

The Yokohama Rubber Group is making every effort to establish corporate governance systems that can realize sound, transparent and fair management under our "Corporate Philosophy. Through these efforts, we aim to create a management structure that will enable us to continuously improve our corporate value and to earn the "unwavering trust" of all our stakeholders.

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[Corporate Governance Report](#)
*Japanese only



Basic Corporate Governance Policy

1. Ensuring shareholders' rights and equality

Our company takes appropriate measures to ensure that the rights of shareholders are substantially secured and creates an environment in which shareholders can properly exercise their rights.

In addition, we ensure the substantial equality of our shareholders. Particularly, we give due consideration to minority shareholders and foreign shareholders, as they may be prone to issues and concerns regarding the substantial securing of shareholders' rights, the environment for the exercise of their rights, and the substantial equality of shareholders.

2. Appropriate collaboration with stakeholders other than shareholders

Fully recognizing that the sustainable growth of the company and the creation of corporate value over the medium and long term are the result of the provision of resources and contributions by various stakeholders, including employees, customers, business partners, creditors, and local communities, we will strive to work with these stakeholders in an appropriate manner.

The Board of Directors and management will exercise leadership in fostering a corporate culture and climate that respects the rights and positions of these stakeholders and sound business ethics.

3. Ensuring appropriate information disclosure and transparency

We appropriately disclose financial information, such as the company's financial position and operating results, and non-financial information, such as management strategies, management issues, and information related to risks and governance, in accordance with laws and regulations, and also actively provide information other than that required by laws and regulations.

The Board of Directors strives to ensure that such information (especially non-financial information) is accurate, easy for users to understand, and highly useful, taking into account that the information disclosed and provided is the basis for constructive dialogue with shareholders.

4. Responsibilities of the Board of Directors

We are working to establish an efficient management and execution system by separating the management decision-making/supervision system from the business execution system, and to realize highly transparent management by appointing External Directors.

By appointing five External Directors, we have established a highly effective supervisory system for Directors, and by appointing three External Corporate Auditors, we have established a highly independent auditing system for the execution of duties by Directors.

5. Dialogue with shareholders

We recognize that in order to achieve sustainable growth and enhance our corporate value over the medium to long term, it is important to engage in active dialogue with investors, including shareholders, and reflect their opinions and requests in our management.

Therefore, we have established an IR/SR system and strive to proactively disseminate information to shareholders and investors, such as holding financial results briefings four times a year attended by senior management, in order to gain understanding of our management strategies and plans.

Governance

Management	Governance System	CSR and Environmental Management
<ul style="list-style-type: none"> › Policy Yokohama Rubber Group Action › Guidelines Yokohama Rubber Group › Competition Law Compliance Policy and Anti-corruption Policy The Yokohama Rubber Group › Tax Policy › Message from a manager › Vision for FY2023 Main action items to be › addressed first › Data summary 	<ul style="list-style-type: none"> Corporate Governance Support › System Corporate Governance Support › System Improvement of our Corporate › Governance System Remuneration for Corporate › Officers and Directors 	<ul style="list-style-type: none"> CSR and Environmental › Management Promotion Framework Important Issues of the › Yokohama Rubber Group Environmental Management › System Enforcement of Environmental › Training and Education › Environmental Accounting › Participation in Initiatives in Japan and Overseas
Risk Management	Compliance	Economic Performance
<ul style="list-style-type: none"> › Risk Management System › Review of FY 2020 Activities 	<ul style="list-style-type: none"> › KPI Basic Stance Towards › Compliance › Compliance (product liability) › Compliance System Compliance System (product › liability) Whistle-Blowing System › (Corporate Compliance Hotline / General Counseling Room) 	<ul style="list-style-type: none"> › Responsible Department › Stance and Target › Review of FY 2020 Activities
Taxation transparency		
<ul style="list-style-type: none"> › The Yokohama Rubber Group Tax Policy › Corporate income taxes paid 		

Management

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. At the Ordinary General Meeting of Shareholders held in March 2021, a total of 11 directors were elected: six internal directors, including foreign directors, and five external directors.

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

Vision for FY2023

We will practice group governance to increase our oversight of subsidiaries and strengthen global management by extending the use of our whistleblowing system to overseas bases.

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.

Governance System >	CSR and Environmental Management >	Risk Management >
Compliance >	Economic Performance >	Taxation transparency >

Data summary

 Organizational Governance (1.7MB)

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. In addition, at the 145th Ordinary General Shareholders' Meeting to be held on March 30, 2021, six Internal Directors and five External Directors were appointed, bringing the total number of Directors to 11. All of the appointed External Directors are Independent Directors.

The attendance rate of Internal Officers at meetings of the Board of Directors in 2020 was 100%, and the attendance rate of External Officers was as follows.

FY2020 attendance status

	Board of Directors	
	Number of times attended	Attendance rate
Director Naozumi Furukawa	4/4	100.0%
Director Hideichi Okada	14/14	100.0%
Director Nobuo Takenaka	13/14	92.9%
Director Hirokazu Kono	12/14	85.7%
Director Takashi Yamane	10/10	100.0%(After taking office)

Director Masatoshi Hori	9/10	90.0%(After taking office)
Audit & Supervisory Board Member Atsushi Kamei	14/14	100.0%
Audit & Supervisory Board Member Megumi Shimizu	14/14	100.0%
Audit & Supervisory Board Member Hironori kimura	12/14	85.7%

※Positions as of the end of December 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

- Hideichi Okada

Hideichi Okada's term of office as an Outside Director of the Company will be eight years at the conclusion of this General Meeting of Shareholders.

He has expressed his opinion and provided advice from an international perspective based on his wealth of experience working at government agencies and his corporate management experience at a leading Japanese company in the petroleum exploration business; he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from a neutral stance independent of the company's management team, helping to ensure that the Company's business decisions are not unduly affected by internal biases).

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Nobuo Takenaka

Nobuo Takenaka's term of office as an Outside Director of the Company will be five years at the conclusion of this General Meeting of Shareholders.

He has expressed his opinion and provided advice based on his abundant experience and insight as an officer of a leading homebuilder company and its group companies in corporate management for many years; and he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from a neutral stance independent of the company's management team, helping to ensure that the Company's business decisions are not unduly affected by internal biases).

He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Hirokazu Kono

Hirokazu Kono's term of office as an Outside Director of the Company will be three years at the conclusion of this General Meeting of Shareholders.

He has expressed his opinion and provided advice taking advantage of deep insight based on abundant experiences as a university professor dedicated to research on management engineering and corporate administration at universities in Japan and the US for many years and as an outside director of other companies; and he has fulfilled the role expected of him as an Outside Director (by monitoring the company's operations from a neutral stance independent of the company's management team, helping to ensure that the Company's business decisions are not unduly affected by internal biases). He has maintained his independence, with no incidents that could have been deemed to be in conflict with the interests of ordinary shareholders, as defined by the Tokyo Stock Exchange.

- Takashi Yamane

Takashi Yamane's term of office as an Outside Director of the Company will be one year at the conclusion of this General Meeting of Shareholders.

He 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's term of office as an Outside Director of the Company will be one year at the conclusion of this General Meeting of Shareholders.

He has 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.

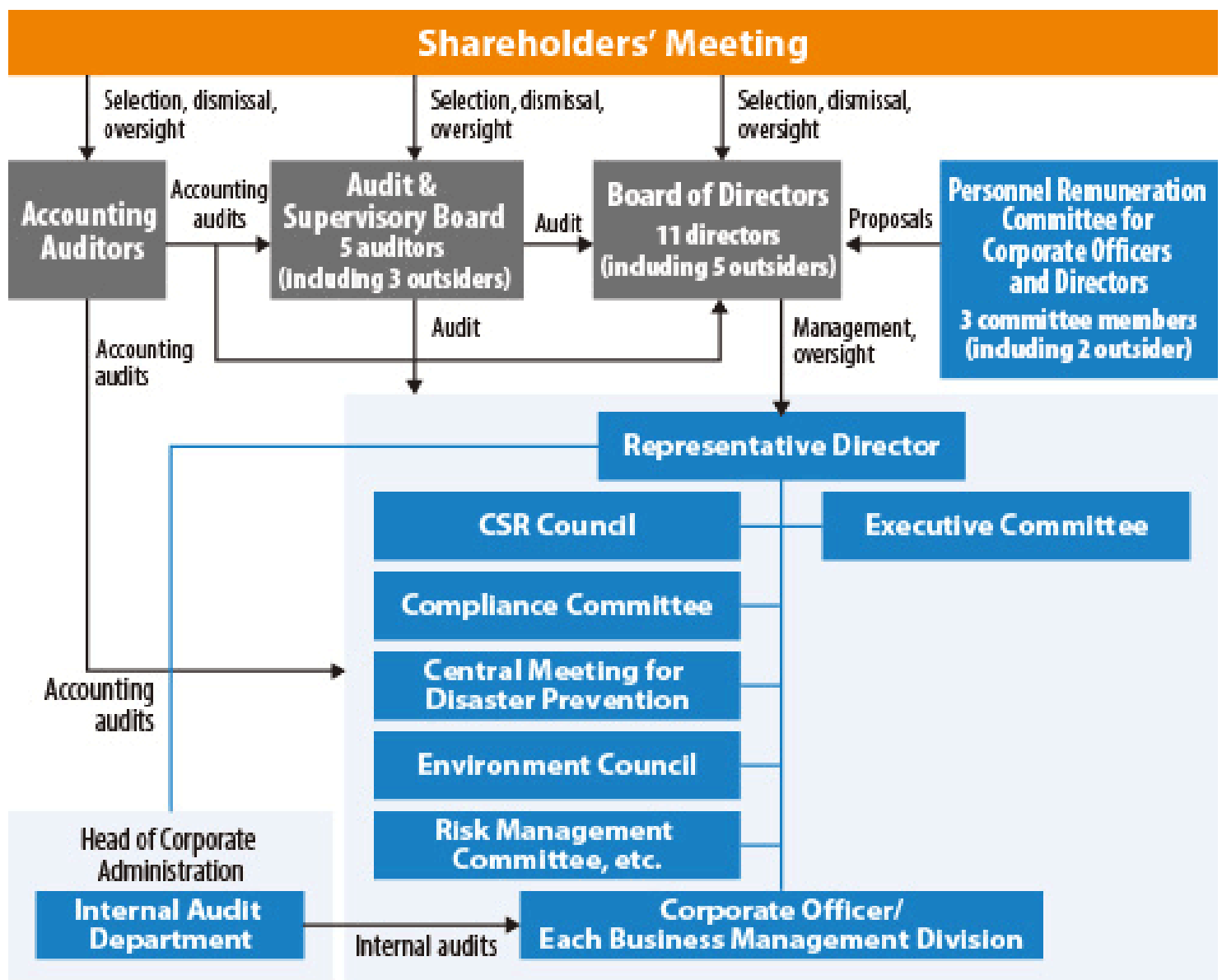
The Board of Directors' Meeting was held 14 times in fiscal 2020, and 70 proposals were deliberated. In addition, we seek and incorporate the opinions of institutional investors in matters including proposals at the General Shareholders' Meeting for Outside Officers, proposals on dividends and the Corporate 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



Corporate Philosophy and Action Guidelines

This information covers the fiscal year 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 2020. 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 and Compensation Committee for Directors and Audit & Supervisory Board Members, which consists of one internal officer and two external officers, and after a resolution by the Board of Directors, the appointment is submitted to the General Meeting of Shareholders for approval. 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 390 million yen for directors and 73 million yen for auditors in fiscal 2020. 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	Performance-linked remuneration		
			Bonus	Restricted stock compensation	
Directors (excluding Outside Directors)	340	201	28	110	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	51	44	7	-	2
Outside Officers	64	64	-	-	9

CSR and Environmental Management

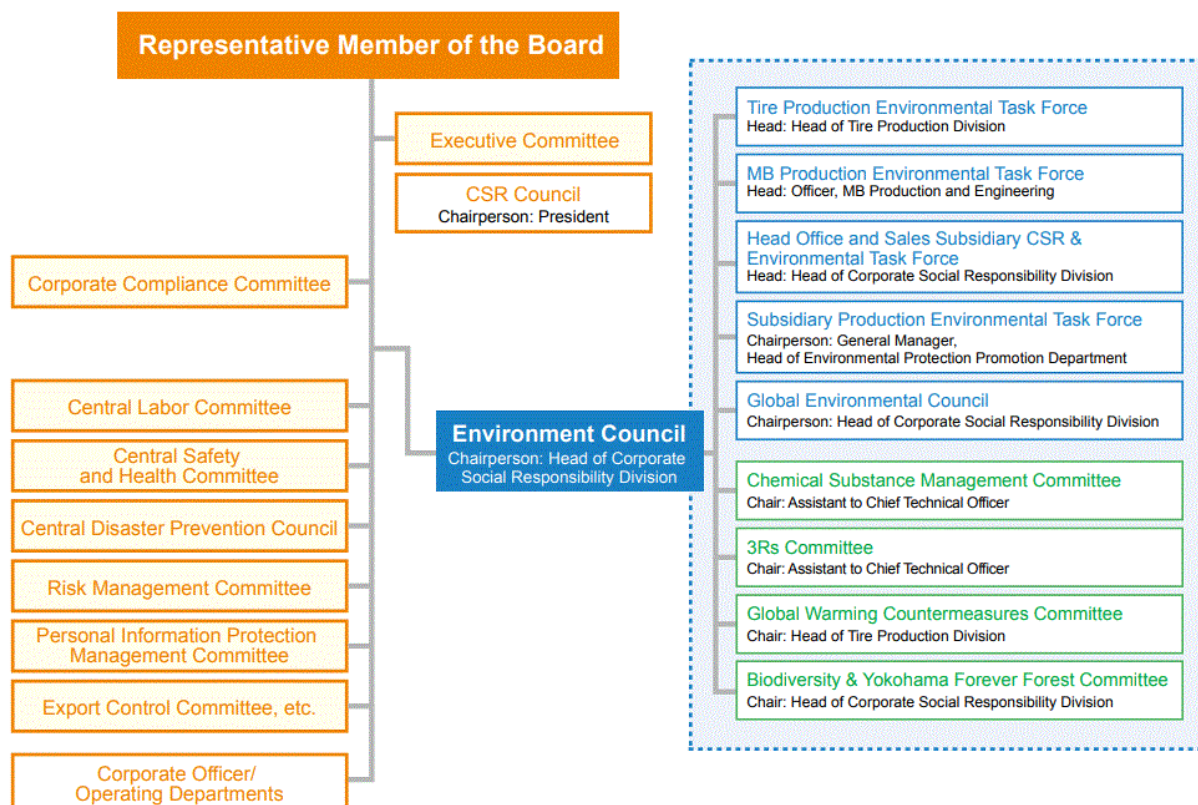
CSR and Environmental Management Promotion Framework

Twice a year (in May and November), we hold a CSR Council where our President serves as a chairperson, 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 CSR Council, the Corporate Compliance Committee, the Environment Council, the Central Labor Relations Committee, the Central Safety and Health Committee, and the Risk Management Committee have been established, with the responsible officers serving as chairpersons to deliberate on various issues.

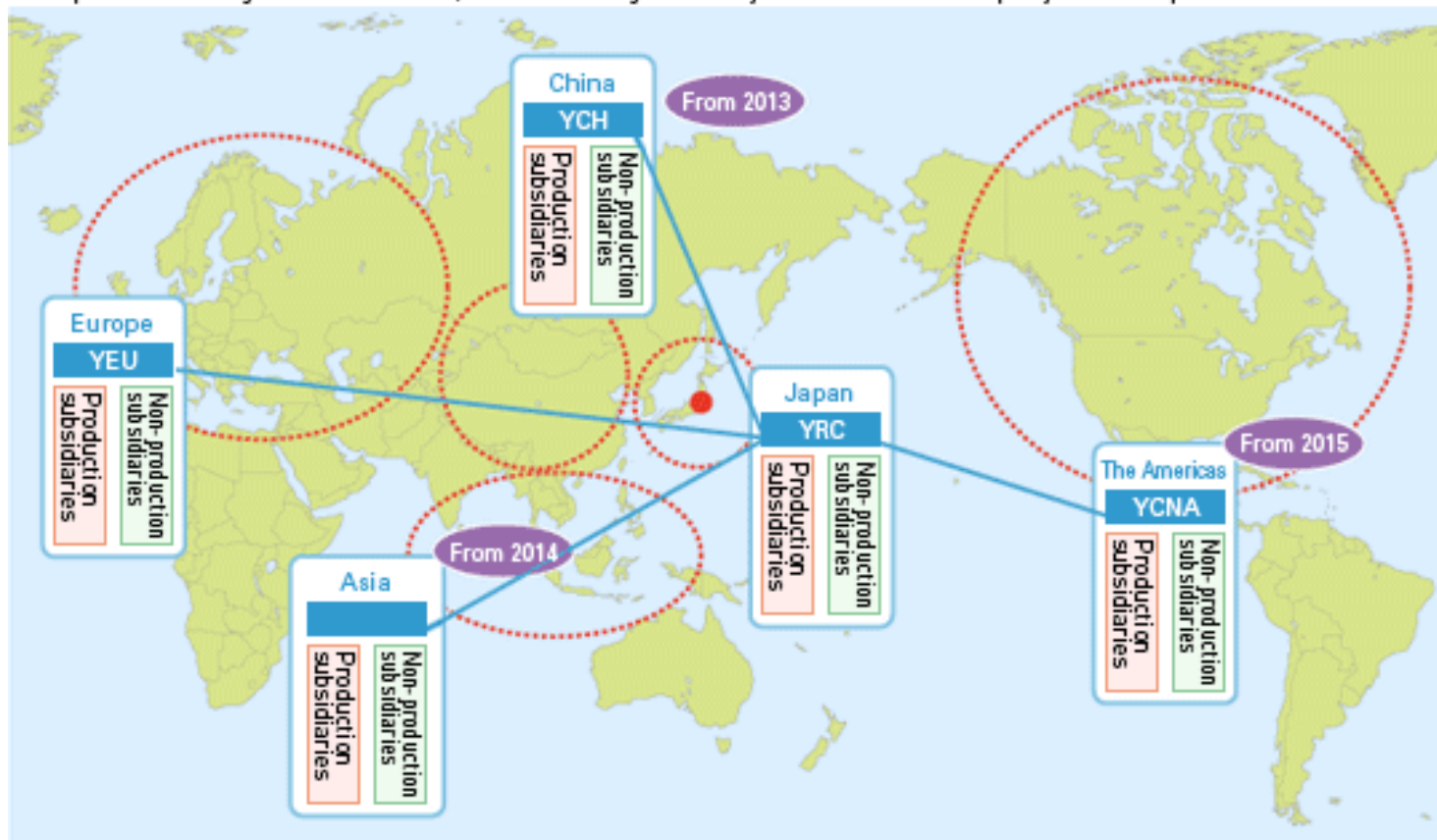
Matters with a material impact on management are submitted to the Management Meeting for approval. We have three task forces, two sub-councils, and four committees that promote environmental activities as sub-bodies within the Environmental Council. The Environmental Council engages in business activities 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 2020, 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 YX2023 medium-term management plan based on the Action Guidelines, in order to move forward together with stakeholders.

For more information about the YX2023 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

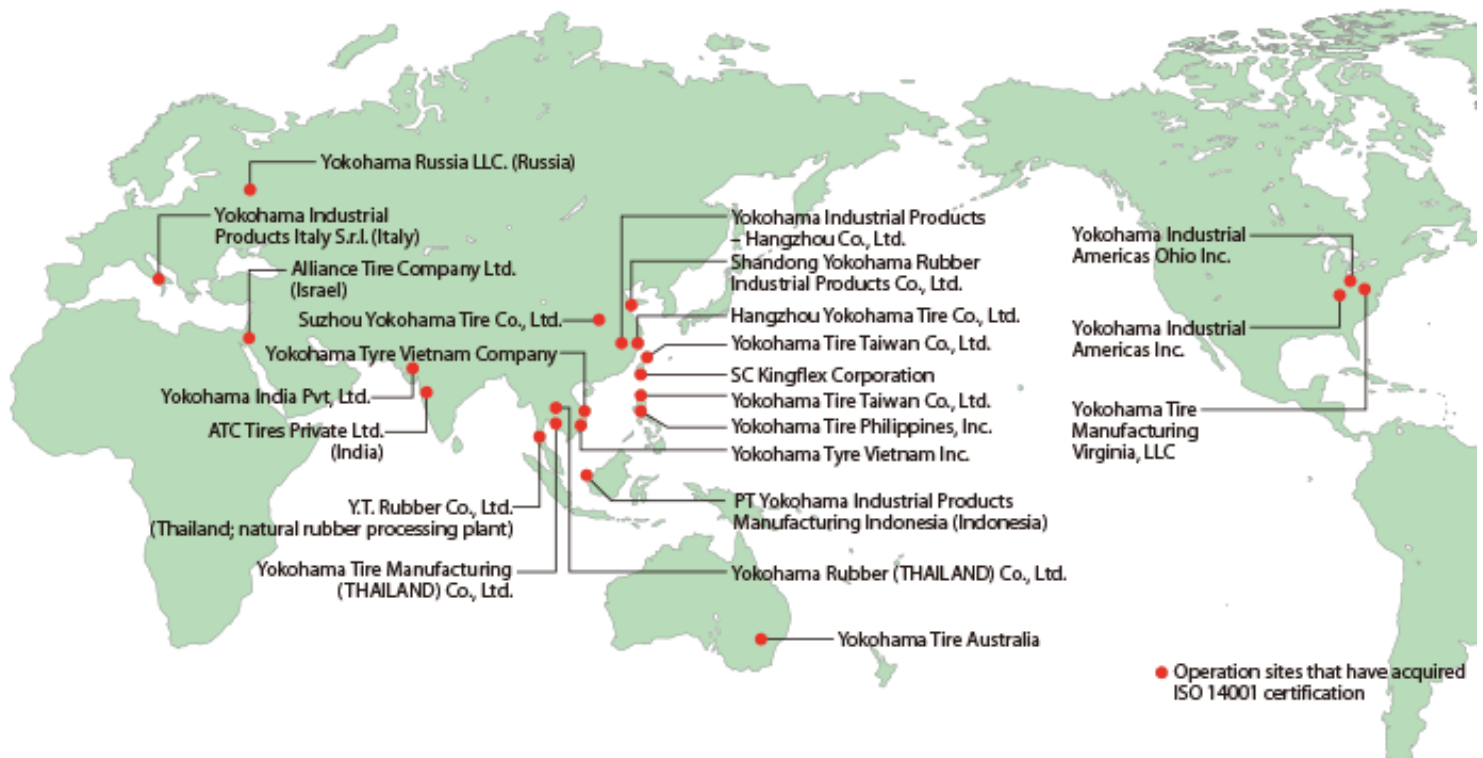
We aim to maintain high-quality environmental management under the same standard both in domestic and overseas group companies; thereby we have positioned ISO14001, which is the international Environmental Management System standard, as the basis of our management.

We are trying to get all our operation sites to obtain ISO14001; so far, a total of 17 operation sites in Japan, comprising nine from Yokohama Rubber and eight 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.

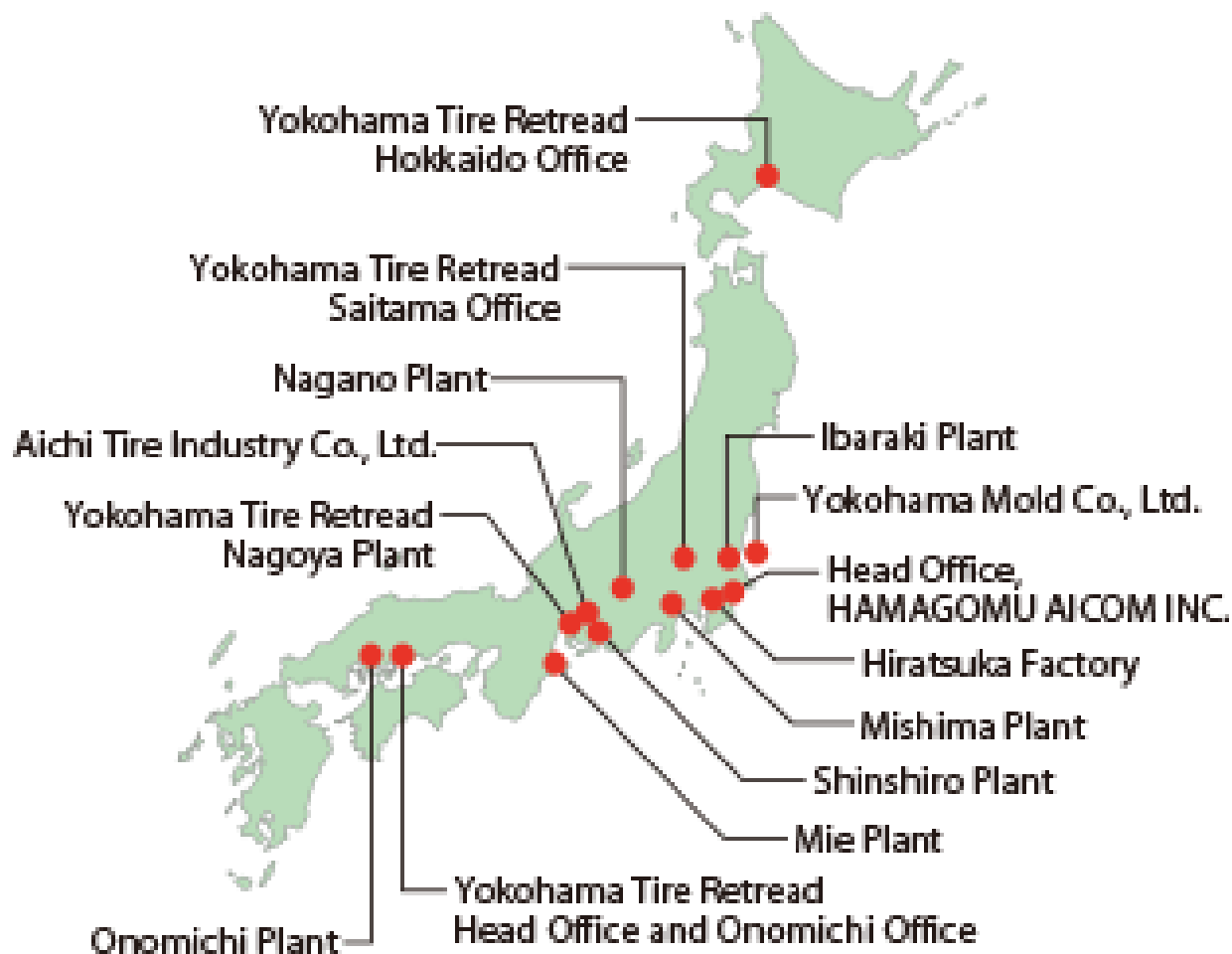
In addition, our non-manufacturing sites are promoting environment management in accordance with the 'CSR Environmental Management Guidelines' and our approach to the environment.

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 December 2020

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 2020.

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 2020, 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 2020, 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.

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 2020. 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 25 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 25 personnel who have completed this course to get certified in fiscal 2020, currently a total of 2,349 personnel have been registered and are already active as our internal auditors.

We conduct skill improvement to further improve the levels of employees with internal auditor qualifications. This time, due to COVID-19, it was not conducted.

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 2020, due to COVID-19, the entire company cancelled the contest. However, several sites made their own efforts.

In fiscal 2021, we resumed the campaign and received 5,761 entries for eco declarations and 128 entries for posters in Japan, and 4,552 entries for eco declarations and 357 entries for posters overseas.

Of these, the following were selected as excellent works.

	Japan	Overseas
Environmental Slogan Excellent Works	25	14
Poster Excellent Works	14	14

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

Environmental Slogan Best Work

"When shopping, I choose products that will help reduce waste, and I fully consider whether I really need the product before purchasing it."

Mayumi Noro, Plant Management Section, Hamatite Plant

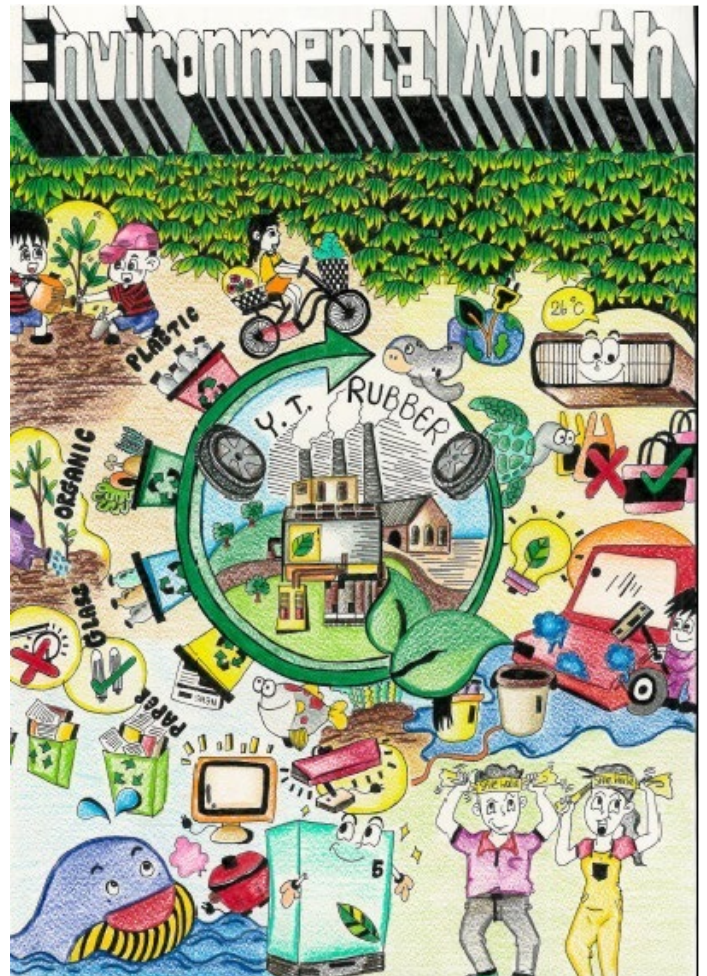
"To turn garbage into treasure, sorting and recycling is indispensable."

Wang Mengliang, Metal parts manufacturing, YIP-HZ

Environmental Poster Best Work



Family of Naoki Kimura, Extrusion, Manufacturing Section 1, Mishima Plant



NOK, Manufacturing Department, YTRC

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. However, due to COVID-19, this award was not implemented in FY2020.

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 2019		FY 2020	
Business area costs			Investments	Costs	Investments	Costs
	Pollution prevention costs	Installation of deodorization equipment, supporting CFC regulations, etc.	548	59.88	430	60.99
	Global environmental conservation costs	Compressors, air conditioning renewal, adoption of hybrid forklifts, etc.	203	21	166	20
	Resource recycling costs	Costs related to waste segregation and processing	0	458	0	382
Subtotal			751	538	595	462
Upstream and downstream costs		Expenses for reuse of tire bladders and plastics liners for rubber take-up	0	40	0	38

Management activity costs	EMS maintenance, management, and information disclosure costs	0	183	0	174
Research and development costs	Research and development costs for reducing the environmental burden	93	866	93	897
Social activity costs	Tree planting activities in areas affected by the Great East Japan Earthquake, social contribution activities, etc.	0	14	0	4
Environmental remediation costs	Reserves for PCB processing, etc.	0	60	0	55
Subtotal		845	1,700	689	1,630
Total		2,545		2,319	

Economic effect

※(Millions of yen)

Type of effect	Major initiatives	FY 2019	FY 2020
Profits	Profits gained from wastes and recycling from business activities	43	28
Cost reduction	Cost reductions through energy conservation	276	298
	Cost reductions through the use of recycled products	194	160
Total		514	486

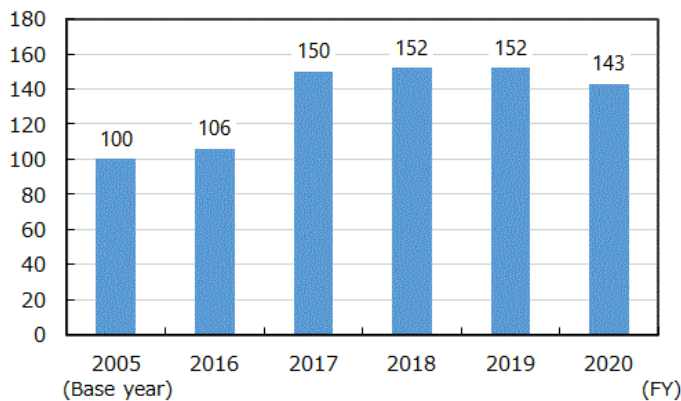
Environmental conservation effects

	Year-on-year reduction	
Type of effect	FY 2019	FY 2020
Greenhouse gas emissions (thousand tons, CO ₂)	4091.2	25960.0
VOCs emissions (tons)	-18.6	52.9
Waste reclamation quantity (tons)	Zero emissions achieved domestically in FY 2010	
Waste emissions (tons)	96.9	2002.0

Environmental efficiency

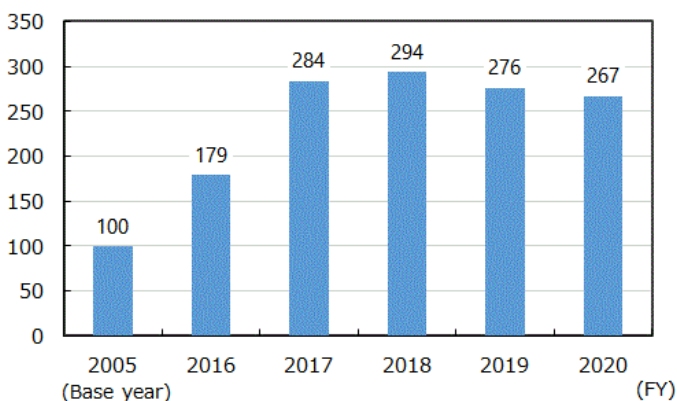
Greenhouse gas indicator

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



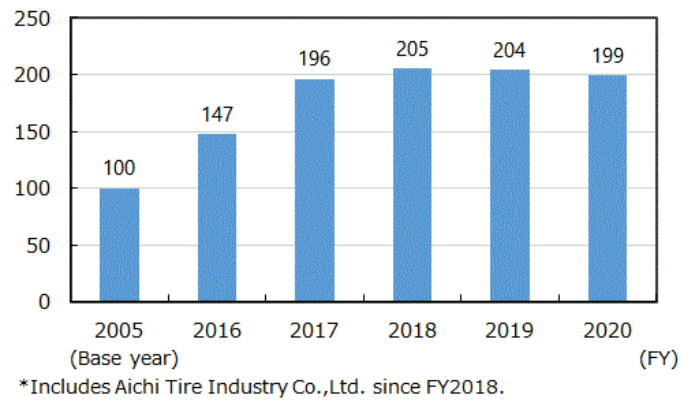
VOCs indicator

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)



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

Human Rights

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.

Labor

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.

Environment


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.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



WE SUPPORT

ISO26000 Seven Core Subjects

1

Organizational governance

2

Human rights

3

Labor practices

4

The environment

5

Fair operating practices

6

Consumer issues

7

Community involvement and development

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

Yokohama Rubber agrees with the purpose of the "Nippon Keidanren Declaration on Biodiversity" and has been developing initiatives for "biodiversity preservation" as its promotion partner since 2009. Currently, we are working as a "Private Sector Engagement Partnership for 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.”

We also participate in the related Keidanren's voluntary initiatives in the environment as a member of the Rubber Industry Association of Japan.

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.

In May 2021, we formulated the SDGs Roadmap for the tire sector.

The roadmap is here: <https://sustainability.driven.info/>



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 activities of the Risk Management, Corporate Compliance, Export Control, and Personal Information Protection committees are periodically reported to the Board of Directors.

Other committees' activities are reported at management meetings as appropriate, and matters are reported to the Board of Directors if doing so is deemed necessary.

The following meetings were held in FY 2020:

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

While reports were made to the Board of Directors for issues requiring advanced management decisions, there were no risk issues that would require a management decision by the Board of Directors in fiscal 2020.

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 2020 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.

In March 2021, we conducted a nationwide safety check drill. By increasing the frequency of safety confirmation drills, we are working to improve our initial response capabilities in the event of a disaster and raise employees' awareness of disaster preparedness.

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, we were able to use the database to confirm that our business sites were stockpiled with several days' worth of water and food.



Stockpiling for disasters



Fire Prevention, Disaster Prevention and BCP Initiatives

In April 2020, we revised the "Fire Prevention Guidelines," a company-wide guideline published in fiscal 2019 for the purpose of preventing fires from occurring and preventing the spread of fire 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 FY2021 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 on the publication of "Disaster Prevention Guidelines" in April 2020 to clarify our preparedness for increasingly severe natural disasters and infectious diseases occurring in wide areas.

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



As for our Business Continuity Plan (BCP), we have prepared the Basic BCP Guidelines and guidelines for various disasters, both destructive and non-destructive, including infectious diseases. By continuously conducting and brushing up drills for each department, we will continue to strengthen our systems and structures to protect our employees from disasters and continue to supply products and services when our business is exposed to disasters.



BCP training in Shinbashi



BCP training in Hiratsuka

Compliance

KPI

Item	FY 2019 results	FY 2020 results
Number of violations of laws and regulations related to the provision and use of products	(Consolidated) 0	(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 2020, the total of the hotline and the General Consultation Room received 154 calls and consultations. 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.

The system will be introduced at our production site in the Philippines in August 2020 and at our Thailand distributor in September 2020. Preparations are currently underway to introduce the system at our production site in Thailand.

In Europe, our European headquarters signed a contract with a company that provides a whistleblowing system, and it implemented a joint whistleblowing system that it uses along with its eight subsidiaries. In addition to serving as a whistleblowing system for these nine companies, including the controlling company, the system also functions as a global whistleblowing system in which the Corporate Compliance Dept. directly receives reports from local employees depending on the content of the report.

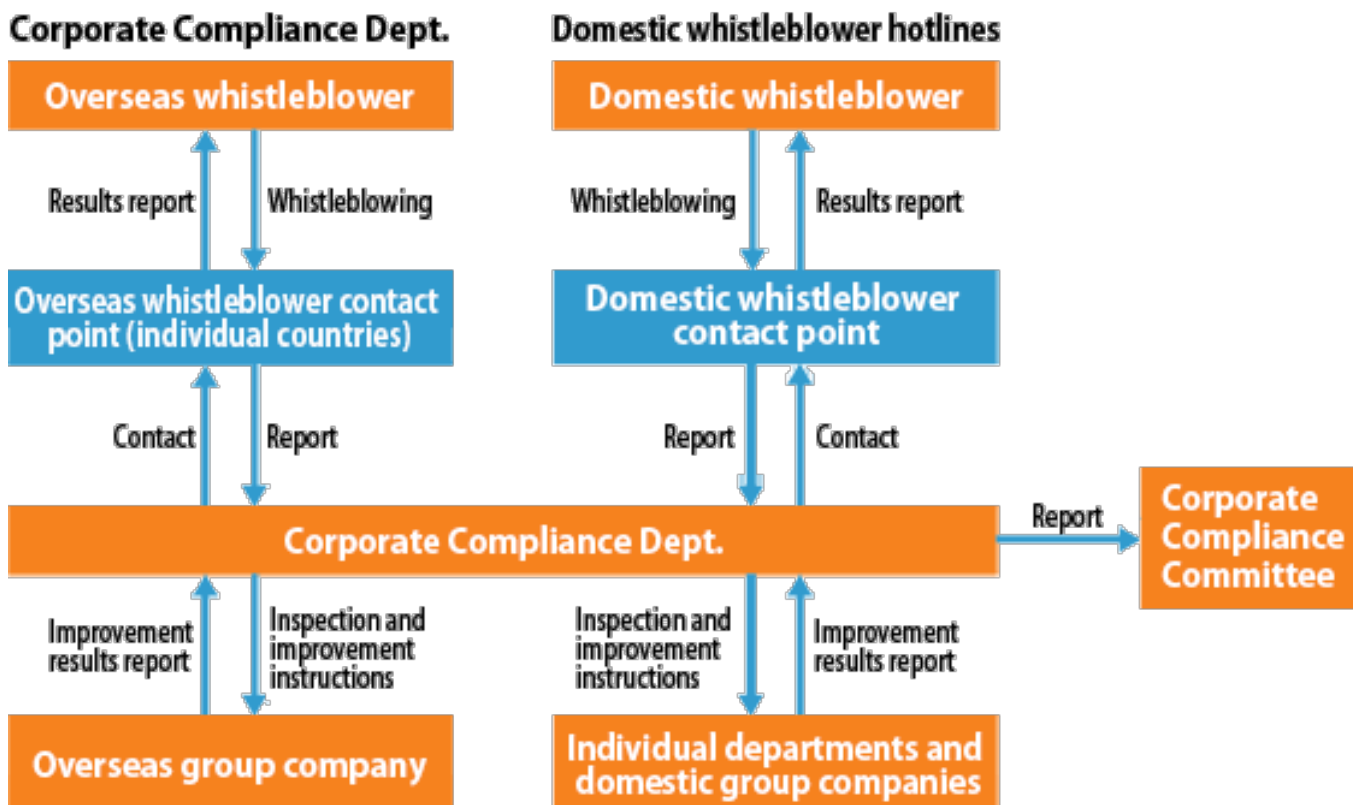
This system has been in operation since January 2021.

In 2020, we prepared for the introduction of the whistle-blowing system by providing training on violations of competition law, bribery, and fraud prevention to 60 employees of our sales company in Thailand. This year, we plan to provide education to Thai production sites.

In Europe, video-based training was provided to 230 employees of nine companies in December 2020.



Whistle-Blowing System (Flow chart)



Thorough enforcement of compliance through monthly reports

169 Compliance Promotion Managers 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.

Manager of nine European distributors



Annette Mayer
(Yokohama Europe GmbH ; YEU)

Manager of Japanese tire distributors



Yukitoshi Tanaka
(Yokohama Tire Japan, YTJ)

Manager 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.

In fiscal 2020, we covered a wide range of topics, including social networking site postings, consigned baggage when traveling overseas, harassment, mental health, personal information, 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 2020)

(Unit: persons)

Training opportunities	Persons
------------------------	---------

Pre-departure orientation for overseas dispatch	14
Bribery prevention and competition law compliance training	60 (YAS,YTST in Thailand)
Pre-introduction training for the whistle-blower system	230 (9 companies in Europe)
Antitrust compliance training	2,081
Grand total	2,385

※In FY2021, we are planning to conduct training at our production sites in Thailand.

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. Based on the results of the post-training questionnaire, we judged that there was not enough understanding of the system, and conducted the training again for 60 employees in August 2020.

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 2020 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 2020.

In 2020, 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 has launched its new medium-term management plan, Yokohama Transformation 2023 (YX2023), which will guide the group during the three years from fiscal 2021. The tire market actually is composed of two distinct markets - the consumer tire market centering on passenger car tires and the commercial tire market, which includes tires for trucks, buses, agricultural machinery and other commercial-use vehicles. At present, these two markets are about equal in scale. However, as the CASE^{※1} and MaaS^{※2} etc. trends accelerate, individual ownership of cars will decrease, and we expect the number of infrastructure-related vehicles devoted to moving people and goods to increase.

※CASE: Acronym for Connected, Autonomous, Shared & Services, and Electric.

※MaaS: Mobiliy as a Service (integration and provision of mobility services)

Vision (attainment goal) / target

YX2023 is positioned to "exploitation" of core strengths in existing businesses and "exploration" of new growth opportunities in response to the needs of an era of great change, while simultaneously promoting "transformation" for the next generation of growth.

Our financial targets for the year 2023 are to achieve sales revenue of 700 billion yen, operating income of 70 billion yen, and an operating profit margin of 10%.

By the end of FY2023, we are aiming to achieve a D/E ratio of 0.4, ROE: 10%, ROIC: 7%, operating cash flow of 250 billion yen (cumulative total for three years), and capital investment within depreciation and amortization.

Quantitative targets for 2021

Sales revenue	620 billion yen
Business profit	50 billion yen
Business profit margin	8.1%
Operating income	71.3 billion yen
Operating margin	11.5%

Measures for vision achievement

In the Consumer Tire Business, we will "exploitation" our efforts to expand sales of high value-added products, while in the Commercial Tires Business, we will "exploration" ways to capture market changes in line with the four themes.

Consumer Tires	<p>Raise High Value-Added Tire Sales Ratio</p> <p>We are focusing on the theme of maximizing the sales ratio of the following Main Products, which are high value-added tires. (1) ADVAN, our global flagship tire brand; (2) GEOLANDAR, our tire brand for SUVs and pickup trucks; and (3) winter tires. To achieve this target, we will implement the following three measures.</p> <ol style="list-style-type: none"> 1. Expanding OE use of ADVAN & GEOLANDAR 2. Strengthen sales in replacement market and Expand size lineups including for WINTER tires 3. Strengthen sales of tires suited to local market needs
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Respond to Market Changes

We will be "Searching" for opportunities to create new value by capturing major market changes, such as CASE and MaaS, and will work on the four themes. We will also further accelerate the growth of our OHT and TBR businesses.

<Cost competitiveness>

To meet the expected growth in demand for lower cost tires, we are positioning India's passenger car plant as the most cost-competitive passenger car plant in the Yokohama Rubber Group, as the aim of establishing a new low-cost model in tune with the tire market of the future. We also are considering using a similar low-cost model to increase output at our truck and bus tire plant in Thailand.

<Service>

With expected to increase corporate ownership of vehicles, we believe the value demanded from the tires themselves to tire-related after services. We have leveraged our sales and logistics network with locations in all of Japan, and we will strengthen our services to corporate customers with expand our fleet of service vehicles.

<DX: Digital Transformation>

We are accelerating the development of advanced tire sensors, and plan to add functions to the sensors to gradually increase the services and customers that can take advantage of these tires. We will use this system to create new value-added services related to tires.

<Product Lineup>

In the transportation and logistics industry, as vehicles become electrically powered and unmanned, it is expected that tires of various varieties will be required to meet the needs of operating distances and usage conditions. To meet this logistics revolution, we will continue to broaden our product lineup, which is one of our strengths, to strengthen our competitive advantage in the market.

■ OHT Business is Future Growth Driver

We plan to further accelerate the growth of this business in 2021, and have begun to integrate the OHT businesses of Yokohama Rubber, ATG and Aichi Tire. We will use multi-brand lineup to develop new markets, meet customers' diverse needs, and therefore expand this business.

■ TBR Business Strengthening Foundation for Future Growth

We are working to secure stable supply from our Mississippi plant and create the infrastructure needed to fulfill demand. Expecting demand for TBR tires to continue expanding, we plan to invest to further boost capacity at our TBR plant.

Multiple Business

We are committed to shift our portfolio to products with highly stable earnings and strong growth potential. We plan to solidify the MB segment's ability to generate stable earnings while also enhancing its growth potential by concentrating resources in the segment's two core product areas - hoses & couplings and industrial materials. Meanwhile, we will improve the Hamatite business by focusing on its core product areas. In the aerospace products business, which continues to face a harsh environment, we will carry out some structural reforms targeted at bringing the business more in line with today's market.

Management Foundation : Human Resources Strategy & ESG initiatives

In human resource strategy, we will strengthen our management corps and management by reforming our personnel management system, create an organization that can respond more flexibly to the dynamic changes in our operating environment, and facilitate our continued efforts to promote work-style reforms. In ESG management, in line with our CSR slogan, "Caring for the Future," we will strive to provide environmentally friendly products, promote initiatives to achieve carbon neutrality, and support activities that are rooted in local communities. We also aim to further strengthen corporate governance and create a safe, secure and comfortable workplace.

> New Medium-term Management Plan YX2023

Review of FY 2020 Activities

Distribution of economic value to stakeholders

Stakeholders	Distribution amount (million yen)			Calculation method
	FY 2020	FY 2019	FY 2018	
Business partners and suppliers	208,408	251,983	260,734	Cost of sales + SG&A expenses (excluding personnel expenses)
Employees	50,805	53,991	52,948	Cost of sales + SG&A expenses (personnel expenses)

Shareholders	10,431	9,950	9,937	Dividends paid
Creditors	2,747	2,762	3,152	Interest paid
Government and administration	11,427	16,099	11,448	Corporate taxes, etc. paid
Society	17	71	22	Donations (entertainment expenses), etc. [High school and university laboratories]
Internal	18,658	25,421	9,928	Net income - dividend amount
Total	302,493	360,277	348,169	

※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 5.1 million yen.

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 2019-2020 were as follows.

(Unit : billion yen)

	FY2019	FY2020
Domestic	6.92	5.59
Overseas	7.92	6.77
Total	14.84	12.36