YOKOHAMA

Formulating the Medium-term Management Plan YX2023 and Caring for the Future

Yokohama Rubber is committed to enriching both the earth and society through its medium-term management plan, Yokohama Transformation 2023 (YX2023).

Social Change and Challenges

Business Environment	Society	The Environment	Corporate Governance
• Decrease in the number of privately owned vehicles and increase in the number of infrastructure-related vehicles due to the expansion of CASE and MaaS • Distribution using electric vehicles and automation • Intensifying price competition for tires	• Improvement of occupational health and safety and prevention of infectious diseases • Changing values with regard to work styles • Prevention of complicity in child and forced labor in the company and suppliers • Social impacts on suppliers	• Climate change problems • Changes in/impact on the natural environment by our production bases and suppliers • Dependence on natural resources • Switch from fossil resources to sustainable resources	• Maintenance and strengthening of foundation for proper organizational governance • Demanding effectiveness and diversity within the board of directors and organization

Medium-term Management Plan YX2023

YOKOHAMA Transformation 2023

Exploitation and Exploration

Implement a growth strategy for the next generation based on two approaches: "Exploration" of existing businesses and "Exploitation" in response to changes in the market.

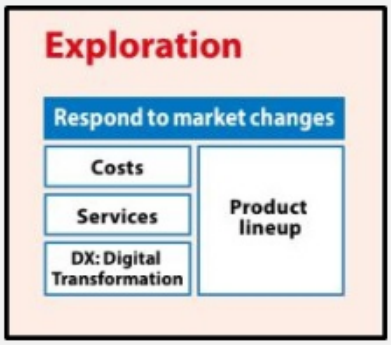
Products

Consumer Tires

- Raise high value-added tire sales ratio
- Strengthen core products and brands by leveraging original technologies and superior quality
- Promoting product and regional business strategies

Commercial Tires

- Strengthening cost competitiveness and our system of services
- Promoting Digital Transformation (DX)
  - Formulating Yokohama Sensor Tire Technology, etc.
- Developing a full line of products to reform distribution
- Integrating off-highway tire business and multi-brand strategy
- Strengthening the foundation for growth in our truck and bus tire business



Multiple Business

- Shift Portfolio to Products with Highly Stable Earnings and Strong Growth Potential

	・ Hydraulic hoses: strengthen market presence ・ Car pipes: New growth-driving technologies (response to CASE) ・ Strengthen efforts toward hydrogen society (hydrogen filling hose) ・ Belts: Establish dominant presence in core-strength markets ・ Marine products: Maintain high market share & strengthen production bases	
The Earth	・ Continue to supply 100% of environmentally friendly products ・ Carbon neutrality initiatives ・ Circular economy initiatives 　・ Renewable/recycled raw materials: 30% or more by 2030 ・ Sustainable natural rubber procurement ・ Carbon-positive initiatives: 1.3 million trees to be planted by 2030 through Yokohama Forever Forest	
People	・ Human resource measures to enhance both management and managers ・ Create an environment where everyone can maximize their abilities ・ Promote diversity ・ Creating a safe and secure workplace	
Community	・ Promote procurement in accordance with the CSR Procurement Guidelines ・ Contribution to the local community through COVID-19 measures ・ Support for disaster area ・ Helping to resolve difficult issues through the YOKOHAMA Magokoro Fund	
Corporate Governance	・ Global governance 　・ Strengthen global management 　・ Expand our whistleblower system to overseas sites	

Financial Targets for FY2023

Sales revenue	700 billion yen
Business profits	70 billion yen
Business profit margin	10%
D/E ratio	0.4x
ROE	10%
ROIC	7%
Operating CF	250 billion yen (3-year cumulative total)
Capital investments	Not exceeding depreciation and amortization (excludes strategic investments)

Social value created

- **Delivering fun and peace of mind through driving**
- **Make life more fulfilling for people everywhere**

Click here for an explanation of our value chain initiatives.

※Information about Yokohama Rubber's initiatives in the value chain.

Risks and Opportunities Presented by Yokohama Rubber's Sustainability-focused Management

While environmental destruction and social issues pose significant risks to business continuity, working to solve social issues can also lead to new business opportunities. Yokohama Rubber is aware of the risks and opportunities in sustainability and wishes to contribute to the richness of the earth and society through our business activities.

Caring for the future/Core issues addressed by ISO 26000

	Issues to be recognized	Risks / Opportunities	Yokohama Rubber Initiatives
 Corporate governance ・Organizational governance	・Maintenance and strengthening of foundation for proper organizational governance ・Sustainable profitability and business growth (transformation) ・Effectiveness and diversity of the board of directors and organization ・Dialogue and information disclosure	< Risks > ・Compliance with laws and regulations, and responding to systemic changes ・Social demands to strengthen corporate governance ・Violations of antitrust laws, bribery, price cartels, export controls, etc. ・Protection of intellectual property rights	・Strengthening the governance system ・Strengthening business continuity plans (BCPs) ・Developing systems to promote compliance ・Strengthening financial position and transparency

		・ Suspension of product support or procurement due to disasters or infectious diseases ・ Unauthorized use and theft of data, cyber-attacks, and suspension of information infrastructure ・ Economic and financial downturns, and declines in funding and investment returns, etc. < Opportunities > ・ Strengthening the risk management system	
Products ・ Consumer issues	・ Customer health and safety ・ Shift to CASE in automotive industry ・ Provision of products that meet environmental performance and customer needs ・ Protection of personal information ・ Maintenance of quality to the satisfaction of our customers ・ High environmental impact when using products	< Risks > ・ Risk of accidents and lawsuits due to poor product safety, recalls and damage to brand value ・ Decrease in demand for products due to economic fluctuations and other factors ・ Decrease in demand for winter tires due to decrease in snowfall ・ Sharp rise in resource prices < Opportunities > ・ New business	・ Manufacturing and selling tires with high safety, quality, and environmental performance ・ Promotion of the YOKOHAMA Intelligent Tire Concept ・ Development of all-season tire and sensor technology ・ Tire maintenance through service cars and remote service

		opportunities by adapting to CASE ・ Early response to changes in demand and tighter regulations ・ Improvements in competitiveness and profitability through reuse and recycling	・ Development of biomass rubber and promotion of retread tires ・ Manufacturing and selling tires for industrial and construction vehicles that support social infrastructure ・ Manufacturing and selling tires for agriculture and forestry machinery that contribute to sustainable production in the agriculture and forestry industry ・ Manufacturing and selling MB products that contribute to greenhouse gas reductions
The Earth ・ The Environment	・ Climate change problems ・ Changes in the natural environment of our production bases and suppliers ・ Impact of operations on the ecosystem ・ Continuation of sustainable operations in Japan and abroad	< Risks > ・ Environmental laws and regulations and litigation risks ・ Impact on climate change and air pollution, and increased energy costs ・ Environmental impact of waste and emissions, and community	・ Sustainable natural rubber procurement ・ Coexistence and shared prosperity with agroforestry farming method promotion and rubber farmers ・ Continuation of 100% environmentally-friendly products

	• Dependence on natural capital such as water and natural rubber • Switch from fossil resources to sustainable resources	opposition to operations • Depletion and shortage of water resources < Opportunities > • Reduction of energy costs by improving manufacturing process efficiency • Reduction of resource price fluctuation risks and improvements in operational efficiency through reuse and recycling • Reduction of environmental protection costs • Reduction of environmental lawsuit and regulation penalty risks	• Environmental impact reductions through business activities • Promotion of Yokohama Forever Forest and biodiversity activities • Promotion of cogeneration and renewable energy • Effective use of water resources (rainwater harvesting in India and Thailand, etc.)
People • Human rights • Labor practices	• Prevention of complicity in child and forced labor in the company and suppliers • Improvement of occupational health and safety and prevention of infectious diseases • Strengthening education and training	< Risks > • Losses and business impact due to occupational accidents, natural disasters, infectious diseases, etc. • Work stoppages due to labor unrest, and lower productivity due to reduced satisfaction	• Implementation of procurement in accordance with CSR procurement standards • Strengthening training by expanding the training system • Strengthening activities in the Diversity Promotion Taskforce

	• Fostering an active work environment with diversity and equal opportunities	< Opportunities > • Workstyle reform emphasizing diversity and lifestyles • Securing excellent human resources and sustaining employment through health management • Growth through human resources development and workplaces without discrimination • Establishing traceability for sustainable natural rubber procurement	• Expanding system for flexible workstyles • Strengthening of efforts in health management • Strengthening of safety and disaster preparedness initiatives • Farmer survey in Thailand, etc.
Community • Fair operating practices • Community involvement and development	• Environmental impact of suppliers (local pollution, negative impact on local residents, risk of shutting down supplier operations) • Social impacts on suppliers (disasters, human rights violations, illicit activities and conflict minerals)	< Risks > • Impact on investments, etc. (compliance with local laws andcustoms, mainly in Asia) • Conflict minerals and risk of human rights violations < Opportunities >	• Implementation of procurement in accordance with CSR procurement standards • Support for healthcare, education, etc. in local communities • Disaster support activities

	・Environmental impact on areas where we are expanding our business, and the negative impact when withdrawing ・Understanding the culture and customs of areas where we are expanding our business, and creating economic benefits for those areas	・Improvement of the environmental and social impact of suppliers and improving their reputation by promoting CSR procurement ・Job creation and economic development in regions where we operate ・Change in mobility in regions with an aging and shrinking population ・Change in mobility services in the new normal	・Collaboration with the YOKOHAMA Magokoro Fund and NPOs ・Creation of employment in regions where our business is developed

Click here for “CSR Management Aimed at Realizing a Sustainable Society".

※By linking the CSR Slogan “Caring for the Future” and the SDGs, we have clarify the purpose and significance of contributing to society through our business.

Initiatives in the Value Chain

Relationship between our business and SDGs

Yokohama Rubber has confirmed the current state of initiatives through its business in consideration of the objectives of sustainable development goals (SDGs), and analyzed which target areas initiatives should be strengthened in going forward. Based on this analysis, Yokohama Rubber will endeavor to review its priority issues going forward.

Relationship between efforts through the value chain and SDGs

1. Systematic monitoring and protection of rubber trees, plantations, and the ecological system at the stage of raw materials use
2. Education on agroforestry farming, etc. for rubber farmers at the procurement stage
3. Income support through employment for processors and local companies in developing countries
4. Resource conservation and the development of new materials through LCA analysis on natural resources
5. Indirect contributions to agriculture through the sale of tires in the field of agriculture and forestry through ATG
6. Improvements in CSR procurement and the environmental technologies of suppliers in the MB business
7. Project for considering infrastructure for a hydrogen-based society that has adopted highly durable conveyor belt for a reconstruction project in Rikuzentakata City
8. Preservation of forests and protection of the ecological system by supporting planned agricultural

management

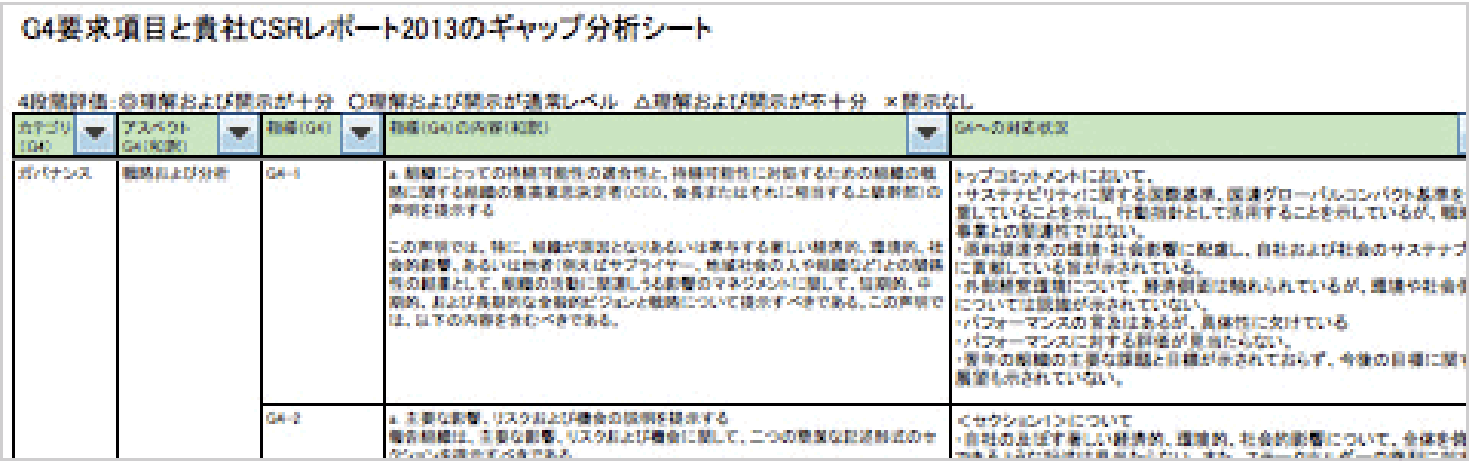
9. Recycling of water during production, effective use of groundwater, etc.
10. Introduction of cogeneration systems and renewable energy, spread of environmentally friendly products
11. Reduction of greenhouse gases through 10 above
12. Use of heat from waste tires, achieving zero emissions at plants, promotion of retread tires, development of more highly durable products
13. Prevention of marine pollution through marine hose development and improvements

Determining Important Issues

The Global Reporting Initiative (GRI), an international non-government organization (NGO) that develops and disseminates globally applicable “Sustainability Reporting Guidelines”, released the revised Version 4 of its GRI Guidelines (G4) in May of 2013. The content of G4 has shifted away from the “exhaustive disclosure of information” demanded previously. Instead, it demands the “disclosure of information that focuses on important issues (material aspects)”. By deeper involvement of management in CSR activities, this development aims to have business proactively possess opinions, and for the content of information reported in CSR reports to be fixed. Because GRI shall demand the preparation of G4 rather than G3 reports from 2016 onwards, Yokohama Rubber is advancing preparations in accordance with the following steps so as to prepare for G4 reporting.
With respect to the “important issues (materiality)” determined for this company, it is planned that such shall be reported upon both on the CSR Web. Starting in 2020, we have reorganized parts of the structure in accordance with the GRI Standards.
Please see STEP4 for the response to important issues and GRI standards.

STEP1 G4 Gap Analysis

Focus was placed upon the G4 demands with respect to current information disclosure levels (CSR Report 2013). The current situation was grasped vis--vis the content and processes of both responsive and unresponsive items.
(conducted January 2014)


G4要求項目と貴社CSRレポート2013のギャップ分析シート

4段階評価：◎理解および開示が十分　○理解および開示が通常レベル　△理解および開示が不十分　×開示なし

カテゴリ(G4)	アスペクト G4(和訳)	指標(G4)	指標(G4)の内容(和訳)	G4への対応状況
ガバナンス	戦略および分析	G4-1	a. 組織にとっての持続可能性の適合性と、持続可能性に対応するための組織の戦略に関する組織の最高意思決定者(CEO、会長またはそれに相当する上級幹部)の声明を提示する この声明では、特に、組織が原因となりあるいは寄与する重しい経済的、環境的、社会的影響、あるいは他者(例えばサプライヤー、地域社会の人や組織など)との関係性の結果として、組織の活動に関連しうる影響のマネジメントに関して、短期的、中期的、および長期的な全般的ビジョンと戦略について提示すべきである。この声明では、以下の内容を含むべきである。	トップコミットメントにおいて、 ・サステナビリティに関する国際基準、国連グローバルコンパクト基準を[illegible]していることを示し、行動指針として活用することを示しているが、戦略事業との関連性ではない。 ・原料調達先の環境・社会影響に配慮し、自社および社会のサステナブ[illegible]に貢献している旨が示されている。 ・外部経営環境について、経済側面は触れられているが、環境や社会[illegible]については認識が示されていない。 ・パフォーマンスの言及はあるが、具体性に欠けている ・パフォーマンスに対する評価が見当たらない。 ・翌年の組織の主要な課題と目標が示されておらず、今後の目標に関[illegible]展望も示されていない。
		G4-2	a. 主要な影響、リスクおよび機会の説明を提示する 報告組織は、主要な影響、リスクおよび機会に関して、二つの簡潔な記述形式のセクションを提示すべきである。	<セクション1>について ・自社の及ぼす重しい経済的、環境的、社会的影響について、全体を[illegible]

STEP2 Issues Assigning G4 Gap Analysis Priority

Analysis was conducted in accordance with this company's industries, business sectors and business regions. After completion of this analysis, the G4 gap analysis priority was assigned vis--vis those issues identified through discussions with related business units.
(conducted January - February, 2014)

Sample Evaluation

The "Supplier Environmental Evaluation" Aspect: For Yokohama Rubber, a company that procures natural rubber as a raw material, there is the necessity to consider that hidden human rights risks might exist within the upper reaches of supplier chains extending beyond its scope. Moreover, if wide-ranging business activities conducted in numerous regions encompassing both developed and developing nations are considered, such risks might be easily exposed. Through coordination in-house with the parties responsible for such matters, "human rights risk" was evaluated as being "a very important aspect" for Yokohama Rubber.

STEP3 Assigning an External Perspective G4 Gap Analysis Priority

Interview research was conducted among five stakeholders. From the perspective of what each of these individuals considered to be important issues (material aspects), a gap analysis priority was assigned based upon the research results.
(conducted February - March, 2014, titles are for that period)

Ms. Mariko Kawaguchi

Chief Researcher Research Division, Daiwa Institute of Research Ltd.
Ms. Kawaguchi has advised countless corporations on how to achieve a sustainable society from the perspective of corporate social responsibilities (CSR) and socially responsible investments (SRI).

I would like to draw attention to anti-corruption, in addition to those other important issues of human rights, diversity, equal pay, complaint processing systems, and the protection of customer's privacy. There is no dedicated government ministry in Japan that covers anti-

corruption matters, and other countries pay much more attention to the issue of anti-corruption than we do in Japan. The UN Global Compact even has an independent provision on the issue. With globalization advancing today anti-corruption has become an even more important issue, and companies need to have a clear policy on anti-corruption and response measures in place.

Mr. Kenichi Kumagai

Member of the Editorial and Planning Committee, The Japan Association for Advancement of ILO Activities Member of the International Drafting Committee Mr. Kumagai is actively involved in domestic and international deliberations on ISO26000 through its involvement as member of various committees. He is also a member of the Japan Labor Law Association.

Today, companies need to understand what parts of occupational safety and health and labor relations that society as a whole has an interest in and disclose information as necessary. For example, there is a strong interest in mental health initiatives among all companies. By disclosing that labor-management consultations have been carried out continuously, Yokohama Rubber will be able to correctly convey that it respects the rights of workers when expanding overseas. Additionally, the proactive appointment of female board members will be essential as Yokohama Rubber steps up its global expansion in the future.

Ms. Kaori Kuroda

Executive Director CSO Network Japan
Ms. Kuroda is an expert in community involvement and development. She established a regional forum with farmers and other community members in Fukushima Prefecture that is broadening exchange with other parts of Asia.

Today, a company should integrate social responsibility throughout the company and practice it

in its value chain. For example, in areas that produce raw materials, such as rubber plantations,

a company needs to pay a great deal of attention to human rights risks it may be susceptible to. A company must also convey that it has established a proper grievance mechanism for its own use and of its stakeholders. A company must be much more sensitive about human rights issues when expanding its operation globally.

Mr. Masao Seki

Associate Professor, School of Business Administration, Meiji University
Senior Adviser on CSR, Sompo Japan Insurance Inc.
Mr. Seki was involved in the creation of ISO26000 as a representative of Japanese business. He also participates in various discussions on the topic of sustainable development at various international conferences.

An important perspective to keep in mind when expanding business operations into various regions is the extent to which the company contributes to local employment. Contributions to employment represent a topic of strong interest both in Japan and abroad and companies should be well aware of this. Additionally, educating consumers about sustainable consumption is another topic that must be remembered when aiming to realize a sustainable society. For example, Yokohama Rubber should tackle the challenge of communicating enhancements in its brand by appealing to consumers about its consideration of ecosystems and other matters.

Mr. Keisuke Takegahara

General Manager Environmental Initiative & Corporate Social Responsibility Support Department Development Bank of Japan Inc.
Mr. Takegahara lived in Frankfurt, Germany for a total of six years and is known as one of Japan’s foremost experts in environmental finance, having development the Development Bank of Japan’s environmental loan rating system.

In identifying important issues, a company needs to consider not only the unique characteristics

of its location, but also the time frame. For example, a company may be aware of the regional

risks and in control of these risks at the present time, but once the weight of emerging markets increases over the medium to long term, the risks that are currently under control could grow into much larger ones. In that sense, I would like Yokohama Rubber to get the message out about both its current issues and management reporting as well as its medium- to long-term vision and awareness of issues.

STEP4 Determining Important Issues (Materiality)

Important issues were determined for FY2014 based on the degree of importance analysis, research, and discussions conducted in Steps 2 and 3.

※[] Items in parentheses are GRI Standard items corresponding to materiality whose names have been changed in GRI Standard.

The important issues (materiality) determined are as follows.
We will focus on specific items among these and establish them as KPI as we work towards ongoing improvements by implementing the PDCA cycle.

Global environment	We challenge to build a sustainable society in harmony with the environment, to protect our blue planet and human beings.	・Materials ・Energy ・Water ・Biodiversity ・Emissions ・Products and services ・Environmental grievance mech [Environmental management approach]
Customers	We supply safe and secure products through manufacturing focused on the heart and technology.	・Customer health and safety ・Product and service labeling [Marketing and labeling] ・Marketing communications [Marketing and labeling] ・Compliance (Product liability)[Customer health and safety]

Local communities	We build a trusted identity as a contributing member of the global community by making contributions to the development and prosperity of local communities.	• Market presence [Market Presence] • Local communities • Grievance mechanisms for impacts on society [Management approach related to fair business practices]
Employees	We value and develop our people, and create opportunities for people.	• Occupational health and safety • Training and education [Trainin education] • Diversity and equal opportunities [Diversity and equal opportunities] • Human rights grievance mechanisms [Management approach related to human rights]
Shareholders and investors	We improve our company value by growing business opportunities.	• Economic performance [Econo performance]
Business partners and suppliers	We promote CSR activities throughout the value chain.	• Supplier human rights assessment [Supplier social assessment] • Supplier assessment for impacts on society [Supplier social assessment] • Supplier environmental assessment [Supplier environmental assessment] • Supplier assessment for labor practices [Supplier social assessment] • Child labor • Forced or compulsory labor

Mr. Hiroki Uchida, Senior Researcher, Cre-en Incorporated

We have supported Steps 1 through 4 from in preparation for G4 support. While we will implement management in line with self-set KPIs going forward, we hope to achieve certain spiraling up through the PDCA cycle and continue well-balanced CSR initiatives without becoming overly satisfied with what has been achieved. In doing so, we would like to create examples of initiatives unique to Yokohama Rubber in the areas selected for materiality through cross-company management and communicate these cases through information disclosure. In addition, by also continuing the initiatives up until now while conducting timely information disclosure in the areas selected for materiality, we aim to steadily improve the level of activities overall.