

CSR Report of Yokohama Rubber (China) Co., Ltd. (Y-CH)

Business activities: 1. Business administration of tire and MB product production companies and sales companies operating in the China Area.
2. Management of investments in Chinese projects.

Total site area: 442.36 m²

Number of employees: 54 (Y-CH employees: 27, YCTC employees: 27) (as of March 2017)

Location: 10th Floor, Gubei International Fortune Center, 1452 Hongqiao Road, Shanghai, China

Contact for consultation and complaints:
Tel.: +86-21-32091717 Fax.: +86-21-61671388
Website: www.yokohama.com.cn



Message from the General Manager



Shigetoshi Kondo

Yokohama Rubber (China) Co., Ltd. was established in 2005 as the controlling company of the Yokohama Group in China. In China, we have both tire and industrial product businesses. Currently, our operations are conducted through a structure that totals seven companies; it includes four sites that host production plants and two sites that host sales companies. Business is carried out in accordance with Yokohama Rubber's CSR Management Vision which is "To build a trusted identity as a contributing member of the global community", with our operations being conducted from both the production and sales perspectives.

◇ In China, leveraging the environmental technologies cultivated worldwide (both products and production)!

China, which has experienced rapid economic development, is now directly confronted by serious environmental issues. In addition to introducing advanced environmental products, we are also deploying the manufacturing technologies and equipment that we have cultivated worldwide into the Chinese market, for example by setting zero emissions and zero pollution as objectives. With this high environmental mindset, we are working to contribute to the environment.

◇ Complying with Chinese laws, conducting clean and fair business activities!

Legal compliance has been established as a guideline for our business

activities; we conduct fair operating and labour practices in a manner that is equitable. Each and every employee is thoroughly educated on the issues of compliance, environmental protection and CSR, and we also focus on developing businesspeople that are capable of operating effectively in international society.

◇ Developing a domain in which we can contribute

to environmental protection from our unique perspective

Rather than just contributing in areas which everybody is aware of and in which any company could take action, by considering environmental and social contributions from our own perspective, we at Yokohama Rubber (China) continue to discover unique domains in which we can act. A starting point here has been our activities that support peoples' livelihoods in ethnic minority regions, which have been highly evaluated.

◇ The most important thing is to save resources!

We possess a "Just In Time" mindset that can be stated as "supplying what is needed, when it is needed, how many it is needed". By considering matters stretching from production-method issues through to inventory-volume issues, inventory-retention issues and inventory-dispatch issues (logistics), we are proceeding with the construction of our supply chain management (SCM). We are working on this as Yokohama Group policy while distinguishing Chinese business practices.

As indicated above, as an international manufacturer given the opportunity to do business in China, we conduct activities on an ongoing basis while keeping in mind a sense of "gratitude". In particular, in the future as well we want to old a strong consciousness and sense of conviction in contributing socially and to the environment.



Organizational Governance

Compliance education

We conduct compliance training for new employees.

Obligation to maintain the confidentiality of company secrets

All new hires are required to sign a non-disclosure agreement on joining the company.



Human Rights

Fair and equitable recruitment

In accordance with Chinese law, Yokohama Rubber (China) Co., Ltd. does not discriminate in employment on the basis of gender. We are constantly working to ensure that such discrimination does not arise in our working conditions, and we implement follow-up where necessary.



Labour Practices

Implementation of fire response training

In accordance with Chinese law, Yokohama Rubber (China) Co., Ltd. attaches great importance to the creation of a safe workplace environment, with employees undergoing fire response training on an annual basis.

Disaster prevention training

We conduct disaster prevention training for new employees as a mandatory course.



A firefighting drill



Helping employees to maintain their physical health

Reflecting the company's concern for employees' health, the provision of an annual health check-up for employees is covered by the company's health insurance scheme.

Creating a friendly workplace

Once a year, the company implements an employee satisfaction survey covering the workplace environment, salaries, and welfare provision. We also have a "Benefits Committee" which our employees voluntarily formed themselves. This group organizes employee outings and sporting activities, etc.



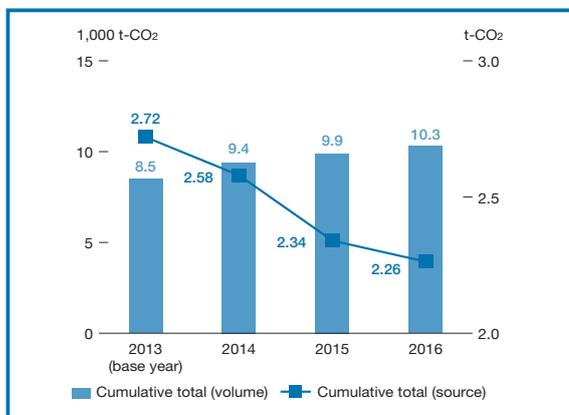
Employee outings and family trips

As the controlling company of the Yokohama Group in China, Yokohama Rubber (China) Co., Ltd. conducts activities based on the following policies in accordance with the Yokohama Rubber Group Environmental Policy and in line with one of our management policies to deal fairly with the society and treasure harmony with the environment in an aim to become a top level corporation in terms of our contribution towards the environment.

1. We will comply with environmental-related laws, rules, and regulations, and agreements, contracts, etc. the Company has consented to for environmental preservation and the prevention of environmental pollution.
2. We will deepen communication with stakeholders and work to reduce our environmental footprint at every stage from purchasing, sales, distribution, use, collection, disposal, etc.
3. We will strive for education and improving awareness so that all employees and people involved in the Company's operations can act appropriately with a proper recognition and awareness of the impact of business activities and individual duties on the environment.
4. All employees will actively participate in and promote the prevention of global warming, energy saving, resource saving, and resource recycling in an aim to achieve a recycling-oriented society and a low-carbon society.
5. We will instruct, coordinate, and supervise the environmental work conducted by each subsidiary.
6. We will work towards the preservation of biodiversity and the sustainable use of natural resources through business activities.
7. Yokohama Rubber will pursue harmony with the region as it values the local community in an aim to become an environmental contribution-oriented company trusted by the local community.
8. We will release these policies.

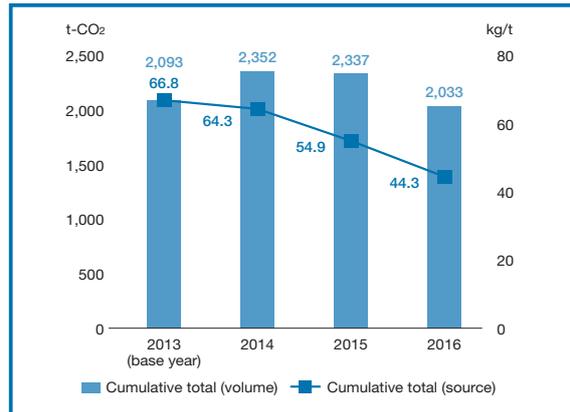
Environmental data

Volume of greenhouse gas emissions



◆ A medium-term plan has been formulated to reduce greenhouse gas emissions by 25% by 2020.

Amount of waste generated



Area Environment Meetings

The Sixth Area Environment Meeting was held in June 2016 and the Seventh Area Environment Meeting was held in October 2016. Currently, the Area Environment Meetings provide a forum through which the various group sites throughout the China Area can share environment issues and engage in exchanges. We also follow up on the environment objectives established within the China Area.



China Area Environment Meeting

Group Environment Audits

Concerning the Group Environment Audits, inspections of plants are conducted by those persons responsible for environmental matters/ environment managers at the various China sites. Audits take the form of confirming compliance with laws and regulations, and also checking the operation of environment management systems. Participants can take home with them the know-how of what is being done well, while it is also possible to identify issues that still need to be addressed. This activity allows for the sharing of experience. We standardized the audit criteria in 2016, and created the Environment Audit Implementation Guidelines and Environment Audit Checklist for the Group in China. We have plans to conduct Group environment audits once at each production site from 2017, and to visualize environment audits in order for the continued optimization of audit implementation.



Environmental Audit of CSZY

Sharing of environmental information

To enhance efficiency of the sharing of information between sites, in 2016 the Environmental Information Management Guidelines and Environmental Regulations Management Guidelines were created and issued to each site.

Fair Operating Practices

Compliance

Compliance is implemented based on the Y-CH procurement guidelines, and contact with business partners (business talks/trips) is conducted by at least two department members (including one member of management) in all cases.

Implementation of employee education regarding improper business practices

Education regarding the prevention of improper business practices is

implemented twice a year, based on departmental guidelines, targeting procurement managers.

Relationship of trust with suppliers

Y-CH's purchasing department has incorporated the fundamental policy of "Always being aware of the need for the purchasing team to maintain a fair, equitable, humble stance," which is one of YRC's procurement rules, into its department policy. Y-CH will establish structures for core business partners and multiple business partners and build trust relationships with business partners based on stable production at YRC plants in China.

Consumer Issues

Communication with customers

Although we do not handle products directly, we have established a Tire

Planning Department and an MB Planning Department. Whilst listening to the voices of users, these departments develop strategies for the Chinese market.

Community Involvement and Development

Supporting the Laojunshan Project

As an international manufacturer that is allowed to conduct business within the Chinese market, always within our mind there has been a desire to "give something back." Thus, on an ongoing basis since 2011 we have supported the Laojunshan Project.

While Laojunshan in Lijiang, Yunnan Province lies at the center of the "Three Parallel Rivers" district within a protected World Heritage Site, Heyuan Village on Laojunshan represents both a gateway and barrier to the region. It fulfills a very important role in protecting the natural environment of the region. Heyuan Village occupies an area of some 108 km². Its population numbers about 2,000 people, and prior to the project, the average annual income was just RMB650 (according to regional government statistics). No roads run through the village and educational standards are unsatisfactory. The main sources of income for the majority of villagers used to be illegal logging of the forestry resources, and the capturing, killing and unregulated collection of wildlife. The repeatedly destructive production processes did not just destroy the land and seriously damage important natural resources; the situation got to the point of posing a threat to the region's biodiversity. We started to support the Laojunshan Ecology Preservation Project in April 2011. Concurrently, "Village Banks" that broke down villagers into a number of groups were commenced through investment support that was offered by business. The development of a public administration system for the community was promoted through economic activity, and by joining the power of economic development with a responsibility for ecological preservation, an environmental protection mechanism with the villagers at its core was created.

In 2012, building on the "Village Bank" model, an "Ecological Scholarships (Education Support)" plan was launched, with the provision of a "Yokohama Rubber Ecological Scholarships (Education Support) Fund".

In 2013, to help boost agricultural value-added for local people and raise income levels, Y-CH provided funding support for "green industry upgrading" and assistance with the purchasing of new equipment in Heyuan Village community.

In 2014 the "Laojunshan Ecological Agricultural and Forestry Product Sales Platform" was launched to strengthen the production and sales chain for environmentally-friendly agricultural and forestry products. The establishment of this Platform has helped to make every stage in the process of selling the community's products more market-oriented, with an effective guarantee that the project's achievements can be transformed into revenue, thereby helping to further extend the benefits to local people. As for the results of the project, by March 2017 total investment in "Village Banks" reached 513,634 Yuan in Heyuan Village, with a total of 63% of households participating in the project. A total of 12 villages signed a mountain closing protection treaty, effectively protecting approximately 30.55 million square meters of mountain forest.

As the first example in China of an environmental protection issue being resolved through economic development that involves the participation of business, the Laojunshan Primitive Ecology Preservation Project has been strongly evaluated by the Yunnan Province and Lijiang City governments,

as well as by various people within society. It was selected for observation by a project run by the Ecology Strategy Research Center of the State Council in March 2013, and in September of that year at the first "Beautiful China" awards it was nominated as the best public project. Yokohama Rubber (China) Co., Ltd. also received the "Most Excellent Company Image Award" in the public environmental protection category for its outstanding involvement. In January 2015, the Laojunshan Project was a recipient of the China Social Innovation Award, organized by the China Center for Comparative Politics and Economics (CCCPE) of the Central Translation and Compilation Bureau and the Center for Chinese Government Innovations, Peking University. In the spring of 2015, building on the experience accumulated over four years of work at Laojunshan, we began providing support to another community, Liguang Village, as well, with the aim of fostering environmental conservation and sustainable development in the "Three Parallel Rivers" region. Having started with the establishment of "Village Banks" able to provide funds to support the development of local industries, and then moving on to introduce "green industrial development" based on effective collaboration with local communities, we are now moving on to establish a platform for the sale of agricultural and forestry products. As of March 2017, a total of nine village residents groups in Liguang Village have participated in the "Village Banks" program, and a total of 392,000 Yuan has been financed. The nature conservation area has reached approximately 59.74 million square meters, accounting for 78% of the total ecological system forest. By helping villagers to develop greater autonomy and self-directedness, and teaching them how they can maintain a way of life that achieves an appropriate balance with respect to the natural world, we are guiding them along the path towards sustainable development based on the concept of "deriving profits from environmental protection, while contributing to the maintenance of environmental protection."



Meeting of Laojunshan activities

