

Striking a balance between CSR and business operations



Outside Expert

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Actions Needed to Achieve More Strategic CSR

Yokohama Rubber is currently implementing its medium-term management plan called Grand Design (GD) 100*, which leads the company to its centennial celebration in FY2017. To mark the start of the Phase IV, the last phase, Yokohama Rubber has identified materiality (important issues) it must address in order to balance CSR* with its business activities.

The objective of this year's stakeholder dialogue is to revisit Yokohama Rubber's strategic approaches to CSR going forward utilizing outside perspectives. Mr. Hideto Kawakita of International Institute for Human Organization and the Earth and Ms. Mariko Kawaguchi of Daiwa Institute of Research Ltd. joined this year's dialogue session to views based on their broad perspectives.

At first, the dialogue recognized that automakers, who are the main customers of Yokohama Rubber, are stepping up their oversight of the supply chain*, including Yokohama Rubber, to ensure thorough compliance with their environmental, social and governance (ESG) initiatives, which in turn has drawn greater attention to ESG information globally.

Ichiro Suzuki, head of Yokohama Rubber's CSR & Environmental

Affairs Department, stated, "I feel strong pressure to satisfy the information requests that come in from our customers. I believe we need to effectively use this pressure to provide a spark toward making our own changes." Suzuki also explained how Yokohama Rubber is already undertaking studies on water risk and human rights issues on a worldwide scale given its recognition that its activities have a large impact on society.

Mr. Kawakita pointed out the importance of producing value through proactive CSR based on a clear understanding of materiality. Ms. Kawaguchi spoke about the perspectives that investors use to evaluate ESG information, based on her stance as a professional in the field of socially responsible investing.

After hearing these views, Fumio Morita, Director and Managing Corporate Officer in charge of CSR, stated, "We need to create a future roadmap for what and how to rollout CSR initiatives that are broad reaching and unique to Yokohama Rubber. Going forward, we will emphasize dialogue with outside stakeholders to promote CSR that is consistent with our business activities."



Main Opinions and Recommendations from Outside Experts



**Opinions from
Ms. Mariko Kawaguchi**

— Deepen Company-wide Understanding of CSR

The question “Why?” should be examined more in-depth within Yokohama Rubber because this needs to be answered before CSR initiatives are officially initiated. Making an effort because a corporate customer asked for ESG information without understanding the importance or background more than likely will end in paperwork that simply reports predetermined matters in form alone. Whenever you start a new environmental activity, it’s essential that each and every employee begins to think about how protecting forest biodiversity in a faraway country can come back to affect the company’s business activities.

Upon implementation, it is important to strike a balance between the accountability of departments in charge of each material issue and management’s commitment to linking initiatives organically. In recent years, stronger emphasis has been given to the latter, so I would like Yokohama Rubber to be mindful of this when disclosing information.

— Broadly Share the Importance of Using Resources Effectively

Recently, companies have tended to focus only on reducing CO₂ emissions when it comes to their environmental initiatives, but effective use of resources is also a theme that should not be overlooked. Reducing the amount of raw materials used and increasing the rate of recycling will address cost issues as well as support the continuity of the business through raw materials acquisition. In particular, Yokohama Rubber, as a tire manufacturer, faces the major challenge of securing stable supplies of natural and synthetic rubber. I hope you can share the importance of pursuing resource efficiency with consumers in an easy-to-understand manner.

— Accept Accountability as a Multinational Corporation

The more broadly a company’s businesses are globalized, the further you get from being able to say that doesn’t involve us when it comes to problems or suspicions. As a multinational corporation, Yokohama Rubber must be prepared to deal with every type of voice when it comes to CSR. Automakers, which are your main customers, have already firmed up this stance and they prefer to do business with companies in the supply chain that are doing the same thing.

Also, Yokohama Rubber continues to expand aggressively under GD100, with particular emphasis given to M&A strategy. It will be important to evaluate, with greater certainty, the companies you will be working with from an ESG perspective, in order to fully understand the hidden risks with these companies.

Response from Yokohama Rubber

Shifting Business Activities to Provide Value Required by Stakeholders*

One of Yokohama Rubber’s most important missions is to provide products and services packaged together in support of traffic conditions in regions and the lifestyles of each age group. For this reason, we will look to develop products and services that incorporate our strengths of material recycling technology and design technology that seeks to balance safety with drivability. At our production sites with water risks, we will protect biodiversity and move forward with activities that integrate our business activities with CSR so that we can contribute to the sustainable growth of our business and local communities.



**Opinions from
Mr. Hideto Kawakita**

— Increase Transparency for the Disclosure of ESG Information

External pressure about ESG compliance will only continue to grow going forward. Instead of responding as an individual company to the requests of automakers as they are made, Yokohama rubber needs to set up a system that first and foremost understands the consumer, investor and society, which are found further downstream.

In many cases, automakers do not demand their business partners to be engaging in advanced ESG initiatives at the current point in time. Instead, they want business partners to make it clear their progress as of today using thorough visualization. This makes increased transparency one of the major issues of late.

— Make Contributions to the Value of Safety

CSR should not be viewed as something to carry out from a defensive posture to combat risk. CSR should focus on producing value using a proactive approach. For example, Yokohama Rubber’s tire business provides the two values of reduced environmental impacts and improved safety. In particular, safety is a very important value for the automotive industry given the reality that the largest cause of death in the world among those age 15 to 30 is traffic accidents. Contributing the improved accuracy of vehicles’ driving, turning and stopping has direct, positive impacts on society, so it is important to appeal this fact.

— Specify the Scope of Materiality (important issues)

It is extremely important to specify just who your definition of materiality is for. Simply put, if you say “customers,” this actually entails a wide swath of possibilities, so greater detail and specification is necessary. To become a company that is continually selected by society over the long term, you will need to think about priorities based on the vantage point of which customers you will emphasize.

In the case of Yokohama Rubber, perhaps you should think first about seniors living in the Tohoku Region as your target. In a society where depopulation and aging is picking up speed, seniors need access to safe and secure mobility options and this importance increases particularly in areas where there is snowfall. Continually supporting senior drivers in Tohoku is a very significant initiative in terms of gaining contact with society and users through safety.

Response from Yokohama Rubber

Fully Conveying Yokohama Rubber’s Philosophy and Culture

We believe in the importance of sharing the fact with all shareholders that we engage in business activities following the action guidelines based on our philosophy and culture created over the last 100 years. Toward that end, we will work with those outside the company to determine the path Yokohama Rubber should take, while also bolstering transparency and governance. We will continue to offer more ESG information so that achievements of these activities can be recognized as long-term corporate value.

