



# Creating the foundations for global management



## Strengthening the corporate governance structure

### Achievement of an optimal corporate governance structure

To fortify our business foundation, we are implementing various measures for strengthening of our financial position including reduction of interest-bearing debt and asset reduction, revitalization of corporate culture, risk management, etc.

#### Strengthen global governance

- Positioning our regional management companies as holding companies (strengthening governance at our overseas subsidiaries)
- Appointing internal auditors at the regional management companies (strengthening audit structure on subsidiaries)
- Setting up whistleblower hotlines worldwide to help detect problems early and to prevent small problems from escalating

#### Board of Directors system reforms

- Introduction of a compensation plan with restricted stock
- Increase in number of Outside Directors and decrease in number of Internal Directors

In an aim for the efficient operation of the Board of Directors and in an effort to ensure transparency of management and further strengthen corporate governance, we have assigned four Outside Directors and reduced the total number of Members of the Board from ten to nine members. In addition, nomination and remuneration matters related to officers are discussed by the Officer Nomination and Remuneration Committee and then decided on by the Board of Directors to ensure transparency and fairness. There have been three committee members (of which, two are Outside Directors) since April 2019.

Company Auditors attend important meetings and committees including the Executive Committee in order to gain an understanding on the status of operational execution. In addition, the Audit Office serves as an independent organization that conducts internal audits on each business and checks that operations are being conducted appropriately.

The audit structure consists of audits by Company Auditors who audit the performance of duties by Members of the Board of Directors, accounting audits by the Financial Auditor, and operational audits and accounting audits on executive departments and Group companies by audit departments. These bodies conduct

mutually independent activities and Company Auditors acquire information from Financial Auditor and audit departments as appropriate in an effort to strengthen the audit function.



Yasushi Kikuchi



Hisao Uchida



Atsushi Kamei



Megumi Shimizu



Hiroki Kimura

All Company Auditors

A Risk Management Committee chaired by the Head of Corporate Administration Division has been established to strengthen the defense system in response to the various risks facing the company, and risks that can have a significant impact on management are managed throughout the organization, and appropriately evaluated and responded to. In addition, the status of activities of each meeting body is reported to the Executive Committee as appropriate and reported to the Board of Directors if deemed necessary.

#### Number of times held in fiscal 2018

Corporate Compliance Committee	4 times
Risk Management Committee	4 times
Personal Information Protection Management Committee	6 times
Export Control Committee	2 times
Information Security Committee	2 times

## TOPIC Implementation of compliance education aimed at the introduction of whistleblower hotlines



Compliance education was held at Yokohama Tire Philippines three times from October 25 to 26, 2018. It was participated in by a total of 334 people including 40 management executives and employees from all departments. Training materials were prepared in English and Tagalog (local language) in an effort to spread awareness on matters including the importance of compliance, compliance with competition law, and the whistleblower framework so that acts such as bribery do not occur.

Reports are made every month to the Corporate Compliance Department on the status of survey and response if there were internal notifications or reports. In fiscal 2019, we will endeavor to establish the structure to introduce whistleblower hotlines.

Number of compliance reports **112 reports** (fiscal 2018, consolidated)

### Strengthening the compliance structure

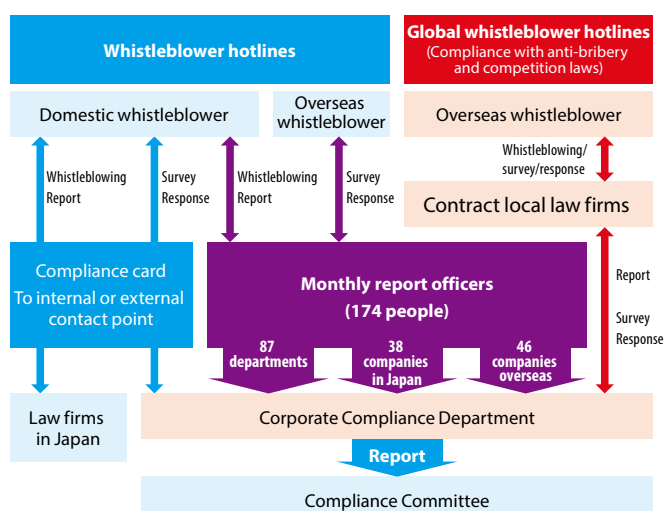
The Corporate Compliance Hotline is a system that also supports anonymous reports in accordance with the Whistleblower Protection Act. The telephone number and email address for contact points are stated on the compliance card that is distributed to all members (officers, employees, part-time employees, non-regular employees, dispatch employees, and employees of contractors) working at the Group's business locations. There are two types of contact points (internal and external) for hotlines, and external law firms have been assigned to external contact points to ensure independence. The General Counseling Room is a system that members can consult with about anything when there are doubts concerning compliance.

#### Number of whistleblowing reports and consultations (consolidated)

	FY2016	FY2017	FY2018
Corporate Compliance Hotline	47	56	58
General Counseling Room	40	61	54
Total	87	117	112

174 compliance officers have been assigned to Group companies in Japan and overseas. At overseas subsidiaries, the Global whistleblower hotlines have been established to enable the company's Corporate Compliance Department to gain a direct understanding of competition law violations and acts of bribery through an external contact point. In February 2018, the hotlines were first introduced at regional management companies and tire sales companies in China. Since then, we have made preparations for introduction of the hotlines in the Philippines and Thailand. In 2020, we will expand the hotlines to other regions in an aim to strengthen the governance structure on a global level.

#### Whistleblower hotline and monthly report system



#### Feedback from a monthly report officer

I am responsible for nine companies in Europe. Although, a Permanent Compliance Committee has not been established, we set up a temporary one if necessary and respond to each reported matter individually.

YEU is planning to introduce the Whistle Blower system including tutorial section to its European subsidiaries within 2020.

Annette Mayer  
(Yokohama Europe GmbH; YEU)

