Fulfilling our corporate social responsibility is fundamental to management at Yokohama. We work in all phases of our activity to contribute to social sustainability.

An Update from the Head of Our Corporate Social Responsibility Division about Our Progress in Fulfilling Our Social Mandate

Corporate social responsibility is a core emphasis in our Grand Design 100 medium-term management plan. I welcome this opportunity to bring our stakeholders up to date about our efforts to fulfill our corporate social responsibility and about how those efforts mesh with our growth strategy.

Kinya Kawakami
Director and Managing Corporate Officer
Head of Corporate Social Responsibility Division (as of 2013)

Reasons for emphasizing corporate social responsibility

Fulfilling corporate social responsibility is a prerequisite for lasting growth and development at any company. Our basic policy in our Grand Design 100 medium-term management plan calls for asserting "world-class strengths in technologies for protecting the environment" and for fostering "a customer-oriented corporate culture that honors rigorous standards of corporate ethics."

When we adopted Grand Design 100 in 2006, our concern with corporate social responsibility centered on environmental quality: developing tires that helped reduce fuel consumption and minimizing the environmental impact of our production operations. Our social awareness has since broadened, and we have begun working in additional ways to earn a valued place in the global community. I emphasize "global community" because we have globalized our operations greatly over the past decade or so. We operate plants around the world and serve customers in diverse product sectors worldwide. Maintaining growth in a global context will depend on building a reputation for world-class integrity in regard to corporate governance, legal compliance, and public-interest activities, as well as environmental stewardship.

The risks of failing to fulfill our social mandate

We need to be alert at our operations in every nation to local expectations and to sensitivities in other nations. A plant that we build and operate in any nation needs to comply, of course, with local environmental regulations and with other local legal requirements. But we also need to comply in every nation with basic global standards. That can mean being more rigorous than local regulations require, as in regard to labor practices.

Complying with legal regulations and with social expectations increasingly means more, meanwhile, than enforcing strict internal standards. We also need to ensure, for example, that our suppliers of raw materials comply with pertinent regulatory guidelines. Note that adhering to high ethical standards is also indispensable in attracting and retaining superior human resources.

Benchmarks of progress

The International Organization for Standardization's ISO 26000 standard is a global framework for fulfilling corporate social responsibility in seven sectors (see graphic, facing page). Since 2010, we have established and tackled action priorities based on the ISO 26000 regimen. We will continue working at our operations worldwide to address our priorities in the seven ISO 26000 sectors.

In addition, we became a signatory to the United Nations Global Compact in 2012. That
compact is a pledge by corporations and other organizations to adhere to prescribed guidelines for respecting human rights, observing labor standards, protecting the environment, preventing illegal behavior, and addressing other concerns. Our fellow signatories include leading corporations around the world, and we were the first Japanese tire manufacturer to sign the compact.

Benefits for our business performance

Our commitment to fulfilling our corporate social responsibility transcends short-term business interests, but I am confident that it will contribute to increasing our corporate value and even to improving our business performance over the long term. I have witnessed that potential at our Hiratsuka Factory, which I manage concurrently with heading the Corporate Social Responsibility Division.

We held an open house at the Hiratsuka Factory in February 2013 for members of the community. Our visitors were extremely impressed with our Yokohama Forever Forest project, which we inaugurated in 2007. That project provides for planting 500,000 trees around our plants worldwide by our corporate centennial in 2017.

The visitors were especially impressed by an offshoot of the project under way in the northeastern Japan community of Otsuchi-cho, Iwate Prefecture. That community was the scene of severe devastation wrought by the 2011 Great East Japan Earthquake and the subsequent tsunami. We are nurturing and planting tree seedlings there as part of an initiative for creating lifesaving sylvan barriers along the coast.

Our overseas subsidiaries also undertake an impressive range of public-interest activities. To cite but a few examples, our tire sales company in Germany has conducted clean-up work along the Rhine River for several years, one of our Chinese subsidiaries provides support to minority ethnic groups in Yunnan Province, and one of our Thai subsidiaries provides assistance to needy children. Those kinds of activities engender goodwill toward our organization, and that goodwill carries over into the marketplace.

Where we go from here

I am determined for us to continue broadening our activity in fulfilling our corporate social responsibility. The forestation work in Otsuchi-cho that I mentioned is an excellent example of how well-conceived public-interest activities can grow.

We conduct the Yokohama Forever Forest project under the guidance of the prominent plant ecologist Dr. Akira Miyawaki. After the Great East Japan Earthquake, Dr. Miyawaki proposed building 300 kilometers of sylvan barriers to protect coastal communities in northeastern Japan from future tsunami. We agreed to participate in that initiative and have conducted plantings annually in Otsuchi-cho since 2012. Thus has the expertise accumulated in the Yokohama Forever Forest project positioned us to address unexpected challenges, such as post-disaster recovery work.

Our work in Otsuchi-cho highlights the importance of maintaining a robust dialog with stakeholders. That dialog is invaluable in sensitizing us to the social expectations of our organization and in identifying ways to fulfill those expectations better. Fortified with valuable input from our stakeholders, we will continue striving to fulfill our corporate social responsibility and to thereby reinforce our corporate sustainability.

The Seven Core Subjects of ISO 26000

- Community Involvement and Development
- Human Rights
- Consumer Issues
- Organizational Governance
- Fair Operating Practices
- The Environment
- Labor Practices
In our Tire Group and in our Multiple Business Group, we develop products with an eye to reducing the output of greenhouse gases and other environmentally burdensome substances and to conserving material and energy. We evaluate products in regard to four environmental criteria: prevention of global warming, resource recycling, resource saving, and safety and comfort.

Our guidelines mandate that all new products achieve an aggregate improvement of at least 5% over existing products and that they at least match existing products in regard to all four criteria. By the end of 2013, 93% of our products fulfilled our criteria for minimizing environmental impact, and we aim to increase that percentage to 100% by the end of 2017.

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**Environmental Quality**

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**Environmentally friendly products**

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**Proportion of Environmentally Friendly Products among All Products**

**Four Pillars of Environmental Function and Its Index**

**Environmentally friendly products**

**Contributing to the prevention of global warming**

**Prevention of global warming**

- CO₂ emission
- Energy saving

**Contributing to safety and comfort**

**Safety and comfort**

- All climate and braking performance
- Noise performance
- Pleasantness (Odor and Hue)
- Reduction of SOCs
- Reduced pollution turns into better environment (atmosphere, ocean, water, and soil)
- Application to welfare and nursing products

**Resource recycling**

- Recyclability
- Retread performance
- Ratio of natural materials

**Resource saving**

- Lightweight
- Wear life
- Reduction coefficient
- Uneven wear resistance life
- Development period (simulation techniques)

**Ratio of recycled materials**

**Evaluation by LCA**

**Environmental functions**

**Environmental index**

**Proportion of Environmentally Friendly Products among All Products**

FY 2007 (April 2006 to March 2007) 47%

FY 2013 (January to December 2013) 93%

**Four Pillars of Environmental Function and Its Index**
Reducing output of greenhouse gases

Taking part in efforts to forestall global warming is an important part of fulfilling our corporate social responsibility. We have therefore established a panel of experts to oversee such initiatives as installing cogeneration systems, shifting to cleaner fuels, and conserving energy throughout our operations.

Our medium-term target in Japan is to reduce our annual greenhouse emissions 25% by 2020, compared with 1990. In 2013, our overall reduction reached 16%. Our long-term target worldwide is to reduce our output of carbon dioxide more than 50% across our entire value chain by 2050, compared with 2005.

Cogeneration systems are helping Yokohama reduce the output of carbon dioxide greatly at its plants. In cogeneration, the heat emitted in thermal power generation becomes an energy source for generating steam or hot water for plant heating systems. Recycling heat in that manner raises energy efficiency and thus reduces the output of carbon dioxide.

Yokohama had installed cogeneration systems at four plants in Japan by the end of 2013. Those systems, which operate around the clock, supply about 60% of the electric power and nearly all of the steam used at their plants. Pictured is the cogeneration system at Yokohama’s Mie Plant.

Reducing output of landfill waste

Our Grand Design 100 medium-term management plan includes targets for reducing landfill waste at our plants. The principal targets in Phase III of that plan—2012 to 2014—are to reduce annual landfill waste at our Japanese plants 35%, compared with 2006, and to reduce landfill waste per unit of production (by value) at least 1% annually at our plants worldwide. We achieved our year-on-year reduction targets for 2013 in Japan, reducing our landfill waste 11%, to 15,134 tons, and reducing landfill waste per unit of production 13%. Our efforts to achieve further reductions in 2014 center on reducing interim-product and product scrap.
Public-Interest Activities

We undertake public-interest activities at our operations worldwide in the spirit of earning a welcome place in our host communities.

The Yokohama Forever Forest

Our Yokohama Forever Forest project provides for planting 500,000 trees at Yokohama plants worldwide by 2017, our corporate centennial. Under the guidance of plant ecologist Dr. Akira Miyawaki, we conduct the plantings in accordance with the principle of potential natural vegetation. That means seeking to achieve the amount and kind of vegetation that would arise in the absence of human intervention. The first plantings took place in 2007, and we had planted about 330,000 trees by December 31, 2013.

Employees at our plants nurture the seedlings for the Yokohama Forever Forest at plant facilities. And they supply some of their seedlings to public agencies, schools, and companies to use in other forestation initiatives. Their donations to third parties totaled 160,000 seedlings at the end of April 2014.

Applications for Yokohama Forever forestation expertise in earthquake- and tsunami-ravaged areas

Forestation know-how accumulated in the Yokohama Forever Forest project is rendering service in efforts to restore areas hit by the 2011 Great East Japan Earthquake and subsequent tsunami. Dr. Miyawaki proposed building 300 kilometers of the sylvan barriers to protect coastal communities in northeastern Japan from future tsunami, and that project is under way.

We participate in the sylvan-barrier project and have conducted three annual plantings since April 2012 in the tsunami-ravaged town of Otsuchi-cho, Iwate Prefecture. Each planting has covered a 50-meter stretch on earthen mounds built for the barriers, and we will continue to plant 50 meters of trees each year. We will thus create 300 meters of sylvan protection by our corporate centennial in 2017.

Biodiversity-preservation efforts at seven plants in Japan

Under biodiversity-preservation guidelines adopted in 2010, we work at seven of our Japanese plants to preserve water quality in the plant vicinities. Those activities include monitoring the quality of intake water and effluent, conducting periodic surveys of riverine ecology and wildfowl, and incorporating the findings of the monitoring and surveys in biodiversity-preservation activities.

In October 2013, we convened the first of a planned series of biodiversity briefing sessions at our Mie Plant. In attendance were representatives of local environmental groups and of local government agencies and members of the community. The session included a presentation about our biodiversity-preservation activities followed by an exchange of ideas with the attendees.
Public-Interest Activities at Overseas Subsidiaries

China

Our holding company for Tire Group and Multiple Business Group operations in China, Yokohama Rubber (China) Co., Ltd., supports sustainable development in cooperation with the nonprofit Beijing SanSheng Environment and Development Research Institute. That cooperation, which began in 2011, addresses needs in the Yunnan Province village of Heyuan. Forestry is the main occupation for the Heyuan villagers. Incomes in the village are low, and the forestry work has taken a serious toll on the natural environment.

Yokohama Rubber (China) has funded educational initiatives in Heyuan and has undertaken environmental-restoration work in the vicinity. That work earned the company a Most Excellent Company Image Award at the 2013 Beautiful China awards ceremony in Beijing in September 2013. Beautiful China is a joint undertaking by 17 Chinese newspapers and web-based media outlets to encourage and recognize environmental-protection activities by companies and by individuals.

Hangzhou Yokohama Tire Co., Ltd., a production and sales subsidiary for passenger car tires, received official recognition in 2013 for its work on behalf of environmental quality. The recognition was from the Hangzhou Economic and Technological Development Zone, where the plant operates. It acknowledged the company’s work in reducing its output of environmentally burdensome substances at the plant and in conducting forestation work.

In addition, the development zone has designated Hangzhou Yokohama Tire a platform for providing young people in the community with environmental-protection training. In that capacity, the company engages in diverse exchanges with schools and residents in its community. Hangzhou Yokohama Tire also earned a designation in 2013 from Zhejiang Province as a model company for workplace safety.

Russia

LLC Yokohama R.P.Z., our Russian production and sales subsidiary for passenger car tires, has earned a model-plant designation from its host province of Lipetsk. The designation recognizes excellence in safety and environmental management. Yokohama R.P.Z. was one of just four companies selected for the designation among 30 Lipetsk companies that vied for the honor. The companies underwent plant inspections and made presentations at a national environmental conference in Moscow. Concern about environmental quality is mounting in Russia, and companies that fail to comply with environmental regulations risk heavy fines.

Vietnam

Our subsidiary Yokohama Tyre Vietnam Inc. contributed relief supplies to areas in central Vietnam damaged by floods caused by a severe typhoon in November 2013.

In addition, employee volunteers from the company took part in cleanup efforts in villages after the floodwaters receded.
CORPORATE GOVERNANCE

Basic approach

We in the Yokohama Group work in the spirit of our corporate philosophy to achieve continuing growth in corporate value and to thereby earn the unwavering confidence of all our stakeholders. Our efforts have included building a corporate governance framework for ensuring sound management that is fair and transparent, and we have worked continuously to reinforce that framework.

Framework

Our management framework centers on governance entities prescribed by Japan’s Company Law: the Annual General Meeting of Shareholders, representative directors, the Board of Directors, the Board of Corporate Auditors, and an independent public accountancy. We supplement those entities with corporate officers, who are responsible for operational management, to speed the process of making and implementing decisions. The senior management team comprises 11 directors, headed by the chairman and president, and 15 corporate officers, not including officers who serve concurrently as directors. The directors include six members who serve concurrently as corporate officers and two independent directors.

We reinforce our management framework with the Executive Committee, which comprises the chairman and other selected members of the Board of Directors and other executives. That committee, convening in the presence of corporate auditors, reviews overall operational policy and matters crucial to the performance of work. It reports its findings to the Board of Directors, and the directors discuss and act on the committee’s recommendations in accordance with the pertinent corporate guidelines.

Auditing at Yokohama is a tripartite undertaking by our corporate auditors, who monitor management, an independent public accounting firm, which monitors the company’s financial accounting, and our Audit Department, which monitors operations and accounting at the parent company and at principal subsidiaries and affiliates. We reinforce the auditing function by maintaining autonomy among those units.

The corporate auditors number five, including three recruited from outside the company to help ensure objectivity in the auditing function. They participate in meetings of the Executive Committee and of other management gatherings where important matters are discussed and receive reports about the status of our business operations. The auditors also obtain important information from the independent public accounting firm and from the Audit Department. We assign an assistant to the auditors to help them carry out their work smoothly and effectively.

The Yokohama Framework of Corporate Governance
The Board of Directors adopted basic policy for internal controls based on Japan’s Company Law at its regular meeting in May 2006. And the Board adopted guidelines in April 2009 to prevent involvement with organized crime. Below is a summary of our internal controls in regard to risk management and ethical compliance.

**Risk management**

Spearheading risk-preparedness measures at Yokohama is our Risk Management Committee, chaired by the general manager of the Corporate Social Responsibility Division. That committee evaluates risk from a cross-sector perspective and devises precautionary measures. We have also established committees to manage risk, respond to incidents, establish guidelines, and distribute manuals in regard to ethical compliance, safety, disaster preparedness, environmental quality, information security, personal information management, and exports. Our Executive Committee receives timely reports from all of those committees.

**Ethical compliance**

*Compliance Committee and Corporate Compliance Department*

A director who discovers evidence of a serious legal or regulatory breach or of any other serious misconduct reports his or her suspicion to the chairman of our Compliance Committee, who is the president of the company, and to our corporate auditors. Responsible for enforcing ethical compliance is our Corporate Compliance Department. That department responds promptly to possible ethical breaches and also conducts training and awareness-raising activities in regard to ethical compliance for our directors and employees.

*Enforcement at subsidiaries and affiliates*

Each principal Yokohama subsidiary and affiliate has prepared and observes ethical guidelines based on the action guidelines established by the Compliance Committee. The Corporate Compliance Department and designated compliance officers at the subsidiaries and affiliates share information and develop a common grasp of issues. In addition, the Corporate Compliance Department makes timely reports to the Executive Committee about the status of ethical compliance in the Yokohama Group.

The annual budgets of principal subsidiaries and affiliates are subject to approval by the Board of Directors and the Executive Committee. The Audit Department, meanwhile, systematically monitors the auditing functions for accounting, operations, and ethical compliance at the subsidiaries and affiliates and reports its findings to the Board of Directors, to the pertinent divisions, and to the corporate auditors.

*Whistleblower hotline*

We also maintain hotlines to handle reports of suspected infractions from persons inside and outside the company. The hotlines handled 28 inquiries and consultations in 2013.

**Takeover defense measures**

Our Board of Directors resolved on February 14, 2014, to discontinue, subject to shareholder approval, our mechanisms for preventing a hostile takeover. Those mechanisms established rules applicable to any party that sought to purchase of a significant equity stake in our company and authorized preventive measures against purchases deemed hostile. We adopted those mechanisms in 2007 in the spirit of preserving corporate value and safeguarding the common interests of our shareholders.

Changes in the business environment have lessened the need, however, for takeover defense measures. Lessening that need further has been our progress in achieving the Phase III (2012–2014) targets in our Grand Design 100 medium-term management plan. Those developments have bolstered our momentum in maximizing corporate value and, thus, shareholder value.

We will remain vigilant in regard to prospective acquirers of large equity stakes in our company. And we will do everything possible within the scope of Japan’s Financial Instruments Law, Company Law, and other pertinent laws and regulations to safeguard our shareholders’ interests.

Our Board of Directors will seek to obtain thorough information about the proposed purchases to enable our shareholders to evaluate their worthiness and will strive to secure sufficient time for our shareholders to weigh the pros and cons of the proposed purchases. The Board of Directors will also express opinions about the propriety of the proposed purchases for the shareholders to take into consideration.
PRINCIPAL OPERATIONS IN JAPAN

Tire Group

- Plants
  1. Mie Plant
  2. Mishima Plant
  3. Onomichi Plant
  4. Shinshiro Plant
  5. Shinshiro-Minami Plant

- Sales Subsidiaries and Affiliates
  6. Yokohama Tire Japan Co., Ltd.
  7. Yokohama Continental Tire Co., Ltd.

- Proving Grounds
  8. D-PARC
  9. T*MARY

Multiple Business Group

- Plants
  10. Hiratsuka Factory
  11. Hamatite Plant
  12. Ibaraki Plant
  13. Nagano Plant (Takamori)
  14. Nagano Plant (Toyooka)

- Sales Subsidiaries
  15. Yokohama Industrial Products Japan Co., Ltd.
  16. PRGR Co., Ltd.

Head Office
Directors, Corporate Auditors, and Corporate Officers

As of February 14, 2014

Board of Directors

Tadanobu Nagumo
Chairman and CEO and Representative Director

Hikomitsu Noji
President and Representative Director
CEO of Yokohama Tire Corporation,
CEO of Yokohama Corporation of North America

Toru Kobayashi
Director and Executive Vice President
Head of Corporate Planning Div.,
in charge of IT & Management System Planning Dept.

Yuji Goto
Director and Senior Managing Corporate Officer
Chief Tire Production Officer,
Head of Tire Production Div.,
Head of Hizatuma Factory

Takao Oishi
Director and Senior Managing Corporate Officer
President of Multiple Business

Fumio Morita
Director and Managing Corporate Officer
Head of Corporate Social Responsibility Div.,
in charge of Sports Business Div., and Yokohama Motorsports International Co., Ltd.

Hideto Katsuragawa
Director and Managing Corporate Officer
Head of Tire Business Planning Div.,
Head of Tire Logistics Div.

Tetsuya Kuze
Director and Managing Corporate Officer
Chief Tire Technical Officer,
Head of Consumer Tire Development Div.

Shigeo Komatsu
Director and Managing Corporate Officer
Head of Global Procurement Div.,
in charge of Corporate Finance & Accounting Dept.,
President of Yokohamagomu Finance Co., Ltd.

Naozumi Furukawa
Director

Hideichi Okada
Director

Front row, from left: Takao Oishi, Toru Kobayashi, Tadanobu Nagumo, Hikomitsu Noji, Yuji Goto, Fumio Morita
Back row, from left: Hideichi Okada, Tetsuya Kuze, Hideto Katsuragawa, Shigeo Komatsu, Naozumi Furukawa
Board of Corporate Auditors

Takashi Fukui
Masayoshi Daio
Yoshiki Sato
Go Kajitani
Akio Yamada

Corporate Officers

Hirohiko Takaoka
Managing Corporate Officer
In charge of Domestic Replacement Tire Sales,
President of Yokohama Tire Japan Co., Ltd.

Yasushi Tanaka
Managing Corporate Officer
Head of IT & Management System Planning Dept.,
President of Hamagomu Aicom Inc.

Toshiyuki Nishida
Managing Corporate Officer
In charge of Multiple Business Production and Technology

Takaharu Fushimi
Managing Corporate Officer
Head of O.E. Tire Sales & Marketing Div.,
President of Yokohama Continental Tire Co., Ltd.

Yasushi Kikuchi
Managing Corporate Officer
Head of Tire Technical Development Div.,
Head of R&D Center

Tadashi Suzuki
Corporate Officer
President of Yokohama Tire Philippines, Inc.

Hirohisa Hazama
Corporate Officer
Chief Quality Assurance Officer,
Head of Industrial Products Quality Assurance Div.

Atao Kishi
Corporate Officer
Head of Commercial Tire Development Div.

Shigeru Nakano
Corporate Officer
President of LLC Yokohama R.P.Z.,
President of LLC Yokohama Russia

Shigetoshi Kondo
Corporate Officer
Chairman and President of Yokohama Rubber (China) Co., Ltd.,
Chairman of Yokohama Tire Sales (Shanghai) Co., Ltd.

Shigeru Kagami
Corporate Officer
Head of Tire Production Technology Div.,
Head of North America Tire Plant Div.

Osamu Mikami
Corporate Officer
Head of Tire Overseas Sales & Marketing Div.

Masataka Yamaishi
Corporate Officer
Acting Head of Corporate Planning Div.,
Head of Corporate Planning Dept.,
President of Acty Corporation

Yasuhiro Kurokawa
Corporate Officer
Vice President of Yokohama Tire Japan Co., Ltd.

Masaki Noro
Corporate Officer
Acting Head of Consumer Tire Development Div.,
Head of Consumer Tire Product Planning Dept.,
President of Yokohama Motorsports International Co., Ltd.