

# Corporate Governance



## Implementing Disaster Prevention Measures, and Taking Appropriate Action in Response to a Wide Range of Risks

### Getting employees into the habit of implementing disaster scenario simulations

Japan and the other countries and regions where Yokohama Rubber operates are constantly exposed to the threat of major natural disasters such as mega-typhoons, record-breaking torrential rainfall, major earthquakes, etc. We systematically implement measures that include training to verify that systems for confirming employee safety in the event of a disaster are operating effectively, stockpiling of food, drink and other emergency supplies, the implementation of Fire Prevention audit and the compiling of Disaster Prevention manuals, etc. We believe that it is very important for every individual employee to maintain Disaster Prevention awareness, and to implement simulations of possible disaster scenarios.

#### Current status of Disaster Prevention measures

No. of Fire Prevention audits performed	22 sites
Rate of reduction in the incidence of small fires (year-on-year)	40% reduction

### Framework for Disaster Prevention measure implementation

Within Japan, it is estimated that there is a 70% probability of a large-scale natural disaster – such as a major earthquake with its epicenter directly beneath Tokyo, or a Nankai Trough megathrust earthquake – occurring within the next 30 years. It is also very common for Yokohama Rubber's production sites – whether located in or outside Japan – to be affected by natural disasters such as earthquakes, typhoons, tornados and flooding.

In order to be able to respond rapidly in the event of an emergency, Yokohama Rubber has put in place the systems needed to enable smooth, systematic operation of the disaster response headquarters in the event of a natural disaster occurring.

### Formulation of Fire Prevention Guidelines

Yokohama Rubber has formulated Fire Prevention Guidelines to serve as a "standard" outlining the appropriate stance, with the aim of realizing verification and improvement of fire prevention activities within the Yokohama Rubber Group and ensuring that, in the event of a fire occurring, swift action will be taken to prevent it from spreading. Yokohama Rubber is working to strengthen its fire prevention framework by taking these Guidelines as the foundation for the ongoing implementation of fire prevention audits at each production site, and for a PDCA (Plan-Do-Check-Action) cycle to bring about improvements.

## Formulation of Disaster Prevention Guidelines

Yokohama Rubber has formulated Disaster Prevention Guidelines, which prioritize the safeguarding of human life, to serve as a code of conduct for employees when responding to emergencies such as natural disasters (including earthquakes, typhoons, flooding, severe snowstorms, landslides, etc.), epidemics, etc., and to outline the preparations that the company must take in relation to such disasters.

The aim has been to ensure that the Guidelines are full of useful, practical content, divided into three main sections: "Everyday Preparedness," "Disaster Response Systems," and "Initial Response in an Emergency (Code of Conduct)." In the future, we will continue to maintain and adjust the Disaster Prevention framework that we have put in place, working to build systems that will continue to operate effectively in the future. Taking this as the foundation, moving forward we will be formulating business continuity planning (BCP) strategies to address a wide range of different types of risk.

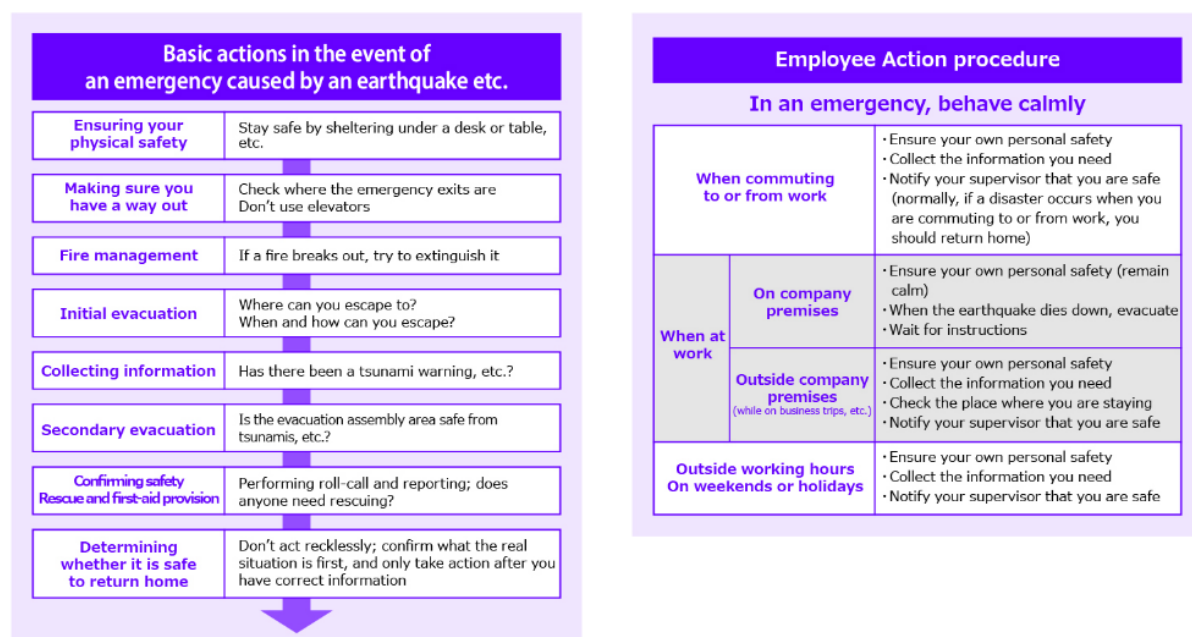


## Disaster Response Pocket Manual

When a disaster occurs, what action should be taken in order to safeguard human life? The Disaster Response Pocket Manual clearly outlines what action individuals should take, and what action they should take as employees, in response to a disaster.

First, for each individual, the overriding priority is to safeguard your own life. In an emergency, you must stay calm and think first of all about what you need to do to protect yourself. In order to let other people know that you are safe and unharmed, it is very important to decide in advance with family and friends how you can notify each other that you are safe. In addition, in order to maintain the business activities that underpin daily life, it is also vitally important for individuals to stay calm and collected in their roles as employees. The Disaster Response Pocket Manual outlines what employees should do if they are caught up in a disaster while commuting to or from work, or while they are at work.

## Disaster Response Pocket Manual



## Yokohama Rubber's response to the COVID-19 coronavirus epidemic

In the past, Disaster Prevention measures were based on the assumption that the disaster would take the form of a natural disaster, fire etc. causing damage to property and injury to people. The emergence of the COVID-19 coronavirus epidemic has made it necessary to add new scenarios to Disaster Prevention planning. Whereas in the past the main focus was on responding to natural disasters, increasing importance is now being attached to business continuity and business recovery, and to activities that relate to preventing disasters from occurring.

Many of the countries and regions where Yokohama Rubber operates have been affected by the announcement of states of emergency, with citizens being encouraged to stay home, imposition of lockdowns, and other measures that have had impacts such as being forced to temporarily suspend operations. It is not just our business operations that have been affected; daily life has also been affected.

Yokohama Rubber's COVID-19 Response Headquarters and Risk Management Committee have been constantly monitoring the changing situation, and have been focusing on business continuity, with efforts in the following two areas playing a key role:

- **Prioritizing the health and safety of employees, their family members, and our customers**
- **Working to minimize the negative impact on our business and operations**

In battling the threat posed by the COVID-19 epidemic, what is needed is a response that recognizes the need to "live with and adjust to the coronavirus," carrying on daily life and work while prioritizing health and safety. With this in mind, Yokohama Rubber formulated, at an early stage, strategies relating to work-styles and guidelines for dealing with customers, adjusting them as needed, and striving to ensure that all employees were familiar with them and implemented them thoroughly.

- **Thorough implementation of basic actions**

Wearing masks, washing hands / disinfecting / checking one's temperature, social distancing, and avoiding the Three Cs (Crowded places, Close-contact settings, and Confined and enclosed spaces)

- **Policy regarding going to work / working at home**

In line with national government and local government guidelines, Yokohama Rubber has been thoroughly implementing "off-peak working"

(i.e. adjusting working hours so that employees can avoid the rush hour, making use of online meetings, encouraging employees to work from home, minimizing hours spent in the workplace, etc.)

- **External measures**

The company has prioritized efforts to prevent customers, employees and their family members from becoming infected, by avoiding meetings that are unnecessary or which can be postponed.

In the future, Yokohama Rubber will continue to work closely with suppliers, customers and all other stakeholders, to ensure that we can continue to deliver our company's products and services in a timely manner.

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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 Action Guidelines


› [Yokohama Rubber Group Action Guidelines \(formulated in December 2014\)](#)




# 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 \(formulated in July 2017\)](#)

## The Yokohama Rubber Group Tax Policy

 [Taxation transparency](#)

## 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 2020, the diversity of Directors would be increased, while at the same time adding Outside Director. In addition, we appointed Corporate Officer from the overseas site. Moreover, we increased the total number of Directors from nine to eleven.

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 \(177 KB\)](#)

# 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 144th Ordinary General Shareholders' Meeting held on March 27, 2020, the appointment of five External Directors was approved, and the number of Directors was increased from 9 to 11.

The attendance rate of Internal Officers at meetings of the Board of Directors in 2019 was 100%, and the attendance rate of External Officers was as follows.

### FY2019 attendance status

	Board of Directors	
	Number of times attended	Attendance rate
Director Naozumi Furukawa	14/14	100.0%
Director Hideichi Okada	14/14	100.0%
Director Nobuo Takenaka	14/14	100.0%
Director Hirokazu Kono	12/14	85.7%
Audit & Supervisory Board Member Atsushi Kamei	13/14	92.9%
Audit & Supervisory Board Member Megumi Shimizu	14/14	100.0%
Audit & Supervisory Board Member Hironori kimura	8/10	80.0%

※Positions as of March 27, 2020.

※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 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 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 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.
- Takashi Yamane  
Takashi Yamane has expressed his opinion and provided advice taking advantage of deep insight based on abundant experiences as a certified public accountant and as a university professor dedicated to research on management corporate administration at universities for many years; and 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.
- Masatoshi Hori  
Masatoshi Hori will have utilized his extensive experience and deep insights acquired as an executive manager with a wealth of practical experience and success stories in M&A, and management of the Company and its future growth strategy; and 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 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.
- Atsushi Kamei  
Atsushi Kamei has effectively utilized his experience and management perspective gained as an executive and CEO, which has been a leading company in the distribution sector in Japan for many years, to further strengthen our Company's audit system; and he has fulfilled the role expected of him as an Outside Auditor (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.
- 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; and he has fulfilled the role expected of him as an Outside Auditor (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).  
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.
- Hiroki Kimura  
Hiroki Kimura 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 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 2019, and 70 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.

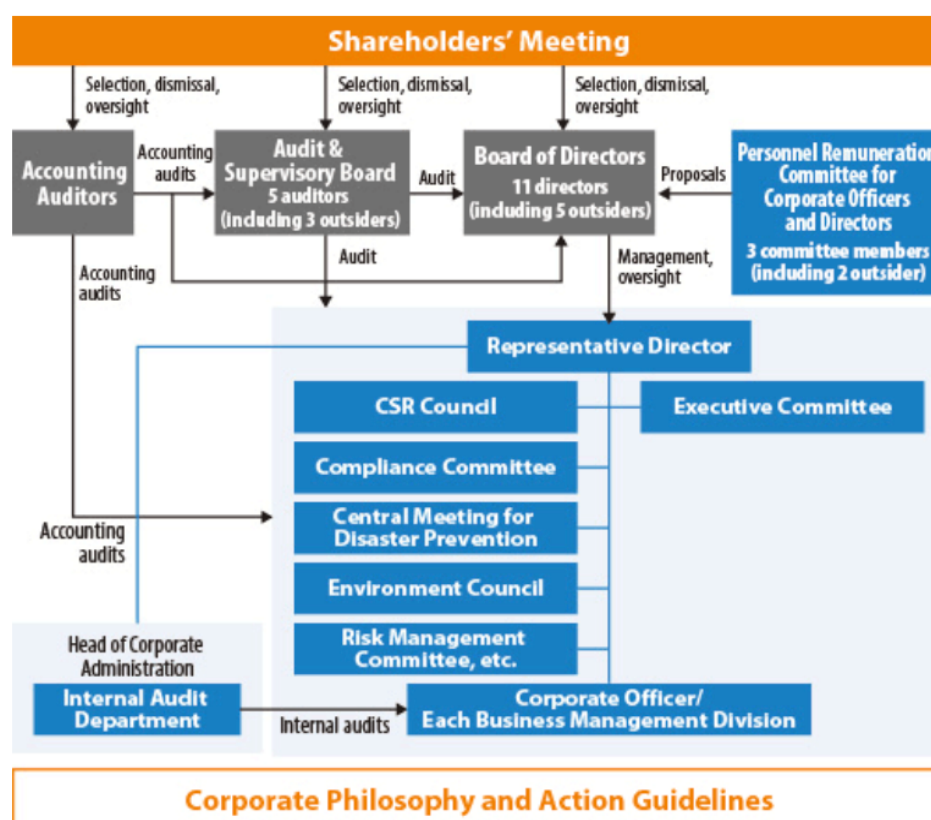
Under our systems, Audit & Supervisory Board Members can get know the status of our business operations by attending various important meetings or committees such as the Management Meeting, and the Internal Audit Office that serves as an independent organization conducts internal audits of each business 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 three Members (of which two were Outside Members) during the fiscal year from April 2020 to March 2021. 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 27, 2020.

## 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 421 million yen for directors and 77 million yen for auditors in fiscal 2019. 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	Restricted stock compensation	Bonus	Retirement benefits	
Directors (excluding Outside Directors)	487	185	70	110	121	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	57	45	12	-	-	3
Outside Officers	53	53	-	-	-	8

# CSR and Environmental Management

## CSR and Environmental Management Promotion Framework

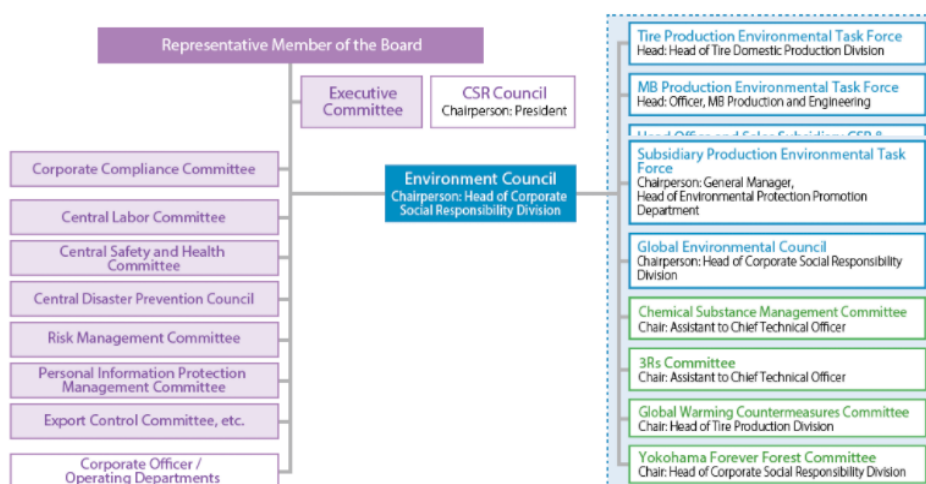
Twice a year (in May and November), we hold a CSR Council where our President serves as a chairperson, and an Environmental Council where our company President serves as a chairperson, as part of an organizational framework that was set up to discuss and develop plans for addressing the social responsibility 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.

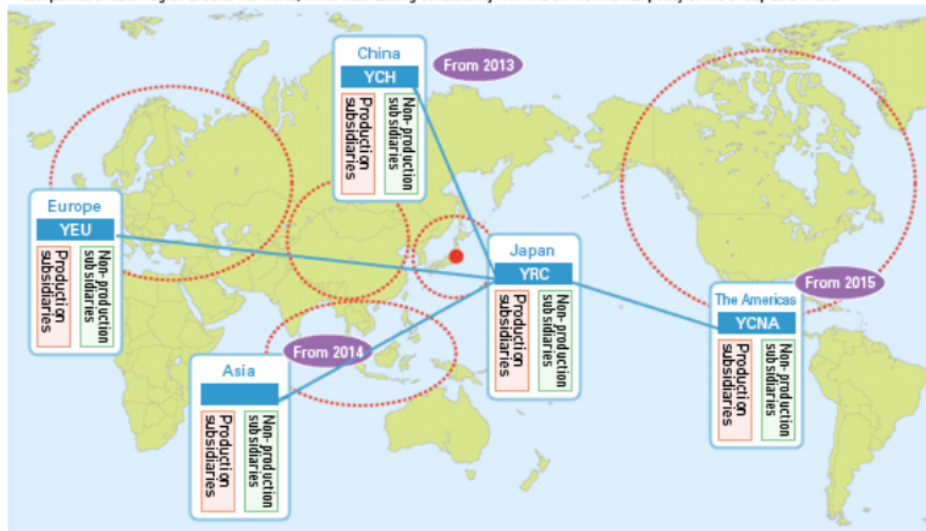
We have three task forces, two sub-councils, and four committees that promote environmental activities as sub-bodies within the Environmental Council. The Environmental Council engages in business activities as a product development framework and continues to provide environmentally friendly products.

We aim to realize consistent, high-level environmental management in all our operations worldwide, and we work to promote effective area management; in fiscal 2019, Environment Councils were held in the China area.



### Vision for Area Management

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](#)" CSR Slogan.

## 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.

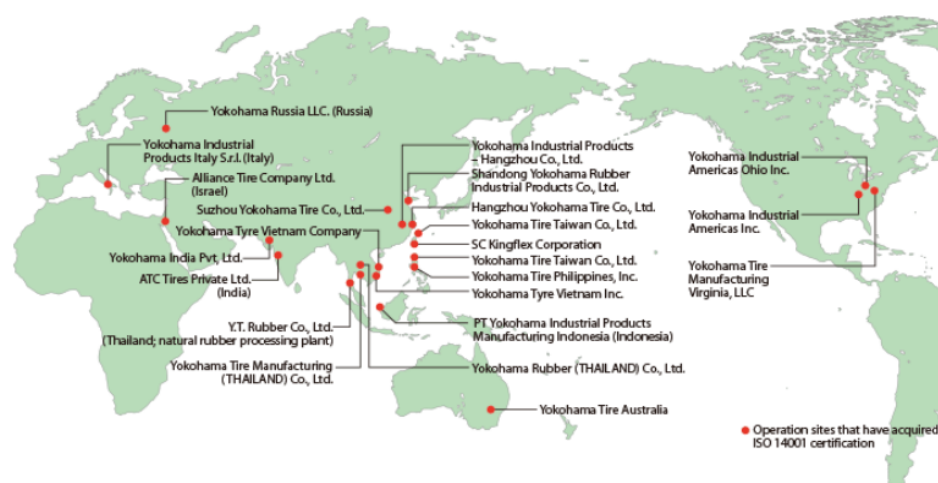
We are trying to get all our operation sites to obtain ISO14001; so far, a total of 16 operation sites in Japan, comprising nine from Yokohama Rubber and seven from our group for domestic operations have obtained it, whereas overseas a total of 23 operation sites of 18 group companies have been certified.

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.

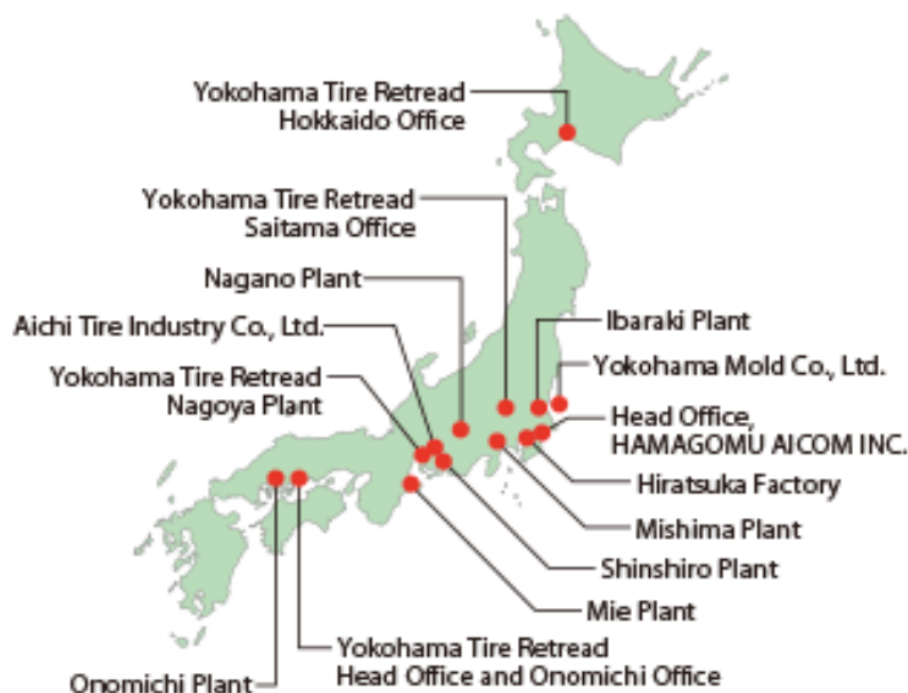
In addition, our non-manufacturing sites are promoting environment management in accordance with the 'CSR Environmental Management Guidelines' and our approach to the environment.

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 2019.

## 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 2019, 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 2019, an integrated EMS certification registration audit was continued 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 completed a periodic review ISO14001:2015.

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 2019. 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 34 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, BCP (Business Continuity Plan) 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 116 personnel who have completed this course to get certified in fiscal 2019, currently a total of 2,268 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 360 environmental operations employees and lead auditors in fiscal 2019.

### 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 2019, we received 7,481 entries for slogans and 127 entries for posters in Japan and 3,176 entries for slogans and 948 entries for posters overseas.

Of these, the following were selected as excellent works.

	Japan	Overseas
Environmental Slogan Excellent Works	25	15
Poster Excellent Works	13	17

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

### Environmental Slogan Best Work

"Let's take the trash we find in the oceans and mountains and bring it home to preserve not only the environment, but also opportunities for people to interact with nature."

Seiya Kurihara (Hose and Couplings Engineering Dept. Development Group 1)

"Don't throw away batteries! Lead and mercury cause the earth to suffer. We put the batteries in the recovery container and clean the earth. Make friends with the earth."

Kraqina Nadida (LLC Yokohama R.P.Z.:YRPZ)

## Environmental Poster Best Work



Kiho Nishihara  
(Onomichi Plant, Plant management section)



Rakesh Sharma  
(Yokohama India Pvt. Ltd.: YIN)

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 14th Award for Environmental Contribution in FY 2019

Fields of Environmental Contributions Award	Winning Groups
Office Award	Yokohama Industrial Products Japan Co., Ltd., Tohoku Company
Product Award	"Material technology for resource recycling", Functional Materials Lab., Research and Development Division
3Rs Award	Suzhou Yokohama. Tire Co., Ltd., Tire Materials Department No. 2
Energy Conservation Award	Mishima Plant
Social Contribution Award	Yokohama Tire Retread Company Limited, Nagoya plant

# 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 2018		FY 2019	
Business area costs			Investments	Costs	Investments	Costs
	Pollution prevention costs	Installation of deodorization equipment, supporting CFC regulations, etc.	1,143	21.62	1,366	18.72
	Global environmental conservation costs	Compressors, air conditioning renewal, adoption of hybrid forklifts, etc.	867	13	369	18
	Resource recycling costs	Costs related to waste segregation and processing	0	456	0	458
Subtotal			2,010	491	1,735	494
Upstream and downstream costs		Expenses for reuse of tire bladders and plastics liners for rubber take-up	0	35	0	40
Management activity costs		EMS maintenance, management, and information disclosure costs	0	176	0	183
Research and development costs		Research and development costs for reducing the environmental burden	93	969	93	866
Social activity costs		Tree planting activities in areas affected by the Great East Japan Earthquake, social contribution activities, etc.	0	11	0	14
Environmental remediation costs		Reserves for PCB processing, etc.	0	12	0	60
Subtotal			2,104	1,694	1,829	1,656
Total				3,798		3,485

## Economic effect

※(Millions of yen)

Type of effect	Major initiatives	FY 2018		FY 2019	
		Investments	Costs	Investments	Costs
Profit	Profits gained from wastes and recycling from business activities	65	65	43	43
Costs reduction	Cost reductions through energy conservation	148		276	
	Cost reductions through the use of recycled products	210	358	194	470
Total		423	423	514	514

## Environmental conservation effects

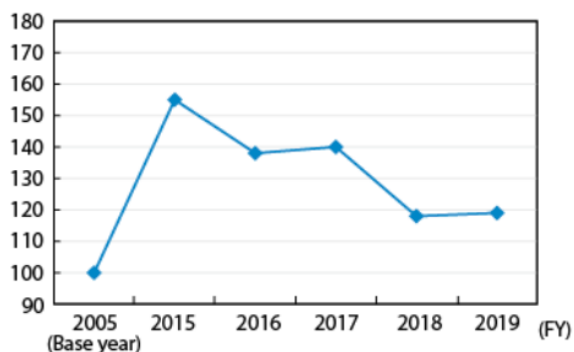
Type of effect	Year-on-year reduction	
	FY 2018	FY 2019
Greenhouse gas emissions (thousand tons, CO2)	6450.6	4091.2
VOCs emissions (tons)	16.7	-18.6
Waste reclamation quantity (tons)	Zero emissions achieved domestically in FY 2010	
Waste emissions (tons)	-460.5	96.9

※Zero emissions achieved domestically in FY 2010

## Environmental efficiency

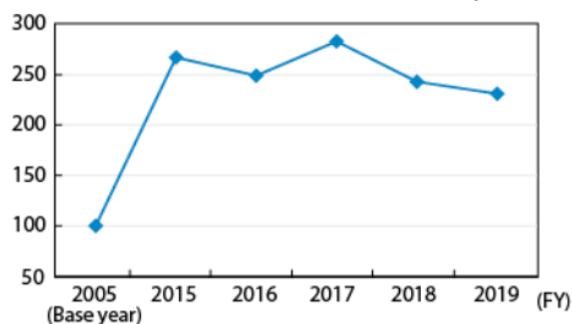
**Greenhouse gas indicator**

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



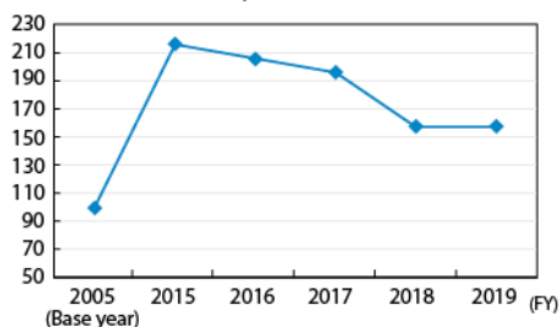
**VOCs indicator**

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



**Industrial waste emission indicator**

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




\* Includes Aichi Tire Industry Co., Ltd. since FY2018.

## 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>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.	<ol style="list-style-type: none"> <li>1 Organizational governance</li> <li>2 Human rights</li> <li>3 Labor practices</li> <li>4 The environment</li> <li>5 Fair operating practices</li> <li>6 Consumer issues</li> <li>7 Community involvement and development</li> </ol>
<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>Anti-Corruption</b> Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	

 [Global Compact](https://www.unglobalcompact.org/)

## 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   Taxation transparency   Data summary

# 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 2019:

<b>Risk Management Committee</b>	Met six times
<b>Personal Information Protection Management Committee</b>	Met one times
<b>Export Control Committee</b>	Met twice
<b>Information Security Committee</b>	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 2019.

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 2019 Activities

### Verifying employee safety

A system for verifying employee safety was adopted in FY2009, and has been implemented training continuously since then.

In fiscal 2019, we expanded the scope of our safety verification system to include our domestic production subsidiaries.

We are also increasing the frequency of safety validation training to improve our initial response capabilities in the event of a disaster and raise employees' awareness of disaster preparedness.



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.



## Fire Prevention, Disaster Prevention and BCP Initiatives

In fiscal 2019, we published a company-wide guideline, "Fire Prevention Guidelines," with the aim of preventing fires from occurring and preventing the spread of fires in the event of an accident.

In accordance with these guidelines, we conduct internal fire audits of our domestic and overseas offices and affiliates.

This led to the identification of fire prevention systems and firefighting equipment, and the identification of fire risks and issues in factories, warehouses and offices.

We will continue these activities from FY2020 onwards and continue to strengthen the fire prevention system of Yokohama Rubber by implementing the PDCA cycle for improvements that will lead to fire prevention.

In disaster prevention activities, we are working to create Disaster Prevention Guidelines to be issued in fiscal 2020, which will clarify our preparedness against increasingly severe natural disasters and infectious diseases that may occur over a wide area.

The purpose of these guidelines is to maintain the company's activities on the basis of putting human life first, and to enhance Yokohama Rubber's disaster preparedness by clarifying the actions employees should take in the event of a disaster, the company's disaster prevention system, and the enhancement and management of disaster supplies.



Fire prevention audit



In addition, we will implement measures so that a prompt first response and recovery can be achieved when our business is exposed to a drastic change such as a disaster by establishing business continuity plans (BCP) based on the disaster prevention manual and training 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

## KPI

Item	FY 2018 results	FY 2019 results
Number of violations of laws and regulations related to the provision and use of products	(Consolidated) 1	(Consolidated) 0

## 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 (product liability)

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. 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."

## 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 Department 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.



## Compliance System (product liability)

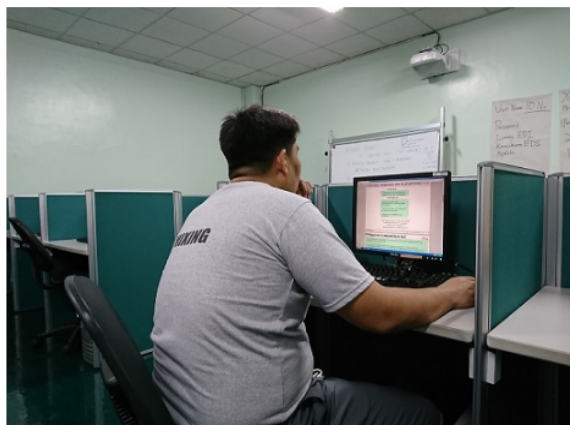
In the event of any quality problems or complaints in the market related to products provided to customers, we will respond promptly in an attempt to resolve such problems and implement recurrence prevention activities. As part of recurrence prevention measures, we regularly conduct quality audits to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

## 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 2019, we received a total of 139 cases of questions and concerns for items to confirm or seeking advice, consisting of 82 items through the hotline and 57 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 2019, preparations were underway for the introduction of hotlines in the Philippines and Thailand.

In 2019, our Philippine affiliate, YTPI, conducted competition, bribery and quality fraud training for 2,628 employees, putting in place a system for introducing for the adoption of the whistle-blowing system on a global basis. This training was conducted through e-learning.

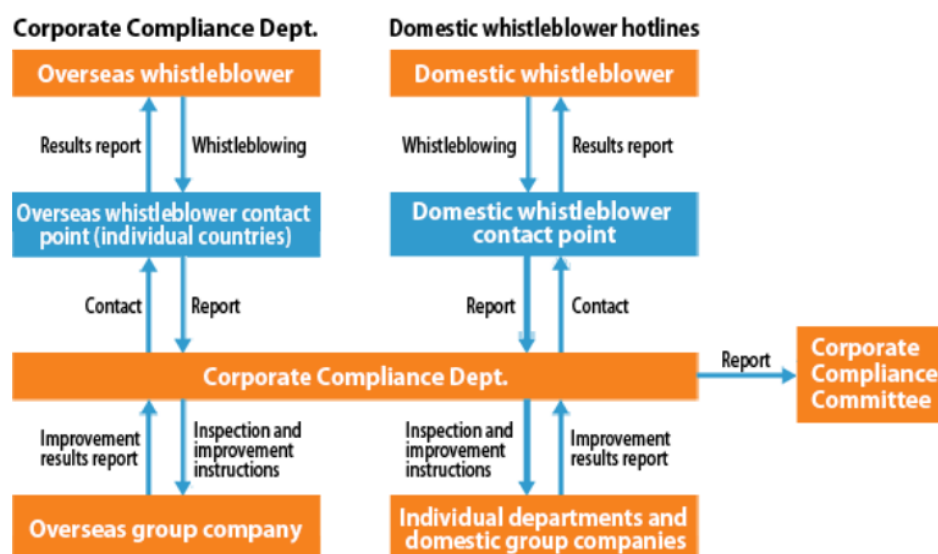


In Thailand, as a prelude to the introduction of the program in four subsidiaries (YTMT, YRTC, YAS and YTST), "Compliance Risk Assessment Sheets" were distributed to 95 employees who have contact with competitors and government offices, which were collected and analyzed, and adapted educational materials were prepared with a law firm. Based on the educational materials, we conducted a training session on "Compliance with Competition Law, Anti-Bribery and Fraud" for 45 employees at YAS, YTST in Bangkok on December 24, 2019. After implementation, we conducted a survey and interviews and revised the materials. YTMT, YRTC, and other affiliates will be trained on these completed materials and a whistle-blowing system will be implemented for the four companies.



In 2020, we will take into account the impact of COVID-19 as we introduce the four companies in Thailand and expand to other regions.

## Whistle-Blowing System (Flow chart)



## Thorough enforcement of compliance through monthly reports

174 compliance officers have been assigned to Group companies in Japan and overseas. We respond appropriately in coordination with the Corporate Compliance Department to issues that occur in various situations including the workplace and external transactions.

Each compliance officer sends a monthly report to the Corporate Compliance Department as part of efforts to enable an advance understanding of issues.

**Officer of nine European distributors**



Annette Mayer  
(Yokohama Europe GmbH : YEU)

**Officer of Japanese tire distributors**



Yukitoshi Tanaka  
(Yokohama Tire Japan, YTJ)

**Officer of Japanese industrial product distributors**



Seiichi Endo  
(Yokohama Rubber MB Japan, YMJ)

Being able to appropriately monitor the state of compliance at overseas subsidiaries is an important issue. By making effective use of the periodic reporting system that is already being implemented, and of the global whistle-blowing system that we have begun to adopt, we are approaching the stage where we will be able to effectively monitor compliance issues at each overseas business location.

## 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 2019, we focused on maintaining compliance with bribery prevention and competition laws, and we covered a wide range of topics including harassment, conflict of interest, revised labor laws, working hours, and quality fraud.

## Anti-Corruption Initiatives

The Yokohama Rubber Group Code of Conduct declares the following;

- We will not only comply with laws and regulations but also with social norms.
- We will not engage in any act that violates competition laws, bribery, or any act that deviates from the law or business practices.
- We will maintain sound relationships with political and administrative entities, both inside and outside the country, and will not engage in bribery.
- We do not entertain, give gifts or give money to our business partners for the purpose of gaining unfair advantage.

It refers to actions against business partners as well as public officials.

The Anti-Bribery Policy also prohibits the act of bribery for the following "officers and employees of a private company subject to commercial bribery, and any other person who may be a guest of any bribery offense".

The global whistleblower system is designed to provide an external point of contact to prevent "bribery" as well as "competition law violations" from occurring as quickly as possible.

For this reason, we provide training to our overseas subsidiaries that are planning to introduce the system in advance.

## Seminars conducted (FY 2019)

(Unit: persons)

Training opportunities	Persons
Pre-departure orientation for overseas dispatch	49
Bribery prevention and competition law compliance training	45 (YAS,YTST in Thailand)
Grand total	94

※Conducted by the Corporate Compliance Department.

### YAS/YTST compliance training

Pre-education on the introduction of global whistleblower system by an external law firm was conducted at YAS and YTST headquarters in Bangkok, Thailand. On December 24, 2019, 45 employees attended the "Compliance with Competition Law, Anti-Bribery and Fraud" training. We used post-event questionnaires and hearings to identify areas for improvement in the education content and to prepare the materials.

## 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.

## 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 2019 Activities

We made improvements in response to information regarding quality and complaints received from customers. In addition, we conducted the top-level quality diagnosis that we conduct every year also in fiscal 2019. In 2019, there were not cases of recalled our product.

## Issues and Future Improvement Measures

To prevent quality frauds, we continue to strive for a work environment that is free from mistakes by creating programs that drive at the reasons for frauds through examples at other companies, and planning and implementing training for all employees in Japan and overseas including in affiliated companies. In addition, we are performing inspection and confirmation of work on whether rules are being followed, and making improvements as needed.



# 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 2019 Activities

### Distribution of economic value to stakeholders

Stakeholders	Distribution amount (million yen)			Calculation method
	FY 2019	FY 2018	FY 2017	
<b>Business partners and suppliers</b>	251,983	260,734	260,685	Cost of sales + SG&A expenses (excluding personnel expenses)
<b>Employees</b>	53,991	52,948	52,370	Cost of sales + SG&A expenses (personnel expenses)
<b>Shareholders</b>	9,950	9,937	9,140	Dividends paid
<b>Creditors</b>	2,762	3,152	2,915	Interest paid
<b>Government and administration</b>	16,099	11,448	17,115	Corporate taxes, etc. paid
<b>Society</b>	71	22	110	Donations (entertainment expenses), etc. [High school and university laboratories]
<b>Internal</b>	25,421	9,928	8,490	Net income - dividend amount
<b>Total</b>	360,277	348,169	350,825	

※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 22.4 million yen.

Governance   Governance System   CSR and Environmental Management   Risk Management   Compliance  
**Economic Performance**   Taxation transparency   Data summary

# Taxation transparency

## The Yokohama Rubber Group Tax Policy

In accordance with the Group organizational governance policy, the Yokohama Rubber Group complies with tax-related laws and regulations (which can be thought of as social regulation), and has formulated a Group taxation policy to ensure that the Group contributes to society through appropriate tax payment. We also disclose Tax Policy to ensure the tax transparency of the Yokohama Rubber Group. This policy covers Yokohama Rubber Co., Ltd. and its subsidiaries.

### Legal Compliance

By complying with the tax-related laws and regulations of individual countries and with OECD guidelines, etc., the Yokohama Rubber Group fulfills its tax payment responsibilities as a global enterprise. Furthermore, the Group understands and respects the legislative purpose and spirit of such tax laws etc.

### Tax Governance

The Yokohama Rubber Group's tax-related corporate governance is included within the Group's overall governance. This governance is implemented within the scope of responsibility of the managing director of the Yokohama Rubber Co., Ltd.

### Transfer pricing taxation

With regard to intra-group transactions within the Yokohama Rubber Group, the Group's policy is to set prices based on function and risk, in accordance with the arm's length principle specified by the OECD Transfer Pricing Guidelines.

### Tax planning

The Yokohama Rubber Group's tax planning is implemented appropriately based on the actual status of the Group's business activities and in line with its business objectives, and the Group strives to prevent tax planning that makes use of tax havens and special capital structures for the purpose of evading tax.

### Application of tax incentives

The Yokohama Rubber Group will strive to improve tax efficiency by understanding the purpose of tax incentives available in each country and utilizing them within the extent of normal business activities.

### Relations with Tax Authorities

The Yokohama Rubber Group has established sound, healthy relationships with the tax authorities in countries all over the world, and responds seriously and with integrity to requests from the relevant authorities to participate in tax investigations, etc. In the event of a difference of opinion between the Group and the tax authorities, the Group strives to engage in dialog with the authorities and to resolve the issue in accordance with the relevant tax-related laws and regulations, etc.

## Corporate income taxes paid

Corporate income taxes paid in 2018-2019 were as follows.

(Unit : billion yen)

	FY2018	FY2019
Domestic	2.45	6.92
Overseas	6.61	7.92
Total	9.06	14.84

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[Governance](#)   [Governance System](#)   [CSR and Environmental Management](#)   [Risk Management](#)   [Compliance](#)  
[Economic Performance](#)   **[Taxation transparency](#)**   [Data summary](#)