

# Corporate Governance



## 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

## Strengthening the compliance structure

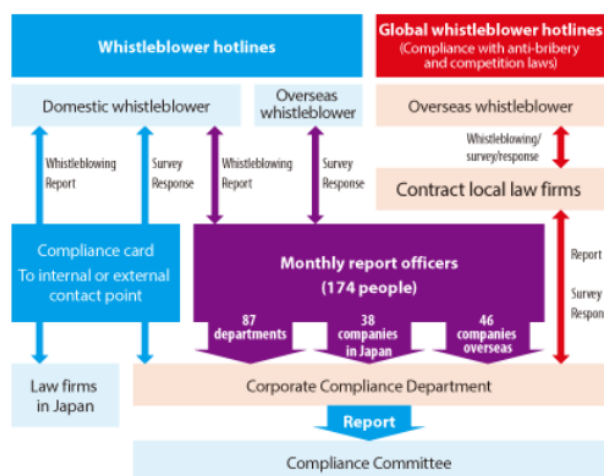
The Corporate Compliance Hotline is a system that also supports anonymous reports in accordance with the Whistleblower Protection Act. The telephone number and email address for contact points are stated on the compliance card that is distributed to all members (officers, employees, part-time employees, 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



Annette Mayer  
(Yokohama Europe GmbH ; YEU)

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.

## 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)**

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## Governance



# Governance

## 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 core 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.

### Yokohama Rubber Group Action Guidelines

We shall conduct corporate activities with a high degree of 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 results, financial position, and business activities to our stakeholders, and engage in open and fair communication with them.


#### Putting our basic stance into practice – 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 only within proper scope, and carefully protect it.
5. We shall properly manage exports 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.

# Yokohama Rubber Group Competition Law Compliance Policy and Anti-corruption Policy

In accordance with the Yokohama Rubber Group Action Guidelines, we implement employee education to ensure that employees are familiar with and comply with these Policies, and we also implement related management and supervision.

 [Competition Law Compliance Policy \(formulated in July 2017\)](#)

 [Anti-corruption Policy \(formulated in July 2017\)](#)

 [Yokohama Rubber Group Action Guidelines](#)

## Message from a manager

With the aim of having our management continue to maintain unshakeable credibility, Yokohama Rubber Group is making every effort to fortify and improve the support system needed to establish corporate governance that can realize management with transparency and fairness under our Corporate Philosophy.

To further strengthen our business foundations through officer system reform, it was decided that, starting from March 2018, the number of Directors would be reduced, while at the same time adding one additional Outside Director. In addition, we strengthened the diversity of the board of Directors by appointing a female Outside Audit & Supervisory Board Member and appointing one Corporate Officer each from the U.S.A. and India. Moreover, we reduced the total number of Directors from ten to nine in FY 2019.

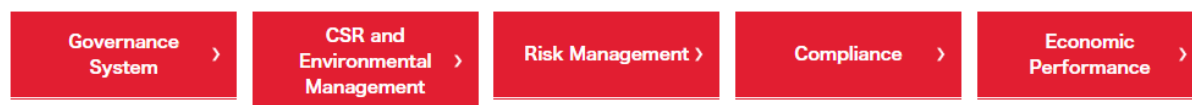
In addition, officer personnel and remuneration matters are discussed by the Personnel and Remuneration Committee for Corporate Officers, of which two of three members are Outside Officers, and decided on by the Board of Directors to ensure transparency and fairness. In order to strengthening the compliance structure, a whistle-blowing system has been introduced in which responsible officers have been assigned to overseas business locations and the status of issues such as labor issues is confirmed every month.

We will strengthen the transparency and fairness of governance and risk management through these measures.


Gouta Matsuo, Head of Corporate Administration Division

## 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

 [Organizational Governance \(442 KB\)](#)

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**Governance**   Governance System   CSR and Environmental Management   Risk Management   Compliance  
Economic Performance



# Governance System

## 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 President, who cannot serve as a Corporate Officer at the same time. Furthermore, at the 143rd Ordinary General Shareholders' Meeting held on March 29, 2019, the appointment of four External Directors was approved, and the number of Directors was reduced from 10 to 9.

The attendance rate of Internal Officers at meetings of the Board of Directors in 2018 was 100%, and the attendance rate of External Officers was as follows.

### FY2018 attendance status

	Board of Directors	
	Number of times attended	Attendance rate
Director Naozumi Furukawa	14/14	100.0%
Director Hideichi Okada	13/14	92.9%
Director Nobuo Takenaka	13/14	92.9%
Director Hirokazu Kono	10/10	100.0%
Audit & Supervisory Board Member Yoshiki Sato	12/14	85.7%
Audit & Supervisory Board Member Atsushi Kamei	13/14	92.9%
Audit & Supervisory Board Member Megumi Shimizu	10/10	100.0%

※Positions as of March 28, 2019.

※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 five years as of the conclusion of the 143rd 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 served as the Company's Outside Audit & Supervisory Board Member for a period of seven years and nine months starting from June 2006.

- Hideichi Okada  
Hideichi Okada will have served as the Company's Outside Director for a period of six years as of the conclusion of the 143rd Ordinary General Shareholders' Meeting, and during this period he has expressed his opinion and provided advice from an international perspective based on his wealth of experience working at government agencies and his corporate management experience at a leading Japanese company in the petroleum exploration business; he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from a neutral stance independent of the company's management team, helping to ensure that the Company's business decisions are not unduly affected by internal biases).  
He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.
- Nobuo Takenaka  
Nobuo Takenaka will have served as the Company's Outside Director for a period of three years as of the conclusion of the 143rd Ordinary General Shareholders' Meeting, and during this period he has expressed his opinion and provided advice based on his abundant experience and insight as an officer of a leading homebuilder company and its group companies in corporate management for many years; and he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from a neutral stance independent of the company's management team, helping to ensure that the Company's business decisions are not unduly affected by internal biases).  
He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.
- Hirokazu Kono  
Hirokazu Kono will have served as the Company's Outside Director for a period of one year as of the conclusion of the 143rd Ordinary General Shareholders' Meeting, and during this period he has expressed his opinion and provided advice taking advantage of deep insight based on abundant experiences as a university professor dedicated to research on management engineering and corporate administration at universities in Japan and the US for many years and as an outside director of other companies; and he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from a neutral stance independent of the company's management team, helping to ensure that the Company's business decisions are not unduly affected by internal biases).  
He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.
- Yoshiki Sato  
Yoshiki Sato has utilized his extensive experience and deep insights acquired as a manager at a financial institution and as an outside director of other companies to participate actively in board meetings etc. by addressing frank questions and expressing his opinions; he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from an external perspective, thereby helping to ensure the soundness of the Company's management and enhance the transparency of its operations).  
He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.
- Atsushi Kamei  
Atsushi Kamei has effectively utilized his experience and management perspective gained as an executive and CEO of Ito-Yokado Co., Ltd., which has been a leading company in the distribution sector in Japan for many years, to further strengthen our Company's audit system.  
He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.
- Megumi Shimizu  
Megumi Shimizu has effectively utilized her abundant experience and knowledge as a legal expert active as an attorney for many years from a legal point of view and objective perspective to further strengthen our Company's audit system.  
She has maintained her independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

The Board of Directors' Meeting was held 14 times in fiscal 2018, and 62 proposals were deliberated.

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 proposals regarding the Stewardship Code response policy.

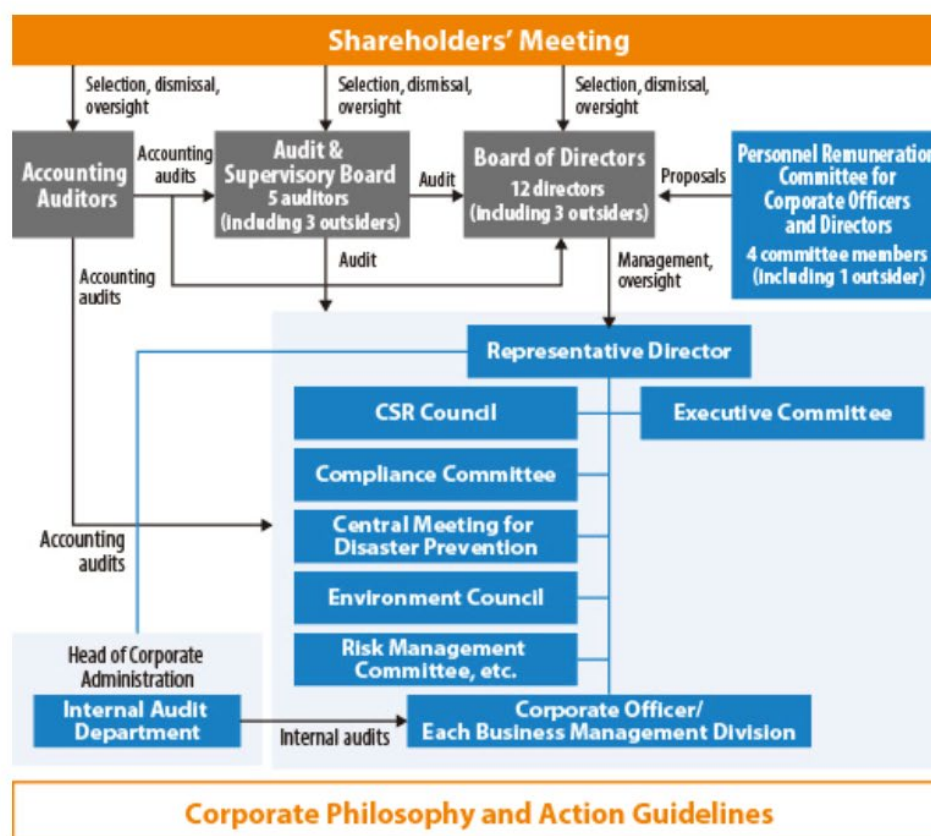
Under our systems, Audit & Supervisory Board Members can get know the status of our business operations by attending various important meetings or committees such as the Management Meeting, and the Internal Audit Office that serves as an independent organization conducts internal audits of each business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

The Personnel/Remuneration Committee for Corporate Officers had four Members (of which two were Outside Members) during the fiscal year from April 2018 to March 2019, and three Members (of which two were Outside Members) during the fiscal year from April 2019 to March 2020. As required by law, all transactions by directors that could be deemed to have conflict of interest implications and all transactions involving competitor firms were subject to approval by the Board of Directors, with the results being reported at Board Meetings.

## Corporate Governance Support System



The structure notified is as of March 29, 2019.

## Improvement of our Corporate Governance System

We have made resolutions under the "Basic Guidelines for Corporate Governance in Accordance with the Companies Act" during our Board of Directors' Meeting in May 2006. Not only do we follow up with their activity status every year, we also 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 2017. We will continue to make improvements on this aspect as well in order to maintain sustainable and effective functionality.

## Remuneration for Corporate Officers and Directors

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. With regard to 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. Regarding 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 639 million yen for fiscal 2018. 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

Move the screen to the left or right to see the table information

Executive category	Total remuneration (Million yen)	Total by type of remuneration (Million yen)			Number of applicable executives (persons)
		Basic remuneration	Restricted stock compensation	Bonus	
Directors (excluding Outside Directors)	531	271	160	100	10
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	57	45	-	12	2
Outside Officers	51	51	-	-	8

Governance **Governance System** CSR and Environmental Management Risk Management Compliance  
Economic Performance

# CSR and Environmental Management

## CSR and Environmental Management Promotion Framework

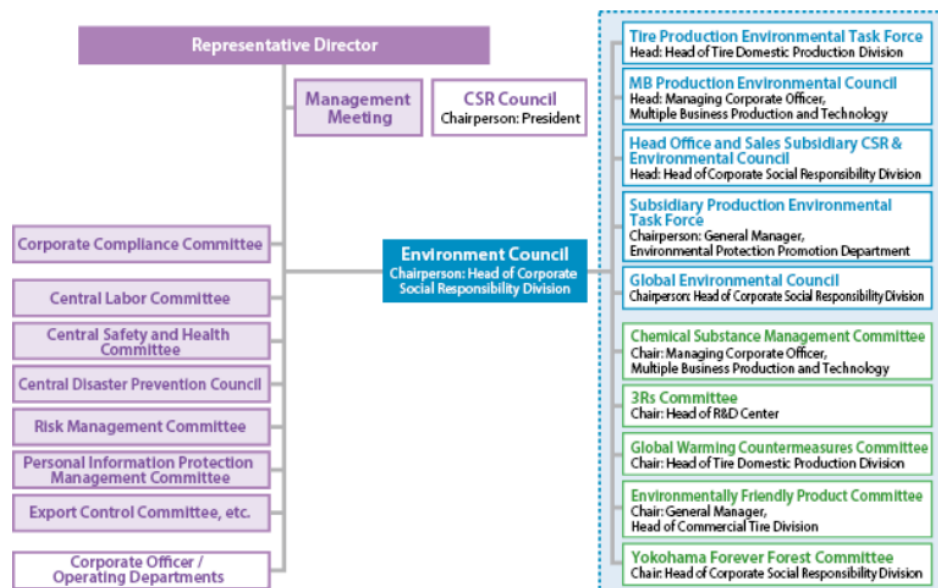
Twice a year (in May and November), we hold a CSR Council where our President serves as a chairperson, and an Environmental Council where our company President serves as a chairperson, as part of an organizational framework that was set up to discuss and develop plans for addressing the social responsibility issues that Yokohama Rubber Group is currently 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 four committees that promote environmental activities as sub-bodies within the Environmental Council. The Environmental Council engages in business activities as a product development framework and continues to provide environmentally friendly products.

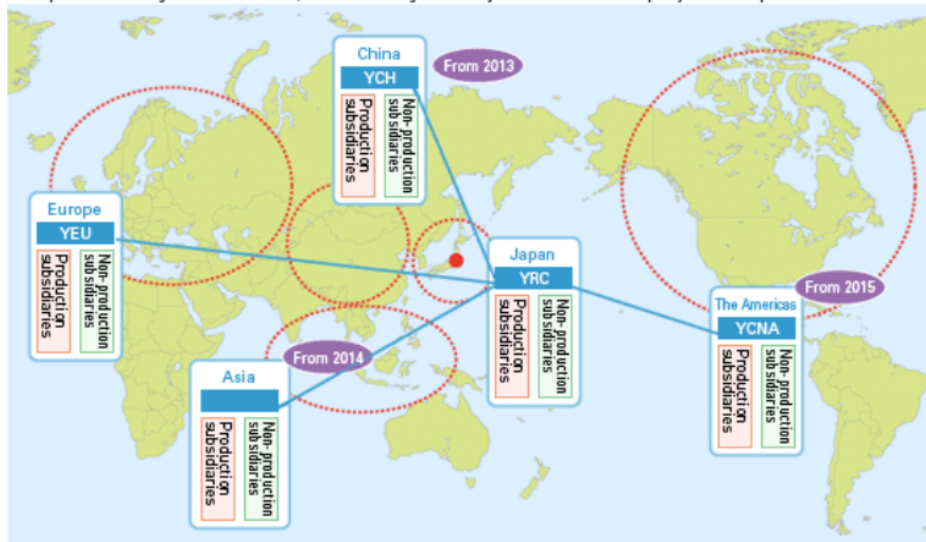
We aim to realize consistent, high-level environmental management in all our operations worldwide, and we work to promote effective area management; in fiscal2018, Environment Councils were held in the China area.



■ CSR and environmental management promotion framework (as of March 29, 2018)

## Vision for FY 2018

The autonomous implementation of CSR and environmental management in line with regional circumstances centered around the supervising companies of each region around the world, while maintaining consistency with the environmental policy of the Group as a whole.



## Important Issues of the Yokohama Rubber Group

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, which 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 GD2020 medium-term management plan based on the Action Guidelines, in order to move forward together with stakeholders.

For more information about the GD2020 medium-term management plan, see the "[Investor Relations](#)" section of the Yokohama Rubber corporate website.

For more information about our CSR measures, see the section of the Yokohama Rubber corporate website that outlines our "[Caring for the Future](#)" CSRSlogan.

## Environmental Management System

### Enforcement of Global Environmental Management Based on ISO14001

We aim to maintain high-quality environmental management under the same standard both in domestic and overseas group companies; thereby we have positioned ISO14001, which is the international Environmental Management System standard, as the basis of our management.

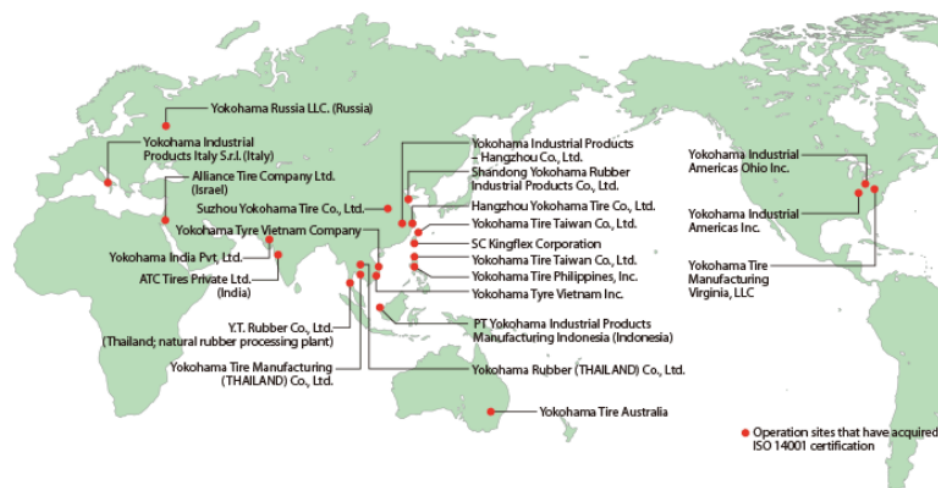
We are trying to get all our operation sites to obtain ISO14001; so far, a total of 16 operation sites in Japan, comprising nine from Yokohama Rubber and seven from our group for domestic operations have obtained it, whereas overseas a total of 23 operation sites of 18 group companies have been certified.

It should be noted 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, and a total of 16 Yokohama Rubber and Group company offices acquired ISO14001:2015 integrated certification in 2018. This reflects the high level of homogenization.

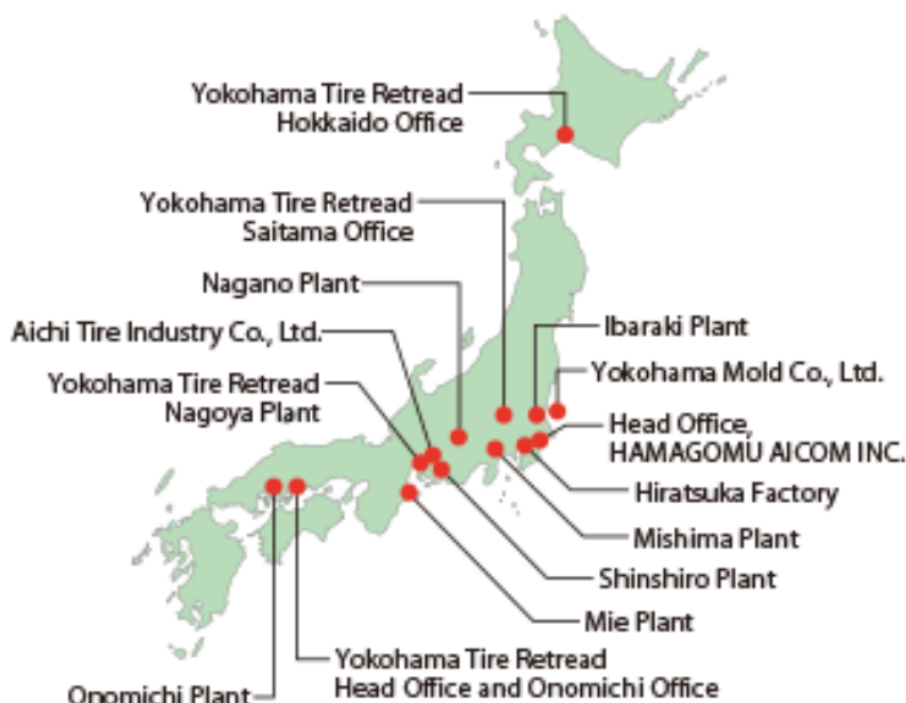
In addition, our non-manufacturing sites are promoting environment management in accordance with the 'CSR Environmental Management Guidelines' and our approach to the environment.

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



## Japanese business locations that have acquired ISO14001 certification



As of July 2019

## 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, integrated internal 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.

There were no indications of any violation of environmental legislation among all the auditing items in fiscal 2018.



## Internal Audit

Overseas production sites have acquired and implemented ISO14001 certification.

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 member 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 in an even more proactive manner during their normal business activities.

## Integrated internal audit

Integrated certification has been acquired for production sites in Japan. In order to make overall improvements to environmental management and work towards the cross deployment of key issues, internal audits are also conducted by members from each site.

In fiscal 2018, 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, focusing in particular on our production and development sites.

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

## External Audit

During fiscal 2018, an integrated EMS certification registration audit was completed by an ISO audit registration organization that covered all of the group's Japanese production bases and its Headquarters, and as a result we successfully transitioned to the 2015 version of ISO14001.

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 introduction of the revised ISO14001:2015, transitional audits have been conducted at overseas group companies as well, and completed within the specified time period for transition.

# | Enforcement of Environmental Training and Education

## CSR and Environmental Training

We have incorporated CSR and environmental training as one of the subjects to be studied by recent graduate hires and mid-career hires. 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 2018. Furthermore, we held a CSR and Environmental Knowledge Course (Intermediate) for employees that have been with the company for about ten years. The course, which had 32 participants, covered knowledge and environment relating to the U.N. Sustainable Development Goals (SDGs) and Environmental, Social and corporate Governance (ESG) focused investment, and a comprehensive range of CSR topics, including compliance, corporate governance, etc.

In addition, in order to ensure that our managerial and supervisor level employees thoroughly understand ISO14001, we are conducting training classes for environmental internal auditors. Including 47 personnel who have completed this course to get certified in fiscal 2018, currently a total of 2,169 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 267 environmental operations employees and lead auditors in fiscal 2018.

## Enhancement of Education Activities

As part of our environmental education activities, we conduct improvement activities by getting involved with all our personnel by sending our President's message to all our employees in the Energy Saving Month in February and the Environment Month in June every year. For our Environment Month from June 1 to 30, we accept suggestions for environmental month slogans and posters from all Yokohama Rubber Group employees and family members up to elementary school student age.

We received many submissions that expressed various messages related to topics such as energy savings and the 3Rs. In fiscal 2018, we received 6,274 entries for slogans and 139 entries for posters in Japan and 1,596 entries for slogans and 359 entries for posters overseas.

Of these, the following were selected as excellent works.

	Japan	Overseas
Environmental Slogan Excellent Works	26	15
Poster Excellent Works	14	15

In addition, the best works were selected for both Japan and overseas.

### Environmental Slogan Best Work

Sunshades, watering, and ventilation - An energy-saving summer through wisdom and ingenuity  
(Tire Designing Department 2, Design Group 3)

Segregate waste and plant more trees. We owe it to our planet to do good deeds.  
Kaila Yturraldet  
(Yokohama Tire Philippines, Inc.)

### Environmental Poster Best Work



Nana Setoyanagi  
(Tire Direct Demand Business Planning Division Hirokazu Setoyanagi)



Jacky Ramadhani  
(Yokohama Industrial Products Manufacturing Indonesia: YI-ID)

A commemorative gift was given by the secretariat for Excellent Works and Best Works in Japan and overseas.

## 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. As a part of our strategy to raise awareness and enlighten with regard to the environment through our operations, we have established a President's Award for Environmental Contribution system. The fields for the award consists of a 3R Award, Energy Conservation Award, and Social Contribution 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. 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.

## The 13rd Award for Environmental Contribution in FY 2018

Fields of Environmental Contributions Award	Winning Groups
Office Award	Yokohama Tire Japan, Tohoku Sales Headquarters, Fukushima Company
Product Award	BluEarth-GT AE51 / Tire Designing Department No. 1, Tire Materials Department No. 2
3Rs Award	Hangzhou Yokohama. Tire Co., Ltd.
Energy Conservation Award	Onomichi Plant
Social Contribution Award	Yokohama Tire Manufacturing (Thailand) Co., Ltd.

## Environmental Accounting

### 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 2017		FY 2018	
Business area costs			Investments	Costs	Investments	Costs
	Pollution prevention costs	Installation of deodorization equipment, supporting CFC regulations, etc.	475	24	1,143	22
	Global environmental conservation costs	Compressors, air conditioning renewal, adoption of hybrid forklifts, etc.	629	11	867	13
	Resource recycling costs	Costs related to waste segregation and processing	0	433	0	456
Upstream and downstream costs		Expenses for reuse of tire bladders and plastics liners for rubber take-up	0	29	0	35
Management activity costs		EMS maintenance, management, and information disclosure costs	0	179	0	176
Research and development costs		Research and development costs for reducing the environmental burden	63	1,208	93	969
Social activity costs		Tree planting activities in areas affected by the Great East Japan Earthquake, social contribution activities, etc.	0	9	0	10
Environmental remediation costs		Reserves for PCB processing, etc.	0	76	0	12
Subtotal			1,167	1,970	2,104	1,694
Total			3,137		3,798	

### Economic effect

※(Millions of yen)

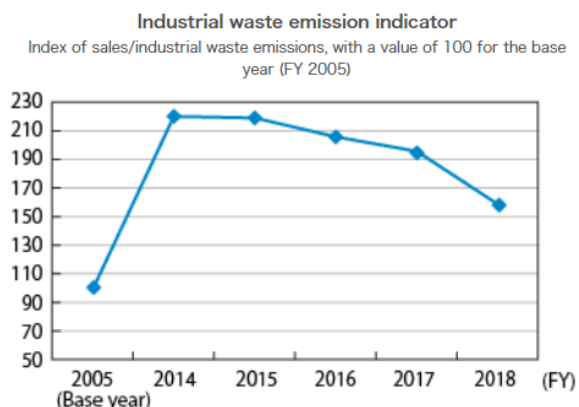
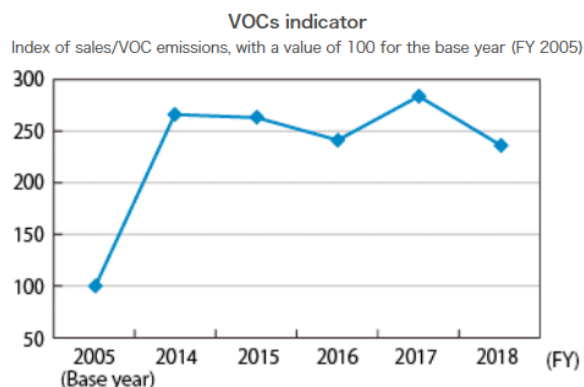
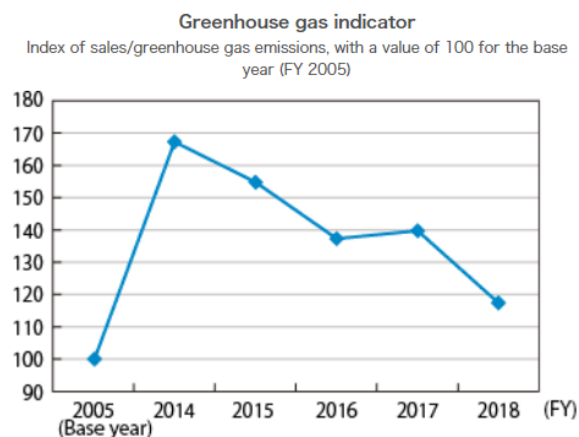
Type of effect	Major initiatives	FY 2017	FY 2018
Profits	Profits gained from wastes and recycling from business activities	66	65
Cost reduction	Cost reductions through energy conservation	262	148
	Cost reductions through the use of recycled products	191	210
Total		520	423

## Environmental conservation effects

Type of effect	Year-on-year reduction	
	FY 2017	FY 2018
Greenhouse gas emissions (thousand tons, CO <sub>2</sub> )	1.4	6.5
VOCs emissions (tons)	54.7	16.7
Waste reclamation quantity (tons)	0*	0*
Waste emissions (tons)	-879.1	-460.2

\*Zero emissions achieved domestically in FY 2010

## Environmental efficiency



## Participation in Initiatives in Japan and Overseas

Yokohama Rubber Group is committed to the Ten principles of the UN Global Compact and carries out the Plan-Do-Check-Act (PDCA) cycle following the framework of ISO 26000.

The Ten Principles of the UN Global Compact	ISO26000 Seven Core Subjects
<b>Human Rights</b> Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses. <b>Labor</b> Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.	<b>1 Organizational governance</b> <b>2 Human rights</b> <b>3 Labor practices</b> <b>4 The environment</b> <b>5 Fair operating practices</b> <b>6 Consumer issues</b> <b>7 Community involvement and development</b>
<b>Environment</b> Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies. <b>Anti-Corruption</b> Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	



## Japan Association for the World Food Programme

We endorse the World Food Programme (WFP) in undertaking to eradicate hunger and poverty and support the activities of the WFP as a trustee.

## Fun to Share Campaign

We provided sponsorship for the Challenge 25 Campaign (a global warming prevention campaign fostering involvement by ordinary citizens) which was launched on January 14, 2010, and we participated in the Challenge 25 Campaign activities. Following the termination of the Challenge 25 Campaign, since 2014 we have been supporting the new Fun to Share Campaign, which is aimed at achieving a low-carbon society in response to climate change. We have also registered as a participating company and organization and made a declaration on the content of the initiatives.

### **Yokohama Rubber Co., Ltd.**

**Achieving a low-carbon society through fuel-efficient tires and environmental contribution products and activities.**

## “Declaration of Biodiversity by Keidanren” -Promotion Partners

We have been in accordance with the idea of “Declaration of Biodiversity by Keidanren” and their promotion partners since 2009 to develop various approaches for the preservation of biodiversity.

Basic policies and action guidelines have been set forth as “Yokohama Rubber’s Guidelines on Biodiversity.”

## Keidanren's Commitment to a Low Carbon Society

We are in accordance with, and participate in various activities for Keidanren's Commitment to a Low Carbon Society under the vision of “Japanese industries playing a role as core functions with their technological strength in order to achieve our target which is to halve the greenhouse gas emission of the world in 2050.”

## WBCSD (World Business Council for Sustainable Development)

WBCSD refers to a unified association that consists of top executives from global corporations in order to perform their leadership in their industry, have lively discussion, and propose policies with regards to the environment and sustainable development. We are participating in the Tire Industry Project, which involves conducting surveys pertaining to the possible impact of tires on the environment and health, and promoting various activities to save energy in buildings and offices.



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Governance   Governance System   **CSR and Environmental Management**   Risk Management   Compliance  
Economic Performance

# Risk Management

## Risk Management System

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. 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 Council, 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.

### The following meetings were held in FY 2018:

Risk Management Committee	Met four times
Personal Information Protection Management Committee	Met six times
Export Control Committee	Met twice
Information Security Committee	Met twice

While reports were made to the Board of Directors for issues requiring advanced management decisions, there were no risk issues that would require a management decision by the Board of Directors in fiscal 2018.

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

## Review of FY 2018 Activities

### Verifying employee safety

A system for verifying employee safety was adopted in 2009, and has been implemented continuously since then.

The O.E. Tire Sales & Marketing Division, which is responsible for sales of tires to automotive manufacturers for fitting to new vehicles, implements safety verification training for relevant personnel several times a year.

Yokohama Tire Japan Co., Ltd., which sells vehicle tires and related products, also carries out safety verification training for its employees based on a disaster scenario.



Training in progress at the Sales and Marketing Division office in Kanto-Koshin region.

## Being prepared for a disaster (database activation)

In FY2017, data regarding the current implementation status of the stockpiling of emergency supplies at individual business sites, evacuation training to ensure readiness in the event of a disaster occurring, and first-aid training using automated external defibrillator (AED) equipment, etc., was collated in the form of a unified database.

This has facilitated the restocking of emergency supplies of which there was a shortage, and made it possible to add new items where needed.

We have also been able to verify the content and frequency of emergency evacuation drills, and the number of people participating, to ensure that personnel can respond promptly in the event of a disaster.

Then, in fiscal 2018, besides re-confirming that business sites have several days' worth of water, food etc. stockpiled using a database, we also began preparations to enable us to act as an emergency evacuation location for local residents in the event of a disaster.



## Disaster prevention initiatives

In addition to the safety, quality, and compliance, material issues for CSR also include fire prevention, disaster prevention, and BCP, and we are working to strengthen fire prevention and disaster prevention activities.

These activities include the advance prevention for incidents such as small fires at Yokohama Rubber and the establishment of mechanisms in preparation for disasters through risk assessments on natural disasters that have become more extreme and occurring in greater numbers.

We created company-wide guidelines for fire prevention and a framework for fire prevention audits in fiscal 2018, and fire prevention will be conducted on each business and office based on this in fiscal 2019 and later.?



Fire prevention audit



In addition, we will implement advance measures so that a prompt first response and recovery can be achieved and a crisis does not occur when our business is exposed to a drastic change such as a disaster by establishing and strengthening business continuity plans (BCP) based on the disaster prevention manual for each business location. In doing so, we will protect our employees from disasters and strengthen frameworks for continuing to provide value to customers through products and services.

# Compliance

## Basic Stance Towards Compliance

In order to respond effectively to the increase in risk that has accompanied globalization, in July 2017 the Yokohama Rubber Group Competition Law Compliance Policy and Yokohama Rubber Group Anti-corruption Policy were approved by the Board of Directors and came into effect. By announcing these new policies both in Japan and overseas, and by formulating rules and guidelines that embody the policies in concrete form and familiarizing stakeholders with them, we aim to prevent violations of competition law and criminal offences involving bribery.

By integrating these policies with our Global Internal Reporting System ? adoption of which began in February 2018 ? and implementing them in subsidiaries throughout the world, we believe that we can raise the overall level of compliance in the Yokohama Rubber Group to an even higher level.

## Compliance System

Yokohama Rubber has established a Corporate Compliance Committee with the Representative Director in charge of compliance as the Committee Chair and the Corporate Compliance Department 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 the Yokohama Rubber Group is assigned personnel who belong to the Corporate Compliance 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 managers to facilitate the development of the same level of activities at each of them.

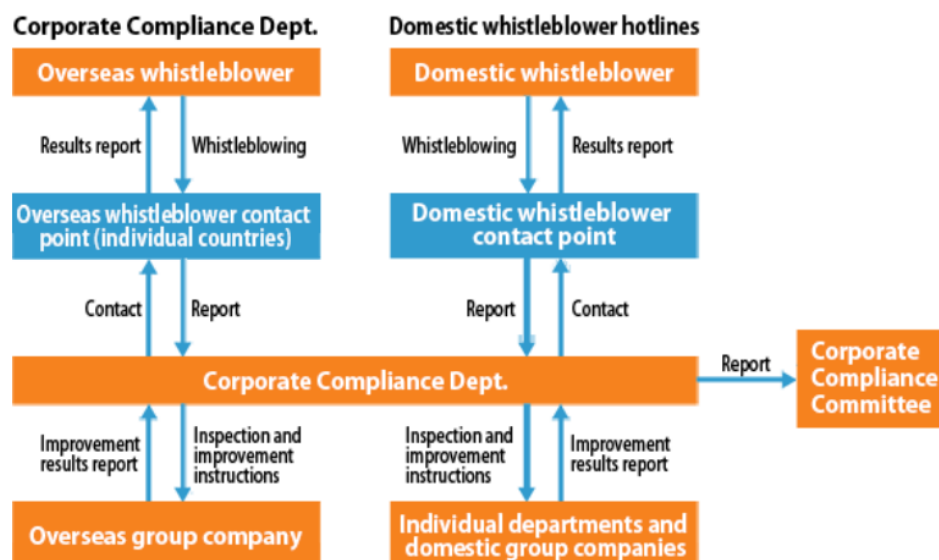
## Whistle-Blowing System (Corporate Compliance Hotline / General Counseling Room)

The Corporate Compliance Hotline refers to the system of accepting even anonymous whistle-blowing in accordance with the Whistleblower Protection Act. The telephone number and email address are 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 which any members can utilize regarding any doubt or anxieties at work that are related to corporate compliance, and requires name registration as a general rule. In fiscal 2018, we received a total of 112 cases of questions and concerns for items to confirm or seeking advice, consisting of 58 items through the hotline and 54 items through the General Counseling Room.

A Global Internal Reporting System has been established for overseas subsidiaries that enables the Yokohama Rubber Compliance Department to gain a direct understanding of behavior that violates competition law and behavior relating to bribery through an external contact point. In February 2018, adoption of the new System began in China at the company responsible for overall supervision of our China-based operations and at our tire sales company in China. As of December 2018, preparations were underway for the introduction of hotlines in the Philippines and Thailand. In 2020, we will expand hotlines to other region in an aim to strengthen the governance structure on a global level.



## 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 include the distribution of educational materials, group learning at work, and group education. During fiscal 2018, we focused on maintaining compliance with bribery prevention and competition laws, and compliance education for domestic plant staff who are expected to receive an overseas assignment in the near future and members of management who make procurement requests.

## Seminars conducted (FY 2018)

(Unit: persons)

Training opportunities	Persons
Pre-departure orientation for overseas dispatch for executives	8
Pre-departure orientation for overseas dispatch	24
Bribery prevention and competition law compliance training	391
Occupational accidents and workers' compensation	174
Grand total	597

※Conducted by the Corporate Compliance Department.

## 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 violations of the Anti-Monopoly Act have been imposed on our company.
- No sanctions against fraudulent accounting practice, discrimination or misconduct in the workplace have been imposed on our company.
- No sanctions against violations of environmental regulations have been imposed on our company.
- No complaints have been lodged over loss of customers' data.
- There have been no violations of laws relating to the supply of products and services, or their usage.

Two truck tire recalls were conducted in the US during fiscal 2018.

### Two truck tire recalls in the US

1. Among some truck tires produced at a plant in the US, tires were released into circulation stamped with an indication lower than the actual reinforcement ply count. There was no impact on the safety because it was only a stamping mismatch.
2. A recall was conducted in the US in response to the possibility of inappropriate tread rubber being used for truck tires produced at a plant in the US. Currently, no accidents have occurred with these tires, and the recall is also going smoothly. Recurrence prevention measures have already been completed.

# Economic Performance

## 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

The Yokohama Rubber Group’s GD2020 Medium-term Management Plan was launched in FY2018.

The basic assumptions underpinning GD2020 are that global demand for tires will grow more rapidly than the rate of increase in the number of motor vehicles produced worldwide, but that competition in the tire market will intensify as tire manufacturers in emerging markets expand their production capacity. Faced with this business environment, Yokohama Rubber has identified three key issues that it needs to focus on: (1) Enhancing our product mix by concentrating resources on high-value-added products; (2) Ensuring that we maximize the benefits from already completed large-scale investment projects and acquisitions; (3) Strengthening our financial position.

### Vision (attainment goal) / target

Our positioning for the GD2020 Medium-term Management Plan emphasizes “Being prepared for further growth in the 2020s by strengthening our business foundations through the redefining of Yokohama Rubber’s strengths and by implementing growth strategies for each of our businesses that contribute to the enhancement of a unique growth path for each business.”

Our financial targets for the year 2020 are to achieve sales revenue of 700 billion yen, operating income of 70 billion yen, and an operating profit margin of 10%. We are also aiming to achieve a debt/equity ratio (D/E ratio) of 0.6 and a return on equity (ROE) of 10% by the end of FY2020.

### Quantitative targets for 2020

Sales revenue	700 billion yen
Operating income	70 billion yen
Operating margin	10%
ROE (net income)	10%
D/E ratio	0.6

### Measures for vision achievement

The growth strategies for each of our business areas are outlined below. We will also be implementing a technology strategy and brand strategy that make effective use of our company’s strengths.

<b>Consumer tires business strategy</b>	Expand our presence in the premium tire market
<b>Commercial tires business strategy</b>	Make commercial tires a pillar of revenue driven by off-highway tires
<b>MB operations business strategy</b>	Allocate resources on a priority basis to business fields of strength

To strengthen our business foundations, we will be focusing on five key areas: Corporate social responsibility (CSR), human resources strategy, corporate governance, risk management, and financial strategy. In regard to financial strategy, we will be utilizing the cash-flow generated through effective implementation of our growth strategies to strengthen our financial position (by reducing interest-bearing debt, etc.) while also providing appropriate returns to shareholders.

➤ [Medium-term Management Plan GD2020](#)

## Review of FY 2018 Activities

### Distribution of economic value to stakeholders

Stakeholders	Distribution amount (million yen)			Calculation method
	FY 2018	FY 2017	FY 2016	
Business partners and suppliers	260,734	260,685	250,606	Cost of sales + SG&A expenses (excluding personnel expenses)
Employees	52,948	52,370	52,230	Cost of sales + SG&A expenses (personnel expenses)
Shareholders	9,937	9,140	8,339	Dividends paid
Creditors	3,152	2,915	2,699	Interest paid
Government and administration	11,448	17,115	12,638	Corporate taxes, etc. paid
Society	22	110	21	Donations (entertainment expenses), etc. [High school and university laboratories]
Internal	9,928	8,490	10,112	Net income - dividend amount
<b>Total</b>	<b>348,169</b>	<b>350,825</b>	<b>336,645</b>	

※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 106.9 million yen.