

## Corporate Governance

# Lay a solid foundation for fulfilling social expectations

### Main points of governance strengthened during FY2018

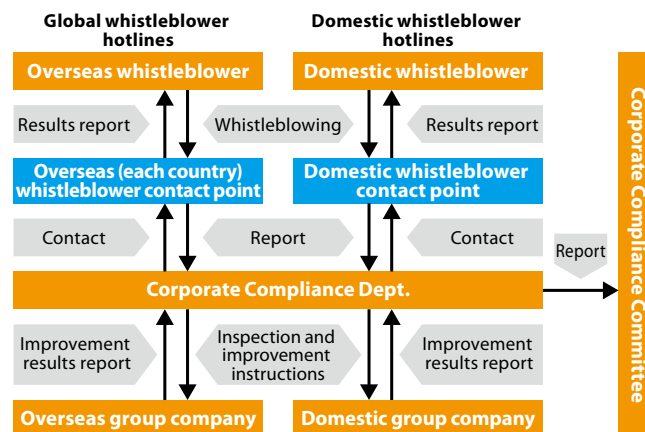
- Increase in number of nonexecutive members and decrease in number of in-house members
- Greater diversity among officers/auditors – promote our management initiative (2 non-Japanese officers, 1 female nonexecutive auditor)
- Introduction of a compensation plan with transfer restricted stock

### Strengthening the corporate governance framework

In order to further fortify our business foundation, Yokohama Rubber made preparations such as information gathering, discussions, and decision-making in 2017, and implemented Officer structure reform in March 2018. The basic policy towards the company's Board of Officers is a structure of people believed to be appropriate that ensures diversity including nonexecutive officers while taking into consideration the balance of knowledge, experience, and capabilities, etc. for each business. In an aim for the efficient operation of the Board of Officers, we have reduced the total number of Members of the Board by two in-house members to ten members, and we have increased the number of nonexecutive officers by one to four in an effort to ensure transparency of management and further strengthen corporate governance. The company's nonexecutive officers leverage its abundant economic experience and knowledge at other companies or universities, and holds lively debate based on opinions from independent and neutral position at the Board of Officers.

In addition, the diversity of Officers has been strengthened in response to an age of accelerated global expansion and change. We welcomed our first female nonexecutive auditor. In addition, one Corporate Officer each was promoted at Yokohama Tire Corporation (the United States) and Alliance Tire Group for a total of two additional non-Japanese officers to strengthen the structure to respond to global management issues from various perspectives.

Up until now, the company has adopted a performance-based compensation system for Members of the Board excluding nonexecutive officers, and a bonus mechanism that fluctuates in accordance with the attainment of company-wide performance and individual performance by each Member of the Board in each fiscal year. A compensation plan with transfer restricted stock has been introduced for Members of the Board excluding nonexecutive officers so that Members of the Board share the benefits and risks of stock price fluctuations with shareholders and to increase the motivation towards contributing to an increase in the stock price and corporate value.



### Global whistleblower hotlines

Yokohama Rubber established the Yokohama Rubber Group Competition Laws Compliance Policy and Anti-Bribery Policy in July 2017 with the approval of the Board of Officers, as legal compliance and response to the risk of bribery are becoming more necessary with the globalization of business. We aim to prevent acts that are in conflict with competition laws or acts of bribery by declaring this policy inside and outside of the company and prescribing rules and guidelines to embody this policy for indication to members of the company.

At the same time, we are gradually introducing global whistleblower hotlines that covers group companies focused on competition law violations and acts of bribery so that Yokohama Rubber can directly assess and promptly respond to these risks at overseas group companies.

In Japan, the Corporate Compliance Department has established whistleblower hotlines called the Corporate Compliance Hotline and General Counseling Room, while the CSR Procurement Contact Point has been established as a contact point for business partners by the procurement department, and some positive results have already been achieved through these efforts.

Overseas, we have introduced the above global whistleblower hotlines at regional management companies and tire sales companies in China. We will gradually develop these hotlines starting from Asia and expand them to other regions in an aim to strengthen governance on a global level.

The vision we aim for is a situation in which employees are aware of the Action Guidelines at all business locations including those overseas, the whistleblower hotlines are functioning, and meeting bodies that monitor this system are working. We will work to raise the level of compliance for the group by promoting the introduction of the global whistleblower hotlines.

**We create a corporate culture where appropriate decisions are made with a strong awareness of law observance**



**[Results of initiatives]  
Number of compliance reports**

**117 reports** (FY2017, consolidated)

## VOICE

### Outside Audit & Supervisory Board Member



**Megumi Shimizu**  
Nonexecutive Auditor, Audit & Supervisory Board Member  
Partner, Attorney-at-Law, Nishimura & Asahi

I think that my role as a Nonexecutive Auditor, Outside Audit & Supervisory Board Member is to take advantage of the knowledge as a lawyer to check whether there are any legal problems with business execution by the management team and whether management decisions are sufficiently considered without jumping to conclusions, and to point out any suspicions or concerns towards the reasonableness of decisions from an external perspective. An understanding of the business of the company is important in order to fulfill this role, and I have been provided with the opportunity to make factory visits with information in a proactive manner that is easy to understand by an external party in situations such as advance briefings for the Board of Officers, even when time is limited. One area where problems can often occur is at group companies where it can be hard to conduct thorough checks. I intend to make fair evaluations and audit from an objective viewpoint based on external common sense and experience on what degree internal control is functioning as a group overall. The automobile industry is undergoing big changes such as the expansion of car sharing and the development of self-driving cars. The Yokohama Rubber Group is a company with a long history that is engaged in business on a global level, and I hope that Yokohama Rubber uses its technical capabilities to develop new products and develops new business areas as the world experiences technological innovation and significant changes in the behavior of people and the shape of society.

## TOPIC

### Legal Support Application that assists global expansion

A system called the Legal Support Application that is available on the internal intranet has been developed for requests (contract reviews, legal consultations, and response to disputes) to the Legal Department.

The Legal Support Application makes it possible to submit requests to the Legal Department without limitations on time or location, and the data submitted to the Legal Department by the requesting department and comments or review results from the Legal Department, etc. are recorded and stored in the Legal Support Application. As a result, information related to requests are centrally managed and it is easy to understand the background of requests later on. Because a record is kept of the background in addition to the review results, it also has the effect of facilitating reports to superiors and hand over at the time of transfers.

Password authentication is required when accessing the Legal Support Application so that viewing of a request is not possible by people other than people with the authority to view a given request. Taking security measures while setting access privileges makes it possible to share detailed information with superiors who have decision making authority.

#### User feedback

Using this system makes it possible to automatically share information with everyone involved, and because it records not only the results of consultations, but also the developments along the way, we have been able to eliminate wastes associated with creating reports.

(Hidetoshi Watanabe, General Manager, Head of MD\* Promotion Dept.)

\* MD: Muda (waste) Dori (elimination). The MD Promotion Department is a department that works to eliminate all types of wastes to achieve efficient and productive corporate activities.

