

Dialogue Between Outside Directors

Fiscal 2023 is the final year of the YOKOHAMA Transformation 2023 (YX2023) Medium-Term Management Plan. We asked two outside directors about the progress of YX2023 and their evaluations of current group governance, as well as their opinions from an objective standpoint on the role that directors should play in enhancing corporate value over the medium to long term.



／ **Hideichi Okada** Member of the Board (Outside)

Career summary: After joining the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry), Hideichi Okada served as Director-General of the Trade Policy Bureau and Vice-Minister for International Affairs. After retiring from the government, he served as President and Chief Executive Officer of Japan Petroleum Exploration Co., Ltd. He has deep insight into social and economic conditions and overall management in Japan and overseas. Okada has been a Member of the Board (Outside) of Yokohama Rubber since 2013.

／ **Hiroko Kaneko** Member of the Board (Outside)

Career summary: Hiroko Kaneko was registered as a Certified Public Accountant in 1993. She previously taught and conducted research on accounting and auditing as a professor at the Faculty of Commerce at Waseda University, and has used her extensive knowledge to serve as a Director and Audit and Supervisory Committee Member at Mitsubishi HC Capital Inc., among other posts. Kaneko has been a Member of the Board (Outside) of Yokohama Rubber since 2022.

What are some of your impressions from discussions held by the Board of Directors last year?

Okada I have served as an outside director since 2013, and during that time, the Company has made a number of major decisions, including M&A, divestitures, and relocation of the head office. In order to gain a certain share of the global market, the Company is actively taking risks while making portfolio adjustments. Many of those discussions left strong impressions on me. The acquisition of TWS was a considerable decision due to the large sum involved, but as a result, we have greatly improved our international presence, and the market has praised the move with an increase in share price.

Kaneko I was also impressed by the TWS acquisition. In 2022, when I was appointed as an outside director, the pros and cons of the acquisition had already been decided, but there were detailed discussions on how to proceed with the acquisition and I felt that the fact that time was also spent on discussing capital investment was a trait of the Company's Board of Directors. What was particularly impressive was that the executive in charge of plants enthusiastically explained capital investments. He explained the necessity of investment and technical benefits in a detailed and understandable manner, and conveyed the thoughts and passion of the people on the manufacturing floor. His explanation made me aware

that this enthusiasm for manufacturing contributes greatly to the growth of the Company and left a strong impression on me.

What are your thoughts on Yokohama Rubber's challenges in terms of management or business and how do you evaluate this?

Kaneko I am aware of the challenges in two respects. First of all, the Company makes management decisions very quickly, and I feel a strong sense of unity. On the other hand, from the perspective of diversity and inclusion, I think there are still not enough opportunities for female employees to play an active role at the managerial level. Society is becoming more complex and people's expectations are changing. With the integration of the head office and the Hiratsuka Factory, it will be important to take advantage of the evolution of remote technology and other factors to devise more diverse work styles. The second challenge is group governance. Yokohama Rubber is a global company with more than 60% of total sales revenue coming from overseas. In order for companies with different cultures and backgrounds to grow together, it is extremely important to find ways to have common values and corporate philosophies for the Group. This issue will become even more important as the Company continues to expand overseas and the Group grows.

Okada I also recognize that these two points are issues for the future. Looking ahead, I feel that it is necessary to send a message both domestically and internationally that the Company is not just a manufacturer, but also an important member of society that contributes its fair share. In addition, although related to the second issue, I believe that clarifying the social mission and vision of the Company and sharing the message within the Group will help to strengthen group governance.

Kaneko This issue has already been raised by the Board of Directors. In order to strengthen global governance, we are also considering the form of internal audit and whistleblowing systems. I believe that the Board of Directors will continue to sincerely face and review these issues, which will lead to further growth and development of the Company.

Okada When I was appointed to the Board, the number of outside directors was small and the fields in which they could make proposals to the Board more limited. Today, these fields have steadily expanded, and



the number of outside directors, female directors and outside Audit and Supervisory Board members has increased. And by changing the governance structure to a Company with an Audit and Supervisory Committee, I can see the intention to change governance to a system suitable for the new Yokohama Rubber.

Kaneko Governance is constantly in need of review and evolution, and there is no final destination. In particular, there are cultural differences in systems that include overseas operations, so it is necessary to firmly nurture the culture and corporate philosophy of Yokohama Rubber and share them as a centripetal force. Even if each region or division conducts business in a different way, it is important to come up with ways to ensure that the core values and philosophies are firmly shared. While delegating authority to each region, continuous efforts will be required to foster a sense of unity as Yokohama Rubber Group.

How do you evaluate the progress of the YX2023 Medium-Term Management Plan?

Okada The TWS acquisition is a major measure in YX2023. It is unique in that the Company is emphasizing post-merger integration (PMI). During the ATG acquisition in 2016, the Company dispatched an executive vice president at the time to ensure a detailed response. I remember being deeply impressed by the Company's intention of truly uniting acquired companies and growing together with them. Today, President Yamaishi is strongly aware of the importance of PMI for the TWS acquisition and I highly commend his willingness to invest in human resources and commit the necessary funds to this process.

Kaneko The reason why the Group's strategy is progressing smoothly is that it has valued the human resources of each company. In order to grow together with the acquired company, it is essential for the head office to understand the company and cooperate with local members. In

order to make good use of human capital, it is important to have appropriate personnel systems and workstyle reforms in place. It is also important to create an environment where mid-career hires and employees of different nationalities and genders can demonstrate their abilities, while increasing motivation and encouraging employees to play an active role. This will lead to the success of YX2023 and the enhancement of corporate value over the medium to long term.

What role should outside directors play in Yokohama Rubber's efforts to achieve sustainable growth?

Kaneko I believe that the most important element of the Group's growth is human capital. An environment where employees are motivated and feel self-actualized is essential for the sustainable growth of the organization. To this end, it is important to respect diversity, provide opportunities for individuals to demonstrate their abilities, and build an environment where they can play an active role.

Okada Even in the uncertain and complex VUCA era, companies are expected to grow steadily. I am convinced that the driving force behind growth is that all employees work together to share the culture of Yokohama Rubber and contribute to society with a strong sense of mission.

Kaneko I recognize that my expected role as an outside director is to supervise the execution of directors' duties with my expertise in accounting audits, internal control, and governance. At meetings of the Board of Directors, outside directors are expected to express their opinions from an objective perspective to provide a contrast to those of internal directors who are familiar with the Company's business. This division of roles contributes to the Board of Directors' rational decision-making and clarification of issues. In recent years, "aggressive governance" has been advocated to take risks and lead to growth. I would like to support the Company while keeping an eye on the decision-making process to ensure risk management that supports sound risk-taking by management is being carried out appropriately.



Okada The roles of outside directors can be broadly divided into three. First, as an outsider, encourage constructive discussions and decision-making not bound by internal logic. Second, from a medium- to long-term perspective, propose the way of thinking necessary for the Company's sustainable growth. Third, check whether management is executing business appropriately, independent of the execution side. When I worked at the Ministry of Economy, Trade and Industry, I visited some 80 countries and worked internationally, and after retiring from the government, I served as an officer of an IT company and an oil exploration and development company. In order to support the Group's future growth, I would like to make use of these experiences to fulfill my duties as an outside director.