendly products to realize low fuel consumption.

Policies and stance relating to products and services

In accordance with the basic stance set forth in [the Environmental GD100](#), [Yokohama Rubber Environmental Policy](#), and [Yokohama Rubber Group Action Guidelines](#), the Yokohama Rubber Group will work to prevent global warming, effectively use resources, and consider and improve chemical substance management in order to minimize the burden of products and services provided by the Yokohama Rubber Group on the environment. In addition, we will provide environmentally-friendly products with improved safety and quality (performance) to customers.

Vision (attainment goal) / target

We aim to make 100% of product sold environmentally-friendly products by 2017. The ratio is calculated based on the sales amount (sales amount of environmentally-friendly products / sales amount of all products).

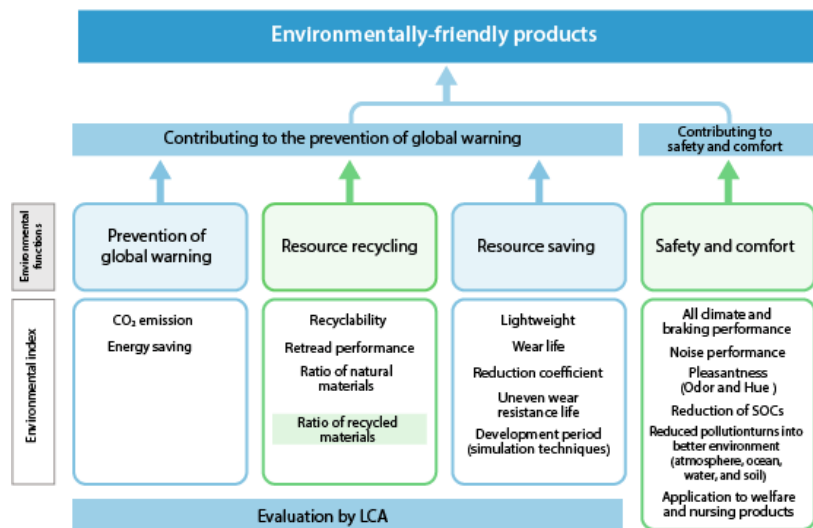
Measures for vision achievement

In order to achieve the Environmental GD100 basic policy of becoming a top-level environmentally-friendly company, and in accordance with the action guideline of making all products environmentally-friendly products, we will not only reduce emissions of greenhouse gases through products, but also work to ensure safety and comfort through means such as resource recycling, resource savings, and the reduction of chemical substances contained in our products. For new products, because we conduct environmental assessments at the beginning of the development process and have a framework under which development is not allowed if products do not clear our Environmentally-Friendly Products Regulations*, all new products that are released are environmentally-friendly products.

* Environmentally-Friendly Products Regulations:

The Yokohama Rubber Group defines environmentally-friendly products as newly developed products for which the average score of the four items of global warming prevention, resource recycling, resource conservation, and safety and comfort exceeds 5%, and for which the score for any of these items has not deteriorated.

◁ Four Pillars of Environmental Function and Environmental Function Index ▷



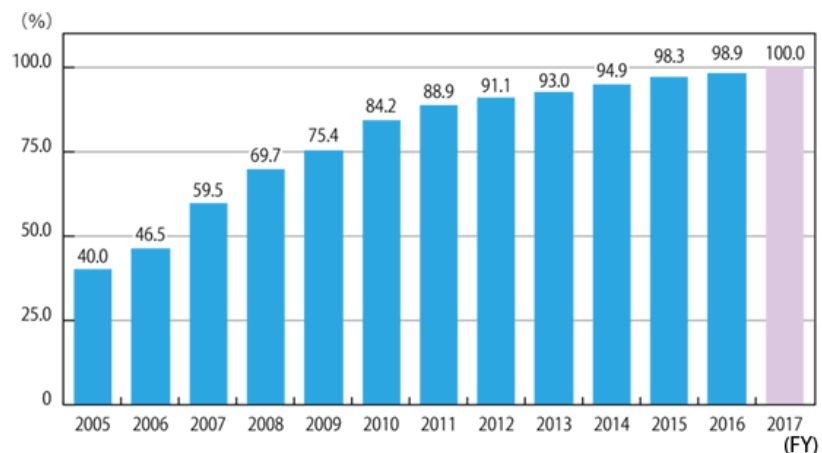
Review of FY 2016 Activities

The ratio of environmentally-friendly products for the Yokohama Rubber Group was 98.9%, and percentage for the fuel efficient tires lineup was 44%.

A performance assessment was not conducted for the degree of environmental contribution and environmental impact in the development of environmentally-friendly products.

In terms of the improvement effects, 86% of standard passenger vehicle tires manufactured in Japan were fuel efficient tires, and CO₂ emissions were reduced by approximately 1,080 thousand tons for GHG emissions at the stage of product use (Scope 3) indirectly emitted through the supply chain.

Results and targets for the environmental contribution ratio (overall)



* Environmental contribution ratio in products sold by the Yokohama Rubber Group (consolidated)

Introduction of Initiatives

Resin Adhesive (WS-242/AN-1)

There is a growing trend for automotive manufacturers to make more extensive use of plastic materials, in order to reduce vehicle weight. However, unlike metal plate, plastic components cannot be welded, and in the past plastic adhesives have also required the use of primers to be effective. Yokohama Rubber has succeeded in developing primer-less adhesive technology, and has launched a new adhesive product made from vegetable oil which features this technology.



This new adhesive product facilitates the use of plastic components in automotive manufacturing, which in turn contributes to reducing the burden on the environment by making it possible to reduce vehicle weight by around 40%.

| High-pressure Hydrogen Gas Hoses (ibar HG82)

For hydrogen infrastructure to be successfully deployed in society, the availability of durable, lightweight, flexible hoses that can withstand high pressures is an important prerequisite. Yokohama Rubber has developed a new hose specification that features a reinforced hybrid hose structure utilizing PBO fiber (Polybenzoxazole fiber) and steel wire, and has launched new hose products that meet the requirements outlined above.



| Fuel-efficient Tires (BluEarth RV-02)

Yokohama Rubber's BluEarth RV-02 tires were designed specifically for use on mini-vans, with a design concept that emphasizes fuel efficiency and good rain performance. The tire design effectively counters the problem of uneven wear that tends to affect tires on high vehicles, and also provides first-class noise performance; the tires have attracted positive comment because the reduced noise makes it possible to enjoy a relaxed conversation inside a mini-van.



Issues and Future Improvement Measures



One issue is the handling of old products that are difficult to replace with new products due to promises made to customers. The development and planning departments for each product will formulate implementation plans aimed at achieving 100% environmentally-friendly products, and we will conduct activities aimed at achieving our goals, which include an adjustment of the product structure, the development of lighter products through design review, and changes in manufacturing methods aimed at environmental improvements.

Environmental Grievance Mechanisms

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Total number of complaints concerning the environment formally submitted to the system for handling complaints concerning human rights

* Number subject to official procedures

FY 2015 results

(Consolidated) 0

FY 2016 results

(Consolidated) 0

Responsible Departments

Basic activities: each business location

Consolidation: Environmental Protection Promotion Department

Stance and Target

Why is "Environmental Grievance Mechanisms" a critical issue to be addressed? Explanation of the reason and background

The Yokohama Rubber Group, which has production bases in Japan and overseas, views the minimizing of the adverse effects of plants (such as noise and odors), communication with local residents, and creating trust relationships by continuing to live up to expectations, to be important for achieving sustainable operations in each region.

The Environmental Grievance Mechanisms is a system that allows anyone to file complaints, principally local residents that live near plants. It is a system that will enable us to make fully-fledged environmental improvements for local residents and also lead to environmental improvements within plants. For this reason, the Environmental Grievance Mechanisms has been selected as an import initiative for the Yokohama Rubber Group.

Policies and stance towards handling complaints

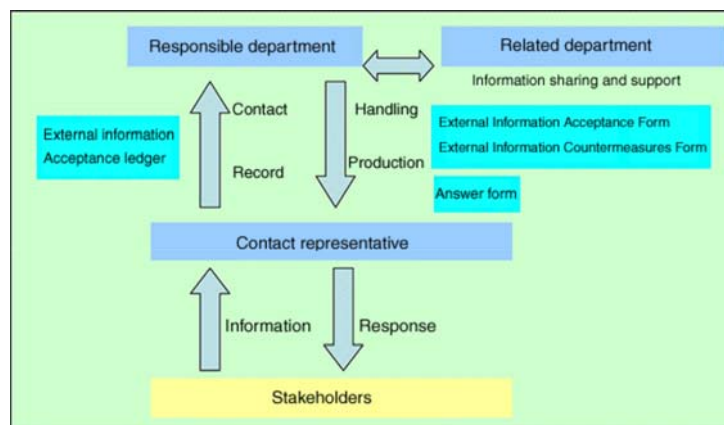
We aim to clarify the method for receiving information related to the environment both internally and externally throughout the entire company and achieve proper communications with external stakeholders, while promptly and accurately sharing information between business locations in order to prevent the occurrence of similar types of complaints throughout the entire company.

Overview of the Environmental Grievance Mechanisms

External environment information gathered at each business location that could involve environmental risks is entered in the External Information Acceptance Ledger, and it is determined whether the information constitutes an external complaint based on the external information standards of the company-wide guidelines. If such information is certified as an external complaint, it is handled in accordance with the emergency response standards of the company-wide guidelines. For information that is not certified as an external complaint, the relevant department will be contacted as appropriate if deemed necessary by the environment representative of each business location.

In the event of warning, guidance, or recommendations from the government, an External Information Acceptance Form will be issued and simultaneously sent to the Environmental Protection Promotion Department, other business locations, and the Tire and MB (industrial products) Production Environmental Task Force.

The Environmental Protection Promotion Department will provide advice on countermeasures while receiving advice from the Legal Department, and the entire Group will cooperate in response.



〈 Resolution process when a complaint is submitted 〉

If an environmental management representative has deemed that there has been an external complaint, an External Information Countermeasures Form will be issued and simultaneously sent to the Environmental Protection Promotion Department, other business locations, and the Tire and MB Production Environmental Task Force.

The Environmental Management Task Force of the business location will submit an answer form to an external information provider after reporting and gaining approval from the manager of the business location for all documents from complaint receipt to response. This answer form will be sent and shared if there has been a request from other business locations or the Environmental Protection Promotion Department.

〈 Users of the Grievance Mechanisms 〉

It can be used by all stakeholders.

〈 Methods for spreading awareness of the Grievance Mechanisms 〉

We have formulated company-wide guidelines for the Environmental Grievance Mechanisms that will be distributed to all business locations in Japan and overseas. In addition, every time regular audits are conducted at each business location, we will work to ensure awareness of the overview of the system and how to use it. At the same time, we will use opportunities such as the Environment Council to deepen an understanding of the system at each business location.

〈 Monitoring of the effectiveness of the Grievance Mechanisms 〉

We have decided on internal monitors and external monitors for each business location to gather information through regular visits, etc. conduct communication, and check that the complaint handling system is operating effectively.

■ Vision (attainment goal) / target

Manuals have been developed on complaint collection and response, and a system capable of uniform response throughout the Yokohama Rubber Group has been adopted. We will continue to utilize the monitor system so that the system continues to be operated appropriately. We will aim for zero complaints.

■ Measures for vision achievement

As measures to strengthen coordination between each business location, we will conduct regular audits and define business locations with high risks of environmental issues as focus business locations for regular follow-up, Environment Council attendance, and guidance on improvement methods.



There were two complaints in fiscal 2016.

One of our overseas plants received a complaint from a neighboring factory about dirt on an exterior wall and about hot air blow-through; one of our plants in Japan received a complaint about noise caused by concrete pipe disassembly.

In both cases, we offered an explanation to the parties that made the complaints, and took appropriate measures. To avoid having similar complaints recur in the future, information about the complaints and the measures taken in response was shared horizontally not only with all our facilities in Japan, but also with affiliated companies and overseas facilities. We are also continuing to enhance communication with stakeholders.

In the future, by analyzing the causes of complaints and developing suitable countermeasures, we will ensure that we are able to offer considerate explanations to the parties filing complaints and respond appropriately to their requests.

Issues and Future Improvement Measures



We will continue efforts to raise awareness of the complaint handling system both internally and externally, while continuing monitoring the system to enable appropriate system operation.

As regards countermeasures for odor issues, which constitute one cause of complaints, it is difficult to adopt uniform measures because the types and components of odors differ by business location, and they are highly susceptible to the sensitivity of individual people. With the aim of achieving zero complaints, we will conduct a detailed analysis of causes and implement further countermeasures in order to eliminate odorous components (through reaction, absorption, etc.).

Fair Operating Practices

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Stance

In order for Yokohama Rubber to be a company that continues providing value to society, partnerships with suppliers based on strong trust relationships are essential. In addition, the scope of corporate social responsibility has expanded to not only include one's own company, but also suppliers for the procurement of raw materials, goods, and services required for business activities, and we believe that it is necessary for Yokohama Rubber to promote CSR that improves corporate value for suppliers so that it is a win-win relationship for both companies. In particular, because there are suppliers from emerging and developing countries in the upstream of the supply chain for our business, we also recognize the importance of assessment from a social and environmental perspective.

This stance is declared in [the Basic Procurement Policy](#), and the actions that should be taken by employees are stipulated in [the Yokohama Rubber Group Action Guidelines](#).

Policy

Yokohama Rubber's Basic Procurement Policy

In making our CSR management vision a reality, we conduct our procurement activities in accordance with the policies below.

■ Optimal procurement of goods and services

In order to offer high-quality products, Yokohama Rubber strives to procure optimal materials, services, works and constructions.

■ Fair and impartial business

Yokohama Rubber does business based on principles of fairness, and free competition, and seeks its suppliers from all around the world.

■ Rational selection of our partners

Yokohama Rubber chooses its suppliers on the basis of economic rationality taking into comprehensive account the quality and prices that they offer and their stability of supply, technological development capabilities, and concern for the CSR and environment.

■ Partnerships

Yokohama Rubber nurture fair and cooperative relationship with its suppliers through sound transactions.

To build a sustainable society, Yokohama Rubber develops activities for CSR and environment contribution throughout its supply chains.

■ Compliance

Yokohama Rubber complies with all relevant legislation and social norms in its procurement activities and preserves the confidentiality of information obtained in the course of business. It also endeavors to act with moderation so as to avoid causing misunderstandings in light of commonly accepted social standards.

■ Harmony with the environment

Yokohama Rubber strives to procure raw materials that have less of an impact on the global environment.

Yokohama Rubber contributes to conservation of biodiversity and sustainable use of natural resources including Natural Rubber.

Yokohama Rubber Group Action Guidelines

We shall observe not only laws and regulations but also social norms.

〈 Basic stance of the Yokohama Rubber Group 〉

1. We shall not engage in any activity that is in violation of the competition-related law (antitrust legislation), any acts of bribery, and any other acts that deviate from laws, regulations, or business conventions.
2. We shall open our doors wide to all prospective suppliers, engage in just and fair transactions with them, and construct partnerships grounded in observance of laws and regulations and in mutual trust. In addition, we shall take approaches with them to CSR issues (in the aspects of the environment, safety, human rights & labor, and compliance), ascertain the facts of their situation, and proactively assist them in their related efforts.

〈 To practice our basic stance—our action 〉

1. We shall observe the competition-related law (antitrust legislation) in each host country and related laws and regulations (such as the Japanese Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors).
2. We shall maintain sound relations with political groups and public administrative authorities, and shall not engage in any acts of bribery, in Japan or any other country or region. We shall not entertain, give any gifts to, or give any money to business partners for the purpose of gaining illicit advantage.
3. We shall protect the intellectual property of the Yokohama Rubber Group, including technical information at hand. We shall not illicitly acquire or use intellectual property belonging to third parties, or infringe upon their rights.
4. We shall strive to understand and observe the laws and regulations pertaining to the work to which we are assigned, and to preclude the occurrence of risks in the workplace. In the event of any deviation, we shall swiftly make corrections.
5. When we suspect the existence of illegal acts in our own conduct or that of others, we shall not ignore it; instead, we shall confirm conformance with the law by utilizing the setup for whistle-blowing.

CSR Procurement Guidelines

[CSR Procurement Guidelines \(790KB\)](#) 

Message from a manager

The Yokohama Rubber Group's Procurement Policy is "to build relationships of trust based on equitable and fair trade in its aim for co-existence, prosperity, and mutual development" and to select suppliers based on economical reasonability under consideration of comprehensive perspectives; their quality, price, stable supply, ability for technology development, and consideration to the environment, human rights, and occupational safety and health. We believe that true CSR consists of expanding business with suppliers that can understand and support our policies in the areas near our production bases and working towards co-prosperity with the region rather than as a single company. We hold Supplier Study Meetings and CSR and Environment Contribution Awards as part of our aim to conduct CSR activities together.

Yasuo Hirokawa
General Manager,
Indirect Materials Procurement Department, Global Procurement Division

Vision for FY 2017

- Our company is able to enhance various CSR activities by working hand-in-hand with our partners.

Main action items to be addressed first

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of

social interest.



Data summary

[Fair Operating Practices \(495KB\)](#) PDF

Supplier Environmental Assessment

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Item

Ratio of new suppliers that business was commenced with after conducting an environmental impact assessment

FY 2015 results

100% (162 companies)

FY 2016 results

100% (159 companies)

Responsible Departments

Raw Materials Procurement Department, Indirect Materials Procurement Department, Global Procurement Division

Stance and Target

Why is "Supplier Environmental Assessment" a critical issue to be addressed? Explanation of the reason and background

The raw materials used in the major products of the Yokohama Rubber Group contain many petrochemical products (chemicals) including various types of synthetic rubber that can cause environmental pollution and have a negative impact on the lives of local residents during the manufacturing process. Because the worst case can lead to suspension of operations at suppliers, we have selected environmental impact assessments of suppliers as a critical issue to be addressed from both the perspective of the stable procurement of raw materials and the perspective of ethics.

Environmental impact assessment at the start of new business relationships

When adopting new raw materials, it is confirmed whether the materials comply with various regulations, and suppliers are asked to submit documents to serve as evidence of compliance.

1. Quality control survey form
2. Raw materials standards
3. Shipped materials inspection report
4. Safety data sheet (SDS^{*}) (the applicable raw materials are chemicals that include rubber compounding agents that SDS is applied to)
5. Specific toxic chemical substances survey form
6. Pledge of non-inclusion of substances prohibited by the European ELV Directive^{*}
7. Data proving non-inclusion of substances prohibited by the European ELV Directive
8. Four heavy metal substances survey form

In addition, we have issued the Green Procurement Guidelines that indicates the Green Procurement Policy of the Yokohama Rubber Group and our requests to suppliers in order to gain an understanding of these matters.

^{*} SDS: Safety data sheets are international standard-forms to provide information on the characteristics and handling of chemicals when transferring or providing chemical substances or products (chemicals) that contain them.

^{*} EU ELV Directive: An EU directive aimed at reducing the impact of end of life vehicles (ELV) on the environment.

Assessment of environmental impact in the supply chain

We ask suppliers to conduct a CSR self-check that includes a self-evaluation to report on matters including environmental management systems, substances of concern, and greenhouse gases. We revised the check sheet to further boost results in 2016.

〈 CSR self-check sheet 〉

取引先様の自己診断結果まとめ				
1. 自己診断結果 (自動集計)				記入年月日
下欄水色箇所をご記入下さい。				社名
※ 輸送物には該当する事項なしの場合、チェックボックス欄で「対象外」を記入して下さい。				記入者名
分野	項目	実点 ①	満点 ②	得点率 ③/④
人権の尊重及び差別禁止	差別禁止・人権尊重	0	25	0%
	暴力・脅迫・ハラスメントの排除	0	25	0%
	小計	0	50	0%
労働環境及び安全職場	就業守則の禁止	0	25	0%
	労働守則の禁止	0	25	0%
	適正な賃金	0	25	0%
	適正な労働時間	0	25	0%
	安全・健康な職場環境	0	25	0%
小計	0	125	0%	
環境保護・生物多様性の維持	環境マネジメントシステムの構築・運用	0	25	0%
	化学物質管理	0	25	0%
	温室効果ガス削減	0	25	0%
	資源・廃棄物削減	0	25	0%
	生物多様性保全・環境汚染防止	0	25	0%
小計	0	125	0%	
安全・高品質な製品・サービス	製品の安全確保	0	25	0%
	製品の品質確保	0	25	0%
	安定供給・リスクマネジメント	0	25	0%
	BCP (事業継続計画)	0	25	0%
小計	0	100	0%	
透明性の高い企業活動・適切な情報公開	ステークホルダーへの情報開示	0	25	0%
	正確な製品・サービス情報の提供	0	25	0%
	小計	0	50	0%
法令・社会規範の遵守	競争法の遵守	0	25	0%
	腐敗防止	0	25	0%
	競争情報の管理・保護	0	25	0%
	反社会的勢力の排除	0	25	0%
	適切な輸出取引管理 等	0	25	0%
小計	0	150	0%	
地域 (コミュニティ) への貢献	社会貢献	0	20	0%
	従業員の社会貢献活動支援	0	20	0%
小計	0	40	0%	
サプライチェーンのCSR	サプライヤーのCSR活動推進	0	20	0%
	小計	0	20	0%
合計		0	550	0%
2. 診断を通じて気づいたこと 取引先様の強みや、改善が必要と考えた取組などを自由に記入下さい。				
3. ご意見・ご要望 診断に対するご意見・ご要望を自由に記入下さい。				

Countermeasures in response to suppliers found to have a significant impact on the environment

While there have not been any such cases up until now, in such a case we will hold direct discussions with supplier plants on improvement points, causes, and improvement measures, and then implement these measures. We will suspend transactions in cases when improvements are not seen or malicious cases such as false reports.

Vision (attainment goal) / target

We completed the revision of the check sheet in 2016.

We will start assessments with the new check sheet from 2017, and conduct visiting audits to major suppliers based on it. We believe that checks from third-party perspective may also be necessary in some cases in the future.

Measures for vision achievement

Study meeting have nearly been completed for procurement representatives at domestic and overseas business locations of the Yokohama Rubber Group.

In addition, by holding study meetings for domestic suppliers, we communicate the policies of the Yokohama Rubber Group towards requests to suppliers including those related to the environment and make an appeal for understanding of visiting audits. We will work to further expand the scope of such meetings going forward.

We held Suppliers' Day at the Head Office and conducted CSR education for overseas suppliers of natural rubber. In addition, we also separately conducted questionnaires with the suppliers described above in an effort to assess the current situation and to further spread measures. Basic trading contracts also include clauses on compliance including environmental protection and human rights, as we have put into place a system to ensure that transactions are conducted in accordance with the CSR Procurement Policy.

Review of FY 2016 Activities

- Among all 159 new suppliers in Japan, there were no suppliers that caused an environmental impact.
- A CSR study meeting was held and attended by 312 persons representing 332 suppliers.
- All members of procurement departments received compliance training.

Number of companies that participated in CSR supplier study meeting (objective: more than 90%)

	Number of target companies*	Number of participating companies	Participation rate (%)
FY2013	329	298	90.6
FY2014	331	299	90.3
FY2015	351	317	90.3
FY2016	346	312	90.2

* Target companies: Medium and small-size companies with a certain level of transactions

Green procurement

Yokohama Rubber has been working on the development and usage of raw materials to contribute to the environment under the cooperation of our business partners with preservation of forest resources, control global warming, usage of recycled raw materials, and expansion of non-petroleum raw materials as the main themes.

Furthermore, we manage parts procurement based on the Yokohama Green Procurement Guidelines. We ask that all suppliers confirm whether products contain SOC (substances of concern) and ask that they submit a statement of non-use.

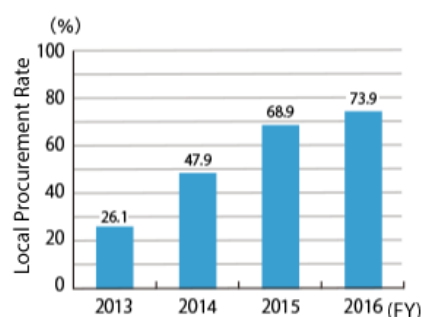
We have made preparations to participate in SNR-i activities of the International Rubber Study Group (IRSG) from the beginning of fiscal 2017 that are aimed at the achievement of a sustainable natural rubber economy.

Reductions in CO₂ emissions from shipment (promotion of local procurement adoption)

Further advances were made in the adoption of local procurement in at plants in China. In addition, we were able to switch from raw materials important from Japan to local procured goods at plants in North America as well. We were also advancing with the adoption of Russian raw materials at plants in Russia.

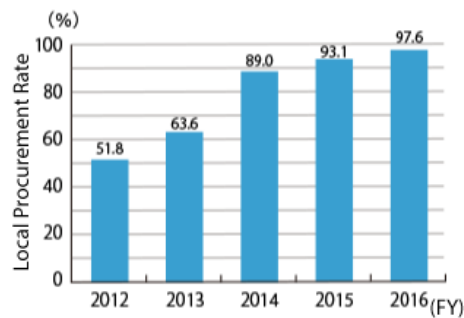
Changes in local procurement in Russia

Changes in local procurement in Russia

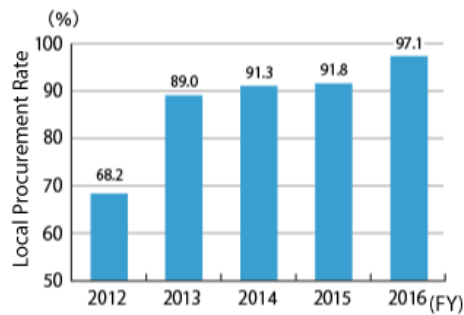


◁ Changes in local procurement in China ▷

Changes in local procurement in our Suzhou Plant



Changes in local procurement in our Hangzhou Plant



Yokohama Green Procurement Guidelines

With the management of chemical substances contained in products as a form of entrance control, we ask that suppliers work towards environmental preservation and manage procurement items in accordance with our Green Procurement Guidelines.

Furthermore, based on our Green Procurement Policy, we purchase raw materials, outsourced items, and subsidiary materials in accordance with environmental footprint standards.

Expansion of agroforestry plantations in Thailand

Y.T. Rubber Co., Ltd. (YTRC), a natural rubber processing company located in Thailand, supports the agroforestry plantation methods advocated by Professor Sara of Songkla University, and YTRC has begun initiatives to introduce this method to rubber plantations owned by neighboring farmers and the families of employees to validate its effectiveness.

◁ Theory behind Professor Sara's agroforestry method ▷

- The following synergistic effects will be achieved by planting different tree species between the rows of natural rubber trees grown at plantations.
- Other trees will promote the growth of natural rubber trees increasing yield, extending their life, and reducing the amount of chemical fertilizers used
- Products harvested from other trees, such as fruit, bamboo and wood, increases farmer income
- Compared to conventional rubber tree plantations, trees can be maintained in a state that is close to a natural forest

In 2016, YTRC worked together with Professor Sara to provide guidance to and conduct verification on experimental plantations nearby. In addition, we started to create organic fertilizer and supply it together with seedling to nearby plantations and government agencies (2,350 seedlings, 2 tons of fertilizer).



We are also conducting questionnaire surveys with natural rubber suppliers in Thailand to assess the state of natural rubber farmers and farms and to gather information on CSR activities that are being conducted.

Issues and Future Improvement Measures



Because the number of suppliers is also on the rise as our business expands, creating a database of supplier information including environmental impact is an urgent task.

In addition, we recognize keeping self-checks by suppliers uniform at a high level as an important issue, and accordingly we identify issues and use them as the main theme of study meetings as we work towards improvements. Furthermore, in order to promptly implement the above, we recognize the need to aim for further improvements in the level of procurement representatives at the domestic and overseas business locations of the Yokohama Rubber Group.

We also analyze the aggregated results of questionnaires with overseas suppliers of natural rubber, and consider countermeasures.

Supplier Assessment for Labor Practices

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KPI

Item	FY 2015 results	FY 2016 results
Ratio of new suppliers that business was commenced with after conducting a labor practices assessment	(Consolidated) 100%	(Consolidated) 100%
Number of suppliers identified with a negative impact on labor practices after conducting a CSR self-diagnosis and detailed analysis	—	Zero We requested suppliers to conduct a CSR self-diagnosis, and conducted a more detailed analysis on the response to labor practices. There were no suppliers identified that had a negative impact on labor practices.

Responsible Departments

Raw Materials Procurement Department, Indirect Materials Procurement Department, Global Procurement Division

Stance and Target

Why is "Supplier Assessment for Labor Practices" a critical issue to be addressed? Explanation of the reason and background

Yokohama Rubber Group's products use natural resources that include natural rubber, fats, oil, and minerals, as well as industrial products and processed goods. We recognize conducting labor practices assessments as an important issue because in order to ensure stable and ethical procurement in the future, the development of a healthy and safe working environment for the people who work in the development and collection of human resources and the manufacturing of industrial products and processed goods that allows them to live safely together with their families is important.

Labor practices assessment at the start of new business relationships

We conduct CSR questionnaires and request answers to questions concerning labor conditions.

Assessment of labor practices in the supply chain

We recognize that in some countries and regions where our business locations are located there may be cases of people coming to work from other countries and regions, and for this reason there is the possibility of the same work conditions not applying for the same work.

Countermeasures in response to suppliers found to have a significant impact

We request that corrective action is taken by suppliers that are found to have a significant impact.

For example, we deem the impact to be significant in cases such as child labor (that results in children not going to school, etc.) and forced labor (long working hours, lack of appropriate breaks, low wages, etc.).

In malicious cases, we notify suppliers of penalties such as limitations on some transactions and respond according to the situation.

Vision (attainment goal) / target

We aim for the creation of a framework that ensures assessments are conducted in every case of procurement of local raw materials at the time of industry reorganization or expansion into new countries and regions so that contracts are entered after confirming local conditions.

Measures for vision achievement

We will check that our employees are reliably conducting assessments of new suppliers in accordance with the action guidelines and procurement code of conduct.

Review of FY 2016 Activities



At CSR workshops, we requested suppliers to make efforts to prevent and rectify labor issues within the scope of their influence, which includes not only their own company, but also their subsidiaries and suppliers. Questionnaires and visiting audits were conducted on suppliers, and no cases requiring improvement were found.

Questionnaire surveys were also conducted with natural rubber suppliers in Thailand.

Issues and Future Improvement Measures



We will promote the implementation of management systems in order to share information across the Group on conditions in countries and regions we expand our business into in the future.

We analyze the aggregated results of questionnaires with overseas suppliers of natural rubber, and consider countermeasures.

Supplier Human Rights Assessment

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KPI

Item	FY 2015 results	FY 2016 results
Ratio of new suppliers that business was commenced with after conducting a human rights assessment	(Consolidated) 100%	(Consolidated) 100%
Number of suppliers identified with a negative impact on human rights after conducting a CSR self-diagnosis and detailed analysis	—	Zero We requested suppliers to conduct a CSR self-diagnosis, and conducted a more detailed analysis on the response to human rights. No specific suppliers were identified to have negative impacts on human rights

Responsible Departments

Indirect Materials Procurement Department, Raw Materials Procurement Department, Global Procurement Division

Stance and Target

Why is "Supplier Human Rights Assessment" a critical issue to be addressed? Explanation of the reason and background

Yokohama Rubber Group's products use natural resources that include natural rubber, fats, oil, and minerals, as well as industrial products and processed goods. For this reason, the risk of human rights issues in some regions cannot be denied as we promote local procurement accompanying the global expansion of the supply chain and the expansion of overseas business locations, and in order to ensure stable and ethical procurement in the future we recognize conducting labor practices assessments on the people who work in the development and collection of human resources and the manufacturing of industrial products and processed goods as an important issue.

Policies and stance relating to human rights assessments of suppliers

Under [Yokohama Rubber's Basic Procurement Policy](#) and [the Yokohama Rubber Group Action Guidelines](#), it stipulates that we should work towards fair business practices and conduct procurement activities that take the human rights of the employees of suppliers into consideration.

Labor practices assessment at the start of new business relationships

We conduct CSR questionnaires and request answers to questions concerning human rights to confirm that there are no issues.

Recognition of the impact of human rights in the supply chain

We recognize that in some countries and regions where our business locations are located there may be cases of people coming to work from other countries and regions, and for this reason there is the possibility of acts or treatment that damage human rights occurring.

Countermeasures in response to suppliers found to have a significant impact

We request that corrective action is taken by suppliers that are found to have a significant impact. In malicious cases, we notify suppliers of penalties such as limitations on some transactions and respond according to the situation.

Vision (attainment goal) / target

We aim for the creation of a framework that ensures assessments are conducted in every case of procurement of local raw materials at the time of industry reorganization or expansion into new countries and regions so that contracts are entered after confirming local conditions so that there is

no damage to human rights in our supply chain.

Measures for vision achievement

We will check that our employees are reliably conducting assessments of new suppliers in accordance with the action guidelines and purchasing code of conduct.

Review of FY 2016 Activities

Each of our business sites hosted CSR study meetings for suppliers and study sessions on outsourcing guidelines for persons in charge at Yokohama Rubber. CSR study sessions were held at seven business locations, with a total of 312 suppliers participating.

Discussions were held during study sessions, while CSR surveys and visiting audits of suppliers were also conducted, but there were no cases requiring improvement by suppliers.

Study sessions on outsourcing guidelines are held to educate Yokohama Rubber Group employees about the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and prevent legal violations.

Speakers (attorneys) were sent from the Small and Medium Enterprise Agency to each business site, giving presentations at eight locations.

A total of 441 employees attended, including employees of Yokohama Group Companies.



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Introduction of Initiatives

At CSR workshops, we requested suppliers to make efforts to prevent and rectify human rights issues within the scope of their influence, which includes not only their own company, but also their subsidiaries and suppliers. In addition, we incorporated compliance (corporate scandals), and made efforts to exchange opinions.

Questionnaire surveys were also conducted with natural rubber suppliers in Thailand.

Issues and Future Improvement Measures

We will continue to create opportunities to share and study together the challenges faced by suppliers. We also analyze the aggregated results of questionnaires with overseas suppliers of natural rubber, and consider countermeasures.

Supplier Assessment for Impacts on Society

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KPI

Item	FY 2015 results	FY 2016 results
Ratio of new suppliers that business was commenced with after conducting a social impact assessment	(Consolidated) 100%	(Consolidated) 100%
Negative impacts on societies in the supply chain and actions taken	Various surveys, studies and audits were performed on 162 companies that we did business with for the first time No specific suppliers were identified to have negative impacts on human rights	Various surveys, studies and audits were performed on 159 companies that we did business with for the first time No specific suppliers were identified to have negative impacts on human rights

Responsible Departments

Raw Materials Procurement Department, Indirect Materials Procurement Department, Global Procurement Division

Stance and Target

Why is "Supplier Assessment for Impacts on Society" a critical issue to be addressed? Explanation of the reason and background

The raw materials used in the major products of the Yokohama Rubber Group contain many petrochemical products (chemicals) including various types of synthetic rubber that can cause environmental pollution and the lack of communication with local residents that live near production plants could have a negative impact. In addition, if materials used at business locations are purchased from local suppliers, there could be cases of fair trade not being conducted or costs increasing resulting from delivery delays, defective parts, etc.

In addition, in response to the possibility of profits from transactions involving minerals (tantalum, tin, tungsten, and gold) in conflict areas being used as funding for anti-social organizations, the Securities and Exchange Commission (USA) established the Dodd-Frank Act that calls for the identification of refiners. We have selected social impact assessments of suppliers as a critical issue to be addressed from both the perspective of the stable procurement of raw materials and the perspective of ethics.

Social impact assessment at the start of new business relationships

When newly adopting raw materials, we request suppliers to answer a questionnaire on (1) whether a framework for just and fair trade has been established, (2) external communication frameworks, and (3) what kind of activities they conduct. In addition, we also ask suppliers to participate in CSR Supplier Study Meetings and to cooperate with surveys on conflict mineral use.

Recognition of social impact in the supply chain

We recognize that in some countries and regions where our business locations are located there is the possibility of corruption related to commercial transactions, compliance, or anti-competitive behavior occurring due in part to the impact of culture or customs.

Countermeasures in response to suppliers found to have a significant impact

We request that corrective action is taken by suppliers that are found to have a significant impact, and promote improvements together. In malicious cases, we propose penalties such as limitations on some transactions.

Vision (attainment goal) / target

As production sites expand on a global level going forwards, we aim to conduct appropriate procurement in each country and region and increase the ratio of appropriate procurement. To that end, we aim to establish a structure that conducts a social impact assessment at the time contracts are entered with new suppliers to confirm that there are no issues in advance.

| Measures for vision achievement

We hold CSR Supplier Study Meetings to share information on matters including corporate scandals and the objectives and main points of the CSR Procurement Guidelines that were revised in 2016, as well as response to these matters.

Basic trading contracts also include clauses on compliance including environmental protection and human rights, as we have put into place a system to ensure that transactions are conducted in accordance with the CSR Procurement Policy.

| Responding to conflict minerals

At the Yokohama Rubber Group, we endeavor to take into consideration human rights, society, and the environment in our global procurement activities.

As part of these efforts, we do not intentionally use minerals (tantalum, tin, gold, and tungsten) from conflict areas in the Congo.

Review of FY 2016 Activities



We conducted various questionnaires, survey, and audits with 159 companies that we commenced businesses with during fiscal 2016, and there were no items that required improvement.

For products delivered to customers that are listed on the stock market in the US, there were no raw materials that used minerals (tantalum, tin, tungsten, and gold) coming from conflict areas. In addition, questionnaire surveys were also conducted with natural rubber suppliers in Thailand.

Issues and Future Improvement Measures



We recognize the continual acquisition and management without exception of results of surveys and assessment on the social impact of suppliers of raw materials used in the products of the Yokohama Rubber Group as an important issue.

We also analyze the aggregated results of questionnaires with overseas suppliers of natural rubber, and consider countermeasures.

Grievance Mechanisms for Impacts on Society

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Item

Total number of complaints concerning social impact formally submitted to the Grievance Mechanisms for impacts on society
* Number of cases where formal procedures were taken

FY 2015 results

(Consolidated) 0

FY 2016 results

(Consolidated) 0

Responsible Departments

Contact point: Procurement departments and sales departments

Response and support: Corporate Compliance Department, legal and HR departments

Stance and Target

Why is "Grievance Mechanisms for Impacts on Society" a critical issue to be addressed? Explanation of the reason and background

At the Yokohama Rubber Group, there is a diverse range of people that work at domestic and overseas business sites, and there is also a diverse range of compliance complaints. In addition, because a broad range of activities can be perceived as anti-social behavior in business activities with suppliers depending on differences in culture and customs in that country or region, we recognize the establishment and functioning of contact points that allow for direct reports or consultations on issues such as corruption, anti-competitive practice and sexual harassment as well as abuse of authority and handle complaints to be an important issue in both in Japan and overseas.

Grievance Mechanisms policy

The following seven items are set forth in the Yokohama Rubber Group Action Guidelines, and the same policy is followed in handling complaints.

1. We shall respect human rights inside and outside the company.
2. We shall create workplaces that are safe and healthy.
3. We shall harmonize our activities with the global environment.
4. We shall provide safe and high-quality products and services.
5. We shall conduct corporate activities with a high transparency and practice proper disclosure of information.
6. We shall observe not only laws and regulations but also social norms.
7. We shall aspire to harmony and prosperity with local communities.

Overview of Grievance Mechanisms for impacts on society

In Japan, the Corporate Compliance Department has established a whistle-blowing system that consists of the Corporate Compliance Hotline and General Counseling Room. In addition, a Compliance Officer has been assigned to all departments and related subsidiary companies overseas and in Japan, and whistle-blowing systems have been established at overseas business locations in accordance with the laws of those countries and regions. The Compliance Officers in procurement and sales departments gather complaints and inquiries from suppliers concerning business transactions through the CSR procurement contact point and other organizations. Complaints concerning social impact are jointly resolved by the Corporate Compliance Department, Legal Department and HR departments in addition to the responsible department.

Scope of use of the Grievance Mechanisms

The system can be used by all executives, employees, part-time employees, temporary employees, dispatch employees, and employees of contractors that work at the Yokohama Rubber Group.

Methods for spreading awareness of the Grievance Mechanisms

The system is described on the intranet that can be used within the Yokohama Rubber Group, and it clearly states that consultations and reports can be conducted either with one's name stated or

anonymously. In addition, a Compliance Card that states matters including the whistle-blowing process is distributed to all employees to inform them of the presence of contact points.

◀ Resolution process when a complaint is submitted ▶

1. The Corporate Compliance Department confirms the facts related to the consultation by the whistle-blower.
2. The necessary measures are taken in consultation with the procurement departments and sale & marketing departments.
3. The results are directly reported to the whistle-blower if they have disclosed their name. Reminders are issued within the company as necessary if the whistle-blower is anonymous.

| Monitoring of the effectiveness of the Grievance Mechanisms

At the Corporate Compliance Committee that is held quarterly with the Director responsible for compliance as the Committee Chair, reports are made, the appropriateness of response is assessed, countermeasures are implemented, and follow-up is conducted.

| Vision (attainment goal) / target

A code of conduct for each business location, whistle-blowing system, and meeting bodies have been established at each business location including overseas business locations in an aim for uniform management.

| Measures for vision achievement

We will continue communication through a document called the Compliance Monthly with each business location once per month. As the management of each business location has a high level of interest and similar awareness of compliance, in the three-year plan we plan to create a system under which the three points above are uniform, while also translating guidelines into local languages and establishing a reporting system.

Review of FY 2016 Activities



There were no complaints concerning the impact on society for which official procedures were conducted.

Issues and Future Improvement Measures



Challenges include creating opportunities for compliance representatives at each business location and enhancing sensitivity to ensure that no issues are overlooked.

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Stance

As a company that provides products directly connected to the safety of customers consisting of tires for passenger vehicles, trucks, buses, construction vehicles, racing vehicles, etc., it is our corporate duty to provide safe products that will satisfy customers, and to ensure that it is possible for everyone to access accurate information. In addition, we would like to educate consumers on sustainable consumption and work to support the needs of consumers in a weak or disadvantageous position.

This stance is declared in [the Quality Policy](#), and the actions that should be taken by employees are stipulated in [the Yokohama Rubber Group Action Guidelines](#).

Policy

Quality Policy

We will contribute to society by planning, designing, producing, and selling attractive products for the satisfaction of our customers while maintaining a quality assurance system in all of our processes, including service. To this end, we will conduct systematic activities to ensure that all the basic steps in our quality assurance activities function properly.

Yokohama Rubber Group Action Guidelines

We shall provide safe and high-quality products and services

〈 Basic Stance of the Yokohama Rubber Group 〉

We shall develop, design, manufacture, and sell attractive products that satisfy customers; provide society as a whole with safe and high-quality products and services; and endeavor to enhance the value of the Yokohama Rubber brand.

〈 To practice our basic stance — our action 〉

1. We shall listen to the views of our customers, accurately ascertain their needs, and develop, design, manufacture, and sell products of genuine use to society.
2. We shall provide our customers with appropriate information concerning our products.
3. In the manufacture and sale of our products, we shall observe the laws and regulations on safety applied in each host country and region.
4. We shall proactively participate in the construction and operation of companywide mechanisms to assure the quality of our products.
5. We shall take prompt action in response in the event of accidents related to our products.
6. Through these actions, we shall work to enhance the value of the Yokohama Rubber brand.

Message from a manager

As a company that prioritizes customer satisfaction, and that strives to be an enterprise that wins the unshakeable trust of all stakeholders, "Quality" and "Service" are at the heart of everything we do.

The fact that customers are willing to choose and use our products out of the many different competing products available on the market is itself a demonstration of the trust that customers have in us, and this trust is underpinned by our company's firm commitment to "Quality" and "Service."

Looking ahead to the future, we will continue to live up to our responsibility to provide customers with products and services that they can use with real peace of mind. To realize a continued enhancement of the quality of the products and services of our expanding and diversifying network of overseas production and sales locations and our partner companies, we are working steadily to expand the scope of implementation of the Yokohama Rubber Quality Management System (QMS). By implementing systematic improvements, not only in the after-sales service that customers receive but also in the training of service engineers (including preliminary awareness-raising activities), the holding of training seminars at sales locations both in Japan and overseas, and the training materials and programs used for these activities, we are working to build a closer relationship between our company and our customers.

Yasuhiko Seita
General Manager
Tire Quality Assurance Department

Tetsuya Honda
General Manager
MB Quality Assurance Department

Vision for FY 2017

- A uniform quality assurance system corresponding to the expansion of global production sites
- Global service structure that covers our entire product range
- Raise awareness about the proper use of products to enhance customer safety and help realize a low-carbon society
- Implement quality education for all employees including production sites and services

Main action items to be addressed first

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of social interest.

Customer Health and Safety	Product and Service Labeling	Marketing Communications
Customer Privacy	Compliance (Product Liability)	

Data summary

[Consumer Issues \(495KB\)](#) 

Customer Health and Safety

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Item	FY 2015 results (Consolidated) 0	FY 2016 results (Consolidated) 0
Total number of violations of regulations and voluntary standards concerning product safety		
Implementation rate of product safety and evaluation (including determination based on compliance with design standards) based on review of design plan for tire products and MB products.	100%	100%

Responsible Departments

Tire Quality Assurance Division (including related products)
 MB Quality Assurance Department (products other than tires)
 Monitoring by the Quality Audit Department from an internal third-party position

Stance and Target

Why is "Customer Health and Safety" a critical issue to be addressed? Explanation of the reason and background

If there is a quality issue with tire products or MB products of the Yokohama Rubber Group, it could have a significant impact on the customer's life, property, or environment. In order to achieve sustainable management, it is important to create trust among customers so that they feel secure in using the products of the Yokohama Rubber Group, and quality issues could lead to a loss of trust from customers.

Based on this awareness, the Yokohama Rubber Group has selected customer health and safety as a critical issue to be addressed.

Policies and stance towards handling complaints

Quality Policy

We will contribute to society by planning, designing, producing, and selling attractive products for the satisfaction of our customers while maintaining a quality assurance system in all of our processes, including service.

To this end, we will conduct systematic activities to ensure that all the basic steps in our quality assurance activities function properly.

Response to quality issues calls for preventive measures, prompt prevention of issues spreading after occurrence, and countermeasures to address the source of issues. We conduct risk assessments and countermeasures that put the safety of customers first for all quality issues, while addressing the need to immediately implement measures to prevent issues from spreading, from the perspective of recurrence prevention. In order to achieve this, we share all of the processes from cause investigation to permanent countermeasures in response to quality issues throughout the entire Group, and implement mutual surveillance and horizontal deployment.

Impact assessment on product health and safety implemented in each process

Process	Impact assessment on product health and safety
Development of product concept	In plan examinations, we decide on the target quality in new product development based on existing product quality information and forecasts of customer use conditions, and share points to remember concerning product safety with the related departments.
R&D Process	Through internally stipulated design reviews, we finalize the means and measures for achieving the target quality described above, confirm conformance with the regulations, standards, and certifications of the destination of shipment, and confirm conformance with the customer's requirements. We only move on to the mass production process once this has been ensured.
Manufacturing and production	Legitimacy tests and inspections are conducted to confirm that the target quality has been secured in mass production. The certainty of the effectiveness of our process quality assurance and inspections in each manufacturing process is also maintained through means such as regular internal audits.
Marketing and advertisements	In order to ensure product safety, we inform customers and business partners of product handling through means such as catalogs and our website.
Storage and distribution	In order to deliver product quality to customers we monitor the storage and distribution process for the presence of defects so that we can achieve improvement measures.
Use	We recognize the necessity of explanations and warnings on product use methods, and communicate to spread awareness accordingly. In addition, we endeavor to communicate with customers through customer satisfaction and technology service activities, and we provide feedback to design departments in order to achieve continuous improvements.
Disposal, reuse, and recycling	We also conduct control for the retread process for truck and bus tires.

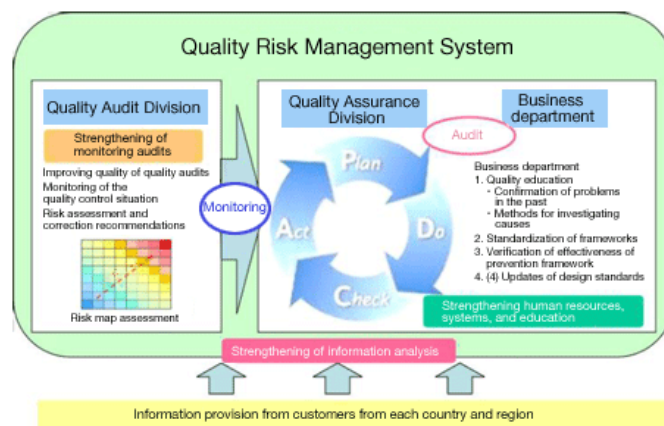
Measures for vision achievement

In order to further improve the quality activities (PYB management*) we have conducted in the manufacturing process up until now, we will strengthen frameworks for the development of human resources capable of watching over changes in the quality of products released in the market and the prompt communication of such information, and also enhance internal quality audits on a global level in order to confirm that such frameworks are functioning without any issues.

* PYB management: A management system that prevent recurrence in the stages of P (pink, specification), Y (yellow, implementation of improvements), and B (blue, confirmation of effects) when a defect is found in the manufacturing process.

< System >

For all major quality issues involving products and services provided to customers on a global level, Yokohama Rubber conducts its own risk mapping on what kind of impact defects can have on the customer in all aspects ranging from their self, family possessions, and environment, as well as what kind of potential risks there are, and then analyzes and classifies these risks quantitatively. Based on these results, business quality assurance and service departments ensure the implementation of internal handling that prioritizes customer safety and is prompt, legitimate, and compatible, while the check and monitoring function is fulfilled by the Quality Audit Division.



〈 Response when a problem occurs 〉

If it has been determined that it is not possible to sufficiently ensure customer safety, internal procedures are implemented as quickly as possible, legitimate market measures are adopted, and means such as our website and external media are used to notify customers.

〈 Advance prevention and recurrence prevention 〉

Through the quantitative classification of potential risks in accordance with a quality management system (QMS) and the adoption of a preventive safety design stance based on FMEA*, we are working to establish a framework that ensures that the same kind of quality issue does not occur twice.

While the phenomenon of quality issues differs depending on the business or product, we share cases and countermeasures throughout the Group because there are many similarities in approaches even for different businesses or products, including design approach, risk prediction, environmental consideration, and causes and measures to prevent spreading broken down by each process. As part of this, the Company-wide Quality Problem Recurrence Prevention Report Meeting is held every year concerning the recurrence prevention measures for major quality issues in all businesses in order to confirm the effectiveness of such measures and the status of their cross deployment.

* FMEA (failure mode and effect analysis): Systematic analysis method for potential failures for the purpose of preventing failures and defects.

〈 Implementation of human resource development and seminars for customers 〉

We assign engineers with a wealth of experience to distribution companies and sales bases in markets in Japan and overseas to conduct planned internal training on product knowledge and handling. In addition, we regularly hold seminars in order to increase opportunities for meeting customers to ensure that they handle products safely and properly. In addition, we will establish a system on a global level that makes it possible to deepen the exchange and sharing of information between local engineers in the Tire Group and MB Group and accurately respond to the customers and products of each respective group.

Review of FY 2016 Activities

Measures were implemented during FY 2016 and their effects

The number of quality complaints received from customers as a share of all complaints received was reduced by 3% over the previous year in the Tire Group, and by 8% in the MB Group.

In addition, the implementation rate was 100% for internal quality audits for the purpose of ensuring the QMS system based on ISO/TS, while the implementation rate for external quality audits was also 100%.

Establishment of a quality assurance system

The basis of quality assurance systems in the automotive industry is conformance with ISO/TS16949. For this reason we conduct quality education and promote the acquisition of internal quality auditor certification among managerial and supervisor level employees.

During fiscal 2016, 19 employees were newly certified (total of number of certified employees: 1,175). In addition, in order to promote the acquisition of high accuracy market information and rapid response when product defects occur, we have implemented a qualification system and formed a service network.

In 2016, 38 staff in sales company was newly certified in Japan and 86 staff in overseas sales location, of which 35 staff in Japan was qualified as authorized adjuster in Japan and 39 staff in overseas sales locations was qualified as authorized adjuster to make judgments regarding complaints.

< FY 2016 >

Number of staff that has received training and qualifications	In Japan	Overseas
Number of staff which was newly certified as a service engineer	38	86
(Of which, the number of the authorized adjusters)	35	39
ISO/TS16949 internal quality auditors	19 (total of 1,175)	—

Introduction of Initiatives

There were no product quality issues in 2016.
An issue that occurred in 2017 is discussed below.

| Report on a product quality issue

< Voluntary recall information in China and Canada >

Due to a problem with part of the production process for passenger car studless tires exported to China and Canada, certain tires may have insufficient input of a compounding agent for the under tread layer. This could cause a portion of the tire tread to swell and bulge during driving. If the vehicle is operated with this condition, the bulge area may peel off which could affect steering stability.

For these reasons, a voluntary recall is conducted in both China and Canada, and affected tires are being recalled.

Issues and Future Improvement Measures

In order to eradicate quality issues, provide products that clearly address customer needs, and achieve safety, legitimacy, and compatibility, we have deployed a service network around the world to gather, analyze, and classify the voices of customers as part of a cycle that ensures such voices are incorporated into new products.

Going forward, in order to pursue the provision of products that will satisfy the needs and use environments of customers, one important issue is being sure to listen sincerely to information about complaints from customers and work to steadily reduce the number of complaints. In order to achieve this, we will work to strengthen our market quality information gathering capabilities and promote market adaptability in each market through service departments and customer contact points.

Quality assurance at partner companies is also an extremely important challenge for us. For this reason, we are implementing certain self-check frameworks based on the clarification of responsibilities and past problems, as well as external vendor audits.

Product and Service Labeling

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KPI

Item	FY 2015 results	FY 2016 results
Total number of violations of regulations and voluntary standards concerning the labeling of products	(Consolidated) 1	(Consolidated) 0

Responsible Departments

Consumer Tire Product Planning Department and Commercial Tire Business Planning Department

Stance and Target

Why is "Product and Service Labeling" a critical issue to be addressed? Explanation of the reason and background

Labeling is important for communicating matters such as the environmental performance of the Yokohama Rubber's products in a manner that is easy for customers to understand so that customers can select a product that fits their needs.

Policies and stance relating to the labeling of products and services

Yokohama Rubber Action Guidelines stipulate that "we shall accurately ascertain the needs of customers and provide safe and high-quality products and services of genuine use to society" and that "we shall provide our customers with appropriate information concerning our products."

Frequency of customer satisfaction measurement, survey method, and feedback mechanism

Technical service personnel conduct interview surveys with customers and on-site surveys based on information from distribution companies.
In addition, the Customer Service Division directly responds to inquiries from customers (feedback and complaints regarding products, services, etc.) via telephone or email on a daily basis.
The information gathered is shared within the company, and the information from customers is also aggregated and analyzed on regular basis (once a month and once every six months) for improvements in product performance and incorporation in upcoming products.

Vision (attainment goal) / target

We strive to communicate the latest and correct information in a timely manner to all stakeholders through means such as our website and the distribution of news releases.

Measures for vision achievement

Our website can be subdivided into two types of websites: a website that provides business information on the entire Yokohama Rubber Group including Yokohama Rubber and its affiliates, and a website with a strong awareness of product information for both Japan and overseas including repair tires, hoses and pipes, adhesives, industrial materials, aviation parts, and golf parts.

Products information

In addition, we have acquired official labeling and implement various forms of labeling within our company in order to prove we offer the products and services desired by customers.


Example: Labeling for BluEarth-1 EF20



Review of FY 2016 Activities

In order to raise awareness on the correct use of tires, we held special classes focusing on tire

inflation work and seminars on basic knowledge of tires and daily inspection and management. As customers interested in environmentally friendly and cost savings initiatives are highly interested in fuel-efficient tires, we also conduct seminars on topics including tire performance, the manufacturing process, and how to select tires.

In addition, we share practical knowledge about tires on our website under our [Check and Smile section](#) .

Introduction of Initiatives

The Onomichi Plant that manufactures large tires for construction machinery has acquired the highest platinum certification in the Supplier Quality Excellence Process (SQEP) for five years in a row from Caterpillar.

We are proud to say that in addition to the provision of products and services that meet the demand of customers around the world, our production and distribution also have a strong reputation and have gained the trust of customers.




Concerning misprinted information on product label for studless tire [iceGUARD 5 PLUS] targeting the retail market


A portion of our iceGUARD 5 PLUS studless tires for passenger cars sold in Japan were found to be labeled with “Low Fuel Consumption Tire” mark and “Grading System” at the time of sale that were not intended for these tire products.

We are committed to recalling mislabeled products and redistributing replacements with correct labels.

We are responding to customer inquiries with our sincere apologies as well as assurance of the safety of our products that can be used without any concerns.

See [here](#)  for more information.

We have reported to the Fair Trade Commission with regard to this incident, including the event that occurred and improvement measures to prevent future mislabeling.

See [here](#)  for more information.

Issues and Future Improvement Measures

All product information is stated on our website, and we make improvements and refinements through product lists and associations to make it easy for customers to select products they will be satisfied with. In addition, we also provide information on products that have incorporated the voices of customers in order to build trust with customers.

Marketing Communications

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KPI

Item	FY 2015 results	FY 2016 results
Total number of violations of regulations and voluntary standards concerning marketing communication	(Consolidated) 0	(Consolidated) 0
Sales of prohibited products or products under dispute	—	(Consolidated) 0

Responsible Departments

Corporate Communications Department

* Each respective responsible department supports information concerning products and services from retailers, etc.

Stance and Target

Why is "Marketing Communication" a critical issue to be addressed? Explanation of the reason and background

Letting more people know about the products and services of the Group and providing them with an understanding of our business activities is our lifeline. In the event of a mistake in such PR or advertisements, it will not be possible to correctly communicate the value of the Group, and this could actually lead to a decline in the value of the Group. For this reason as well, we have selected appropriate marketing communication as a critical issue to be addressed, and accordingly we will aim to make improvements through the PDCA cycle.

Policies and stance relating to appropriate marketing communication

We strive to communicate the latest and correct information in a timely manner to all stakeholders through means such as our website and the distribution of news releases. As a member of the Tire Fair Trade Council, we actively participate in the activities of the Council in line with the principles of fair competition.


In addition, we promptly communicate the requests and opinions of customers and quality information to the relevant internal departments. We coordinate with the related departments to promptly resolve suggestions as we constantly strive to live up to the expectations of customers.

Vision (attainment goal) / target

By fiscal 2017 we aim for a situation in which customers can easily obtain the accurate information that they need concerning our products through improvements to websites and catalogs, the content of which reflects customers' views and comments.

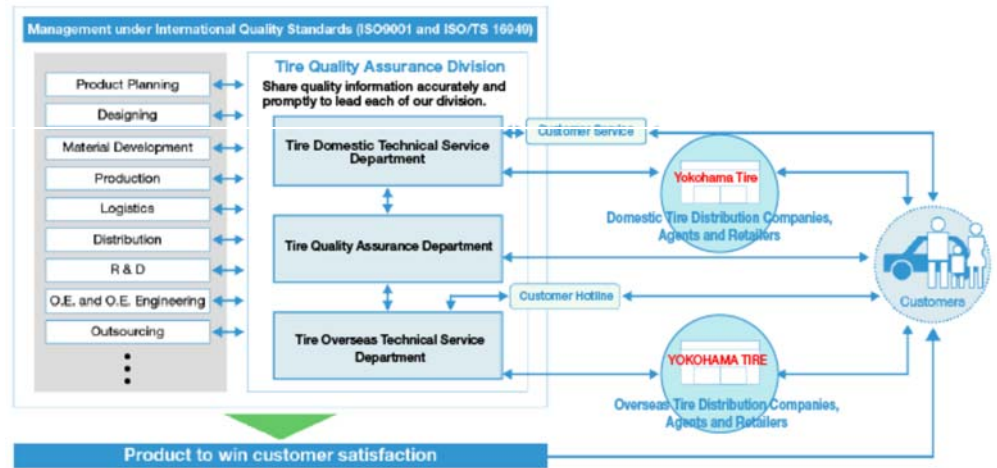
In addition, we also aim to maintain a framework that incorporates the opinions and requests of customers in products and services in a timely and appropriate manner.

Measures for vision achievement

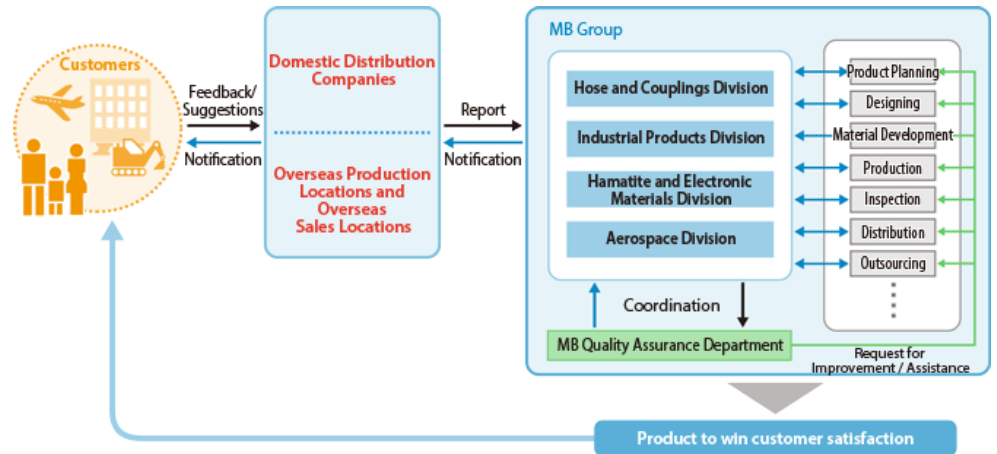
The Customer Service Center accepts inquiries concerning products by both telephone and through [our website](#) . Inquiries are responded to on a daily basis directly by the responsible department, and we conduct revisions so that PR and advertising methods and the communication media used are appropriate.

In addition, regular checks are conducted to ensure that the operational flow for providing feedback in relation to comments received from customers both in Japan and overseas shown in the flow chart below functions appropriately, and we create databases in order to collect all customer feedback throughout the Group.

〈 Tire Group 〉



〈 MB Group 〉



Review of FY 2016 Activities

The Group always participates and cooperates with the council members of the Tire Fair Trade Council at each respective level responsible for the development and implementation of regulations and market field research in Japan and overseas, and it conducts PR and advertising activities based on the council's regulations. There were no cases of violations of the regulations in 2016.

Collection of information on market trends

Information collected for each region and country is analyzed and used to make better products through means such as improvements of existing products and the planning of new products. Because usage conditions for vehicle tires for construction and industrial use vary considerably depending on the customer, tires suitable for customers are selected and recommended after investigating the use environment of each respective customer.

Market Requirement List - For OTR -

U.S. #2900
Form 3

YOKOHAMA

Requested Date: 2012/01/23
Est. Name: YTC
Company Name: ABC



Customer's Information									
Customer Name	OCE Company								
Location Of Working Site	Shantou Island								
	Vehicle brand	Type of model	Planned Qty	Unit	Unit Size	Unit Brand & Pattern	Qty	Unit	Price
Vehicles and Tire Information	Caterpillar	980N	18.5	3	450x150x45	FW152R	58	1.5	4.4
	Caterpillar	777G	36	29	27.5x65	FW152R/295.25J2848A	68	1.5	4.4
	Caterpillar	325	1	1	18.5x65	FW152R	3	1.5	4.4



Tire Information (VWC and/or Compensator's brand)



This missing data is 30 years or more. The tire material or quality are assumed. Compensator area is 11mm. They started using 10 years or old tires. From this damage on the tires & data that the biggest issue is related with. As a result from missing data in working case, rocks in water collection. As the failure types are predicted by chains that the doing truck tires are suffering apart a bit from contact with rocks.

Tire Information (VWC and/or Compensator's brand)									
Type Of Operation	Brand / Pattern	Size	PR	TRD	Speed	Axis Life	Price	Estimated tire condition (1 Year / 1 Mile)	
Type Of Operation	Brand / Pattern	Size	PR	TRD	Speed <td>Axis Life <td>Price <td>Estimated tire condition (1 Year / 1 Mile) <td></td> </td></td></td>	Axis Life <td>Price <td>Estimated tire condition (1 Year / 1 Mile) <td></td> </td></td>	Price <td>Estimated tire condition (1 Year / 1 Mile) <td></td> </td>	Estimated tire condition (1 Year / 1 Mile) <td></td>	
	980N/65R15	27.5x65	18.5	6.5	2500km	80000	100000	1	
	325/65R15	27.5x65	18.5	6.5	2500km	80000	100000	1	

Photos of Haul Road & Dumping Area, and Other Photos

<Haul Road Colored Map >

Distribution of Truck speed at Location ②


Route 1 1mg

Load ing D = Dumping B 4.1km

Load ing D = Dumping C 1.5km

Load ing A = Dumping C 6.4km

Dump truck speed is not so high.



<Haul Road Colored Map >

Distribution of Slope at Location ②


Route 1 1mg

Load ing D = Dumping B 4.1km

Load ing D = Dumping C 1.5km

Load ing A = Dumping C 6.4km

These are severe slope when Loaded & five Red area are 10% over Uplift.




Assessed by _____
Checked by _____

Issues and Future Improvement Measures

Because the Group handles various products, the target for information communication is broad and it is currently difficult to verify whether the appropriate information is being sufficiently communicated to the appropriate persons. In addition to the communication of information using media, we believe that it is necessary to verify the approach towards effective information communication including comprehensive channels such as seminars, events, and retailers.

Furthermore, in addition to the communication of information, we will make further improvements in how we communicate information, accumulate this information internally, and establish and manage relevant databases.

Our corporate website (<http://www.y-yokohama.com/global/> ) features the latest information about Yokohama Rubber, and we also share information via our official accounts with social networking services.

Twitter feed:

<https://twitter.com/YokohamaRubber>

Facebook page:

<https://www.facebook.com/YokohamaRubber>

YouTube channel:

<https://www.youtube.com/user/TheYokohamaRubber?feature=mhum>

Niconico (popular Japanese video-sharing service) channel:

<http://ch.nicovideo.jp/yokohamarubber>

Customer Privacy

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KPI		
Item	FY 2015 results	FY 2016 results
Number of complaints submitted relating to customer privacy	0	0

Responsible Departments

Tire, MB, and sports products sales departments

* Operations are supported by the Corporate General Affairs Department, product planning departments, and system departments, and confirmation is conducted by the Personal Information Protection Management Committee and the Risk Management Committee.

Stance and Target

Why is "Customer Privacy" a critical issue to be addressed? Explanation of the reason and background

The business activities of the Yokohama Rubber Group often involve holding the personal information of customers. We fully recognize the importance of the handling of personal information received from customers, and for this reason we acquire information through appropriate methods, and we use and store such information correctly.

Policies and stance towards handling complaints

Privacy Policy

At the Yokohama Rubber Co., Ltd. and the Yokohama Rubber Group (hereinafter, the "Company"), the carrying out of activities relating to our business operations frequently involves handling customers' personal information. Being fully aware of the importance of safeguarding customers' personal information, we view the taking of appropriate steps to protect personal information as a key responsibility, and we have implemented suitable measures for the protection of all personal information in line with the basic policy outlined below.

1. In accordance with the establishment of the Personal Information Protection Act and the Company's subsequent formulation of relevant compliance provisions, Yokohama works to ensure that all relevant employees are thoroughly aware of the protocol and procedures, and that they handle personal information in a proper manner.
2. Yokohama collects and uses personal information only to the extent necessary, after informing or indicating to customers the purpose(s) of use (management of customers' information, marketing or providing our services, etc.).
3. Collected personal information is never provided to third parties unless consent from the respective customers has been given or unless such provision is permitted by law. This excludes cases where such disclosure is required by law, or where disclosure to the Company's sub-contractors is necessary in order to realize the purpose of use. In cases where personal information is disclosed to a sub-contractor, the Company will implement all necessary supervision to ensure that the sub-contractor takes appropriate measures to safeguard the personal information in question.
4. Yokohama is establishing regulations and safety measures to prevent and redress the illegal access, leakage, loss or destruction of personal information received from customers.
5. A framework is in place to properly handle personal information through an information administrator and/or information administrative department.
6. In the event that customers request that their personal information no longer be displayed, revised or used, or be removed from the database, such customers are requested to contact the personal information contact desk. The requested action will be taken within a reasonable period of time.
7. Yokohama strives to accurately address changes in societal norms regarding the handling of personal information, and works to reassess and improve privacy policies and other compliance regulations as necessary.

Vision (attainment goal) / target

The Yokohama Rubber Group will establish a system for the use of personal information received from customers in product development, various notices such as new product introductions, and repairs and after-sales service, while managing this information rigorously to ensure that it doesn't leak outside the company.

Measures for vision achievement

- The department that manages personal information will be clarified for each product.
- Department personnel will be educated on the basics of personal information management.
- The results of activities and other matters will be reported at the Personal Information Protection Management Committee every quarter.

Review of FY 2016 Activities



Meetings of the Personal Information Management Committee were held three times in fiscal 2016; there were no issues concerning the personal information of customers raised as a topic.

Issues and Future Improvement Measures



In 2016, we implemented employee education and thorough management in relation to personal information relating to Japan's Individual Number ("My Number," a unique 12-digit number used for social security and tax purposes) system.

Compliance (Product Liability)

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KPI

| Item

Number of violations of laws and regulations related to the provision and use of products

| FY 2015 results

(Consolidated) 0

| FY 2016 results

(Consolidated) 1

Responsible Departments

Quality Audit Department

Stance and Target

| Why is "Compliance (Product Liability)" a critical issue to be addressed? Explanation of the reason and background

Our mission is to achieve corporate prosperity and contribute to society by not only satisfying customers but also winning their confidence and securing an appropriate level of profits. In order to achieve this, we must continually provide quality products that customers around the world will feel secure in buying and that will satisfy customers. Furthermore, we need to contribute to society by planning, designing, producing, and selling attractive products for the satisfaction of our customers while maintaining a quality assurance system in all of our processes, including service provision. For this reason as well, we regard compliance (in relation to product liability) that monitors and supervises the entire quality insurance process from planning, designing, producing, and selling for all products as a critical issue to be addressed.

| Policies and stance relating to compliance (product liability)

In accordance with [the Yokohama Rubber Action Guidelines](#), "We shall listen to the views of our customers, accurately ascertain their needs, and develop, design, manufacture, and sell products of genuine use to society."

In the event of any quality problems or complaints in the market related to products provided to customers, we will respond promptly in an attempt to resolve such problems and implement recurrence prevention activities. As part of recurrence prevention measures, we regularly conduct quality audits to confirm the implementation status of corrective action and verify its effectiveness.

| Vision (attainment goal) / target

We shall work to improve quality performance and provide safe, secure, and high-quality products and services.

We aim for 100% conforming products, zero recalls in the market, and zero complaints in the market.

| Measures for vision achievement

◁ Improvements to the quality assurance system from the customer's perspective ▷

In order to improve the quality assurance system, we identify problems from the customer's perspective through internal quality audits and work to improve the quality system in order to resolve such issues.

◁ Implementation of top-level quality diagnosis ▷

We believe that a high level of commitment by the President and top management towards quality improvement activities can help to improve motivation in the field and accelerate and strengthen further improvement activities. The top management therefore conducts a diagnosis of each plant and department as a top-level quality diagnosis every year at Yokohama Rubber.

◁ Ensuring safety throughout the product lifecycle ▷

So that customers can use safe and comfortable products, in the event of a defect that could cause an inconvenience for customers such as a product recall, we will promptly notify customers and rapidly respond.

Review of FY 2016 Activities

We responded and made improvements in response to quality information and complaint handling information received from customers. In addition, we also continued to conduct the top-level quality diagnosis that we conduct every year in fiscal 2016.

However, in fiscal 2016 there was an issue with a Yokohama golf club model being excluded from the official list of approved clubs because of failure to ensure conformity with the rules governing golf club coefficient of restitution (C.O.F.).

Introduction of Initiatives



Reporting of Product Issues

Regarding the non-conformity with the rules governing golf club coefficient of restitution (C.O.F.) by the RS-F Driver golf club manufactured by PRGR

The PRGR Driver golf club sold by Yokohama Group company member PRGR was found not to be in conformity with the R&A Rules Ltd. rules governing golf club coefficient of restitution (C.O.F.), and was removed from the R&A List of Conforming Driver Heads.

Customers who have already purchased the RS-F Driver can obtain information from PRGR press releases or from the PRGR website etc. about getting a replacement, conforming driver head; PRGR is continuing to provide replacements for these non-conforming driver heads.

Issues and Future Improvement Measures



With regard to tires, we conduct analysis based on both risks and the level of impact, create risk maps, and then implement countermeasures and improvements. We classify risks from worst case (cases that could lead to fatalities or serious accidents) to minimal (e.g. running noise, also known as tread pattern noise), and conduct analysis of the occurrence frequency in order to identify issues. We will use this information to improve the quality performance of products designed to meet the needs of overseas markets as we expand going forward.

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Stance

Our business activities impact the local communities where we are active in various ways. It is extremely important to communicate with local communities to ensure that their expectations are met in order to ensure sustainable business activities. In addition, we recognize that we have shared interests with the community as a stakeholder in the region, and for this reason we would like to work towards community development.

This stance is declared in the Stakeholder Policy, and the actions that should be taken by employees are stipulated in [the Yokohama Rubber Group Action Guidelines](#).

Local communities

As a globally active business, we relate to local communities in a number of domains - the natural environment, law, culture, customs and the economy. We will strive to build a healthy relationship for various local communities together with our both domestic and overseas offices.

Yokohama Rubber Group Action Guidelines

We shall aspire to harmony and prosperity with local communities.

〈 Basic stance of the Yokohama Rubber Group 〉

1. We shall never forget that we are members of society, and shall endeavor to exist harmoniously and prosper together with society as well as to build ties of trust with stakeholders.
2. We shall support the social contribution activities of our employees and breed a corporate culture oriented toward active participation by them in such activities.
3. We shall practice proper provision of information on business activities involving the community.

〈 To practice our basic stance — our action 〉

Our activities of social contribution shall not be confined to those through our business activities; we shall also take a proactive part in volunteer programs and social activities rooted in the local community.

Message from a manager

We recognize that aiming for harmony with local communities where we conduct business is of the utmost importance, in order to achieve both social trust and business management, and to provide sustainable value as a global company.

All of our production sites held dialogue with local communities including social gatherings once again in fiscal 2016. We also held the third Biodiversity Panel Discussion, which served as an opportunity for us to speak in detail with the local residents about how Yokohama Rubber can contribute to the local community.

We have also increased initiatives where employees visit local elementary and junior high schools to talk about global warming, biodiversity, and the importance of planting trees.

In fiscal 2016, this initiative was held by the Mie Plant, Shinshiro Plant and Mishima Plant. We held environmental education and afforestation classes at Otsuchi Municipal Otsuchi Gakuen in Iwate Prefecture led by afforestation leaders. All of our plants also hold traffic safety classes for nearby elementary schools.

In 2016, we launched the Yokohama Magokoro Fund as a way for employees to give back to society. The fund provides employees with an opportunity to work with local residents to solve issues in the local community with the goal of becoming a company with the unwavering trust of communities.

Tomoaki Mori
General Manager,
Corporate Social Responsibility Planning Department
Corporate Social Responsibility Division

Vision for FY 2017

- A system is in place to apply what stake holders have to say.
- Five hundred thousand trees have already been planted at both domestic and overseas offices.

Main action items to be addressed first

The following items have been established as the main action items that the Yokohama Rubber Group will address first in consideration of the level of impact of business activities and the level of social interest.

Local Communities

Market Presence

Data summary

[Community Involvement and Development \(495KB\)](#) 

Local Communities

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KPI

Item	FY 2015 results	FY 2016 results
Implementation rate of community activities and initiatives	(Consolidated) 100%	(Consolidated) 100%
Businesses with a negative impact on the local community	(Consolidated) 0%	(Consolidated) 0%

Responsible Departments

Each business location

* The Corporate Social Responsibility Planning Department and Environmental Protection Promotion Department serves as a secretariat for the deployment of policies and sharing information.

Stance and Target

Why is "Engagement with Local Communities" a critical issue to be addressed? Explanation of the reason and background

The Yokohama Rubber Group currently conducts production activities in 13 countries. If the Group commenced operations or withdrawals from any region, it will have a social impact on the community in terms of the environmental impact, employment, etc. Because that impact varies depending on the circumstance of each region, we believe that it is extremely important for the Group's sustainable management to consider how to expand the positive impact and reduce the negative impact while engaging with local communities, and to then take action accordingly.

Vision (attainment goal) / target

As a globally active business, we relate to local communities in a number of domains - the natural environment, law, culture, customs and the economy. We will strive to build a healthy relationship for various local communities together with our both domestic and overseas offices. The following two points are aimed for as the vision for 2017.

- A system is in place to apply what stake holders have to say.
- Five hundred thousand trees have already been planted at both domestic and overseas offices.

Measures for vision achievement

The following approaches will be considered from various perspective to achieve our vision.

- Social gatherings with local residents as a form of communication in local communities will be held twice a year as a general rule.
- We conduct activities in cooperation with local NGOs at production bases in Japan* where biodiversity conservation activities are being commenced. We conduct biological monitoring while receiving instructions on matters such as the names and ecology of wild birds and aquatic organisms from chapters of the Wild Bird Society of Japan and nature conservation organizations.
 - ・ ・ ・ Review of FY 2016 activities (1)
- At ThinkEco Hiratsuka, an environmental event held at Hiratsuka Factory, we held a panel discussion on biodiversity and discussed together with local residents how Yokohama Rubber can protect and improve area waterways.
 - ・ ・ ・ Review of FY 2016 activities (2)
- Seedlings raised as part of the YOKOHAMA Forever Forest Project are provided to schools, social welfare facilities, NPOs, etc. that conduct tree planting activities in the region.
 - ・ ・ ・ Review of FY 2016 activities (3)
- In the disaster area reconstruction support that is conducted by our company, in order to support the creation of a "Forest That Protect Lives" as part of reconstruction plans for Otsuchi Town, Shimohei County, Iwate Prefecture, tree planting activities for an embankment called the "Heisei Forest" have been conducted from 2012 to 2015. Since 2014, we have also supporting forest development and afforestation activities as part of the Furusato Class program at Otsuchi Gakuen (including the former Otsuchi Elementary School).
 - ・ ・ ・ Review of FY 2016 activities (4)
- Our social contribution activity support system provides necessary assistance so that employees

can take part in volunteer activities in the community. Also, in fiscal 2016, we established the Yokohama Magokoro Fund social contribution fund, whereby employees contribute a small amount each month to help fund activities. The Fund is used to make donations to various organizations engaged in activities relating to social welfare, human rights protection, environmental preservation, etc., and also as a disaster relief fund to support areas that have been affected by natural disasters.

・ ・ ・ Review of FY 2016 activities (5)

* Mie Plant, Shinshiro Plant, Mishima Plant, Onomichi Plant, Ibaraki Plant, Nagano Plant, and Hiratsuka Factory

Review of FY 2016 Activities



The following measures were conducted during FY 2016.

- (1) Biodiversity conservation activities were conducted at seven domestic and five overseas production sites*. These activities assessed that biodiversity monitoring is being carried out on the impacts that tire plant and factory operations have on the ecosystem from the use of large quantities of water, both withdrawn and discharged, into rivers in order to cool production facilities. We also cleaned up rivers and their surrounding areas while also removing (weeding) non-native species in an effort to foster a closer relationship with the local community and make these areas more biologically diverse. Community briefings were held to gain the understanding of local residents with regards to the purpose and results of our monitoring and environmental conservation activities.
- (2) A panel discussion on biodiversity was held on November 12 and attended by around 40 people in total, representing the local government, university, NPO, local residents and employees. In woodland conservation activities started at the Hiratsuka Factory, we introduced biodiversity activities through the fostering of water resources and water systems.
- (3) In the YOKOHAMA Forever Forest Project, 32,491 seedlings were provided during 2016, for a cumulative total of 300,188 seedlings.
- (4) In disaster area reconstruction support, approximately 700 trees were planted at afforestation mounds at the Otsuchi Purification Center in Otsuchi Town, Shimohei County, Iwate Prefecture together with approximately 70 fourth grade students from Otsuchi Elementary School after they learned about the importance of the global environment and tree planting.
- (5) The social contribution activity support system provided around 2 million yen to assist employees taking part in 23 volunteer projects. These activities included afforestation efforts and maintenance of afforestation mounds in Otsuchi Town, restoration assistance for a typhoon disaster area in Iwaizumicho, restoration assistance for the Kumamoto earthquake and Central Tottori earthquake disaster area, dementia support activities, agricultural assistance, and tourism volunteering, among others.

The Yokohama Magokoro Fund, a social contribution fund for employees, was launched in May. Up until now, assistance funds have been to four organizations including NGOs and one disaster relief fund for the Central Tottori Earthquake.



Under the Yokohama Magokoro Fund, contributions (from 100 yen to the desired amount per month) are collected from employees (members) who support the fund, members recommend an organization they would like to support, and a Fund Steering Committee composed of member representatives then screens the recommended organizations and decides whether to make a donation.

The fund is a mechanism in which Yokohama Rubber makes a donation of the same amount as the fund when donations are made to the organization decided on.

* Yokohama Tire Manufacturing (Thailand) Co., Ltd., Y.T. Rubber Co., Ltd., Yokohama Tire Philippines, Inc., Hangzhou Yokohama Tire Co., Ltd., Yokohama Tire Manufacturing Virginia LLC

Introduction of Initiatives



| Livelihood program

Yokohama Tire Philippines (YTPI) signed a memorandum with the city government of Bamban and

Tarlac this year to support the learning of sustainable technologies for manufacturing recycled products using scrap rubber materials.

Training for making footwear is held with the aim of providing people with skills for earning income as part of social contribution activities particularly aimed at the elimination of extreme poverty and educational starvation. These activities were participated in by 30 women.

We conducted these activities together with the Department of Social Welfare & Development (DSWD) Center (NPO) that cooperates with government agencies by providing support through donations of our waste tires, while the government donated the tools required for making slippers from these tires.



Signing of memorandum with city government



DSWD Center



Training being held



Recycled products

| Collaboration with Chelsea FC

Yokohama Rubber has signed an Official Partner agreement with English Premier League football club Chelsea FC, and is providing support for the Chelsea Foundation, which is actively involved in using sport as a way to undertake socially-beneficial activities at the community level.

A key component of the work is the club's Building Bridges work, the aim of which is to promote equality, celebrate diversity, and make everyone feel valued through the club, its stadium, and the wider community. In line with the goals of this campaign, the Chelsea Foundation aims to foster engagement with children through the holding of community days and free coaching sessions.



Engagement with children at a Community Days event



Engagement with children at a Community Days event
(Cobham Training Centre)



Soccer School held in Bangkok, Thailand



Uniform bearing the "Building Bridges" logo

Issues and Future Improvement Measures

As for environmental impact assessments through biological monitoring, the framework for the PDCA cycle including communication with local residents was completed, and biodiversity conservation activities have begun. In order to complete the framework for assessing the environmental impact at all business locations by 2018, we held group training for persons in charge outside of Japan in 2016. We plan on promoting activities at these sites as model plants in their respective areas.

In addition, we will promote communication with local communities through social contribution activities such as regional employment and volunteer activities in order to contribute to regional economic development.

Market Presence

Message From The President
Yokohama Rubber's Important Issues
Business and CSR Integration
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Organizational Governance
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Labor Practices
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Fair Operating Practices
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Community Involvement and Development
Local Communities
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What's New

KPI

Item	FY 2015 results	FY 2016 results
Ratio of business locations that have made salary payments exceeding the stipulated amount	(Consolidated) 100%	(Consolidated) 100%
Percentage of senior managers hired from the local community	(Consolidated) 4.1%	(Consolidated) 24.9%

Responsible Departments

Each business location and Global HR Department

Stance and Target

Why is "Market Presence"* a critical issue to be addressed? Explanation of the reason and background

As a large automotive market shifts overseas going forward, production and sales at each business location must be conducted for products that respond to the demands of each country and region. Furthermore, there will be no growth if business activities are not conducted in line with the unique cultures and customs of each country and region. For this reason, we recognize the importance of employing employees from the region of business locations, promoting these employees to management positions, conducting business activities, and producing economic benefits in these regions.

* "Market Presence" is perceived to have the same meaning as "Presence in the Communities".

Vision (attainment goal) / target

In the tire business, we will increase production capacity to 89 million units by 2020, and in the MB business we will expand automotive parts and marine products on a global level. To this end, we will conduct employment in the countries and regions where business locations are located, promote these employees to management positions, rotate these employees on a global level, and conduct training programs to accumulate knowledge.

Measures for vision achievement

- Employment of local human resources for operations at each business location, development of management candidates
- Development and training for global human resources, global rotation of human resources

Review of FY 2016 Activities

The salaries for operations for local employees at overseas business locations are set in consideration of the wage provisions set by law in that country and region. In addition, a salary system has been developed based on skills improvements and position assignments.

Yokohama Rubber (Thailand) (YRTC)

There are currently 136 employees working at YRTC, consisting of 101 men and 35 women. There are 20 management class employees, consisting of 14 men (3 from Japan and 11 from Thailand) and 6 women (6 from Thailand).

This also includes one handicapped employee (a woman).

Yokohama Rubber Industrial Products-Shanghai Co., Ltd. (YIPSH)

China is a country composed of 56 ethnic groups. The Han Chinese account for 92% of the population, and the remaining groups are referred to as "minority groups".

In addition to not discriminating based on gender in hiring practices as a matter of course, there is also no discrimination regarding minority groups.

PT. Yokohama Industrial Products Manufacturing Indonesia (YI-ID)

Indonesia is a multi-ethnic country, and cultures and traditions differ depending on the ethnic group. The country was established with the spirit of everyone coming together in unity while respecting diverse environments and cultures.

We also respect this spirit, and we conduct hiring activities that are in compliance with laws related to race, gender, religion, child labor, etc.



Celebrating Independence Day (YI-ID)

Issues and Future Improvement Measures



Together with the expansion of operations at business locations overseas, we will instill the Action Guidelines among employees newly joining the Yokohama Rubber Group. In addition, the establishment of a structure that makes cooperative activities aimed at the resolution of social problems that communities face is an issue, in addition to the economic effect associated with business activities.