

# CORPORATE PHILOSOPHY AND CORPORATE SOCIAL RESPONSIBILITY

We at Yokohama abide by a formal Corporate Philosophy, which comprises our Basic Philosophy, Management Policies, Action Guidelines, and Corporate Slogan. The Basic Philosophy outlines our vision for kind of company that we are committed to becoming. The Management Policies articulate the stance that our management team has adopted. The Action Guidelines are the code of conduct for each employee. Our slogan, "Excellence by nature," expresses our overall commitment to fulfilling all the elements of the Corporate Philosophy.

Fulfilling our corporate social responsibility is fundamental to fulfilling our Corporate Philosophy, and that means building a trusted identity as a contributing member of the global community. In that spirit, we equate the notion of "corporate social responsibility" with "corporate social reliability." The latter phrasing, we believe, makes the concept easier to understand and to put into practice in our daily operations. It evinces our continuing determination in our second century to serve the greater good of the world.

**Corporate Philosophy (Launched in 1992)**

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**Basic Philosophy**

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.

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**Management Policies**

- Take on the challenge of new technologies to produce new value.
- Develop proprietary business fields to expand the scope of business.
- Create a workplace that values, improves and energizes people.
- Deal fairly with society and value harmony with the environment.

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**Action Guidelines**

- Develop ourselves so that we may give our personal best.
- Trust, challenge and improve one another.
- Nurture a welcoming, open spirit.

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**Corporate Slogan**

Excellence by nature

**CSR Management Vision (Launched in 2008)**

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To build a trusted identity as a contributing member of the global community

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**CSR Action Guidelines**

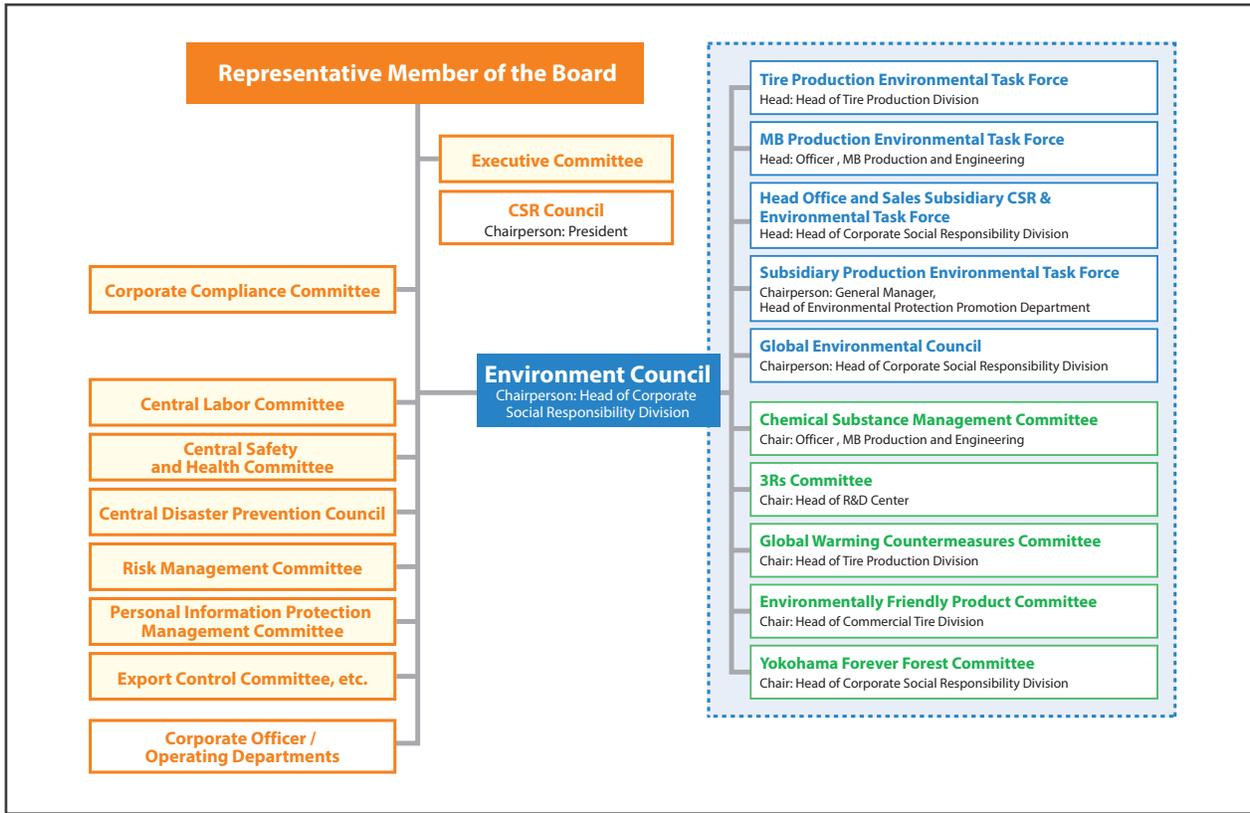
- Identify continually changing social trends.
- Ascertain the items that can contribute.
- Act swiftly to earn affirm trust.
- Practice CSR in one's own work.

## CSR and Environmental Management Promotion Framework

Overseeing our measures for fulfilling corporate social responsibility is our CSR Council, headed by our company president. Safeguarding the environment is a central emphasis, of course, in those measures, and we have established the Environmental Council, headed by the head of our Corporate Social Responsibility Division, to oversee our work in maintaining environmental quality. Each council meets twice yearly to establish priorities and to evaluate our progress in tackling those priorities. They evaluate our progress in reference to our

seven pillars of critical issues and issue instructions as appropriate for making improvements in our approach.

Fulfilling our corporate social responsibility is a global undertaking in the Yokohama Group, and representatives of group companies worldwide gather annually for a global environmental conference. In addition, we have begun holding regional gatherings of the managers responsible for environmental protection at Yokohama Group companies from 2014.



**CSR Slogan**

Lasting growth for Yokohama in the decades and century ahead will hinge on becoming a global company. That means becoming a company that is part of the community in each nation where

we operate. And we are tackling that goal in the spirit that we express in our CSR Slogan, “Caring for the Future.”



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**Corporate Governance**  
Lay a solid foundation for supporting sustainable business activity in accordance with international norms.
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**Products**  
Deliver products and services that help people enjoy fulfilling lives with peace of mind.
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**The Earth**  
Address environmental concerns through our operations and help leave a sound natural environment to future generations.
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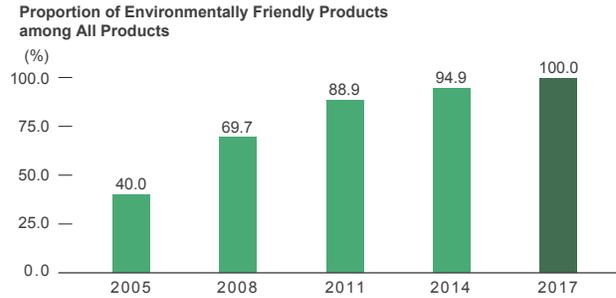
**People**  
Nurture values accommodating diversity in the workplace and in the community at large.
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**Community**  
Earn the confidence of our neighbors through robust community engagement.

# CSR HIGHLIGHTS

## Environmentally Friendly Technologies in 100% of Our Products

We worked under our Grand Design 100 (GD100) medium-term management plan to infuse our product portfolio with environmentally attentive technologies. In 2017, we achieved our target of increasing the percentage of our products that feature environmentally friendly technologies to 100%.

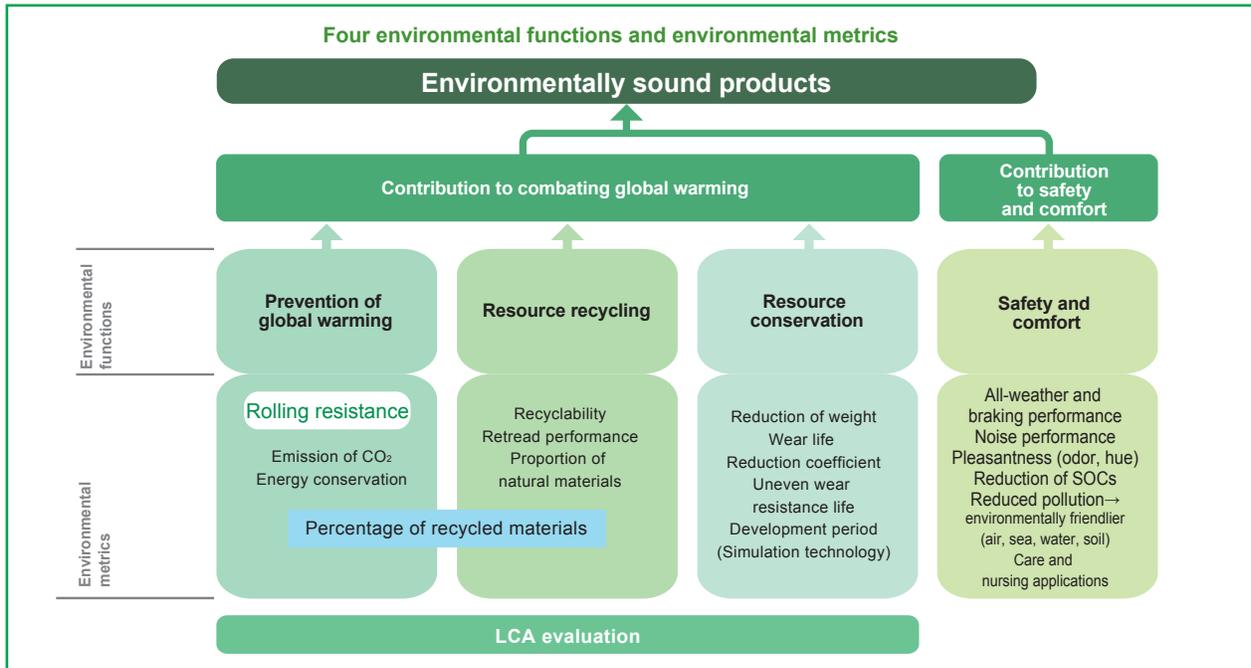


### Four Criteria for Assessing Environmental Friendliness

We assess products in reference to four environmental criteria: prevention of global warming, resource recycling, resource conservation, 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.

Development work on new product candidates includes establishing targets in regard to environmental

friendliness, and each candidate undergoes a design review where we determine whether it has attained the targets. No product proceeds to commercialization unless it clears the design review. Safeguarding the environment will remain a core emphasis in product development at Yokohama, and that will include broadening our measures for preventing adverse environmental impact.



### The BluEarth-air EF21: Our Latest Advance in Weight-Reducing, Fuel-Saving Tires

The BluEarth-air EF21 offers new advances in reducing environmental impact. We have achieved those advances by supplementing what was our most fuel-efficient tire with the latest weight-reducing design technology. The BluEarth-air EF21 was a limited-run offering (and has reached the target

sales volume). Reducing tire weight contributes to fuel savings by reducing overall vehicle weight, and it also means a reduction in material consumption. The BluEarth-air EF21 features a weight reduction of about 25%.<sup>1,2</sup>

We achieved the weight reduction in the BluEarth-air EF21 with design breakthroughs that engender a thinner, more-rigid structure. The BluEarth-air EF21 combines fuel-saving performance with superior safety. It has earned the highest ratings under Japan's tire-labeling system for rolling resistance (AAA) and for wet grip (a).



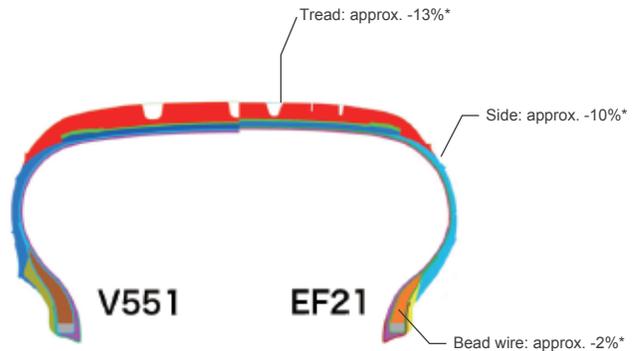
**BluEarth-air**  
EF21

Notes:

1. The reduction in mass is in comparison with the ADVAN dB V551, a Yokohama benchmark for tire mass.
2. We have submitted data for the tire specifications and performance to Japan's Tire Fair Trade Council.

**[Weight-Reducing Tire Concept]**

\*Weight reductions



Cross sectional comparison of the ADVAN dB V551 and the BluEarth-air EF21

## Yokohama Forever Forest Project Planted 500,000 Trees

Our Yokohama Forever Forest project got under way in 2007, starting with tree plantings on November 11 at our Hiratsuka Factory, in Kanagawa, Japan. We undertook the project as part of the GD100 emphasis on asserting our world-class strengths in technologies for protecting the environment. It has encompassed plantings at 14 Yokohama sites in Japan and at 20 sites in eight other nations. The original target for the project was to plant 500,000 trees by the end of 2017, and we attained that target in September 2017. Our plantings continue, and we had planted 525,662 trees by the end of the year.

The Yokohama Forever Forest is a platform for raising environmental awareness among the participating volunteers, for creating sylvan barriers to prevent disasters, for preserving environmental quality, for helping forestall global warming, for helping to conserve biodiversity, and for fostering dialog with communities. Employee volunteers gather seeds and nurture seedlings, build earthen mounds for the plantings, carry out the planting work, and tend the planting sites as the trees grow.



Tree planting ceremony at Yokohama Industrial Products-Hangzhou Co., Ltd.



Tree planting ceremony at Y.T. Rubber Co., Ltd.



Tree planting ceremony at Yokohama Tire Manufacturing Mississippi, LLC.



Yokohama Forever Forest trees grown at Yokohama Manufacturing Virginia LLC.

## Agroforestry Support for the Sustainable Production of Natural Rubber

Natural rubber is indispensable in our tires and in our other rubber products. It accounts for about one-fourth of the material that we consume, by weight. Y.T. Rubber Co., Ltd., a Yokohama subsidiary that processes natural rubber in Thailand, promotes the sustainable cultivation of rubber plants. Monoculture diminishes the biodiversity and stability of ecosystems in natural rubber plantations. Y.T. Rubber is addressing that problem by working with rubber growers to develop mixed-cultivation methods for growing rubber alongside fruit wood trees, food

crops, and bamboo.

The mixed cultivation of agroforestry enables growers to diversify and thereby stabilize their income. Meanwhile, the leaves and branches that fall from different tree species enrich the soil and enhance its capacity for retaining moisture. And botanical diversity helps ensure sustenance and shelter for insects, bats, birds, and other animals. We will continue to promote agroforestry in support of the sustainable production of natural rubber.



Lecture meeting at Y.T. Rubber



Discussing effectivity of Agro-forest with an Agro-forest farmer

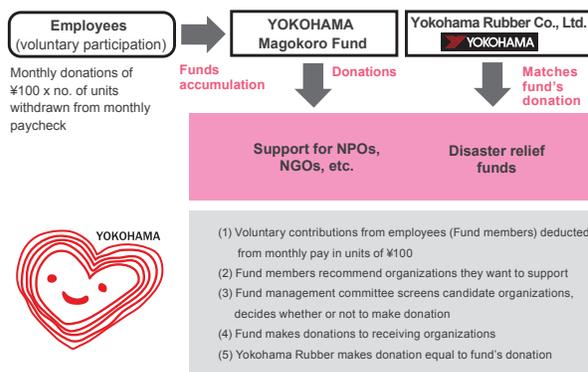


Senery of agroforestry

## YOKOHAMA Magokoro Fund

We established the Magokoro (Sincere Heart) Fund in May 2016 as a philanthropic undertaking funded with voluntary contributions by employees. Each participating employee specifies a portion of her or his salary for deducting and contributing to the fund. The fund trustees allocate donations to emergency relief efforts and financial support to organizations engaged in worthy endeavors.

Donations to date have benefited nonprofit organizations that are doing work on behalf of environmental protection, international exchange, and educational and medical support for needy young children. Yokohama supports this initiative with matching gifts in the amount of the fund's donations. In 2017, the fund and Yokohama made 10 disbursements, which totaled about ¥6,100,000 and included three disbursements for disaster relief.



## Third-Party Regard for Our CSR Management

Yokohama is a component of the FTSE4Good Index, the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the Morningstar Socially Responsible Investment Index (MS-SRI). The FTSE4Good Index is an influential reference for investors who weigh environmental, social, and governance (ESG) performance heavily in allocating

equity investment, and Yokohama has been part of that index continuously since 2005. The FTSE Blossom Japan Index and the MSCI Japan ESG Select Leaders Index, meanwhile, are two of the three indexes that Japan's Government Pension Investment Fund adopted on July 3, 2017, as benchmarks for ESG performance.

### FTSE4Good Index

FTSE Russell, a unit of the London Stock Exchange Group plc's Information Services Division, configures and manages the FTSE4Good Index as a benchmark for ESG performance at corporations worldwide. The index comprised 883 companies, including 148 Japanese companies, as of June 2017.

### FTSE Blossom Japan Index

FTSE Russell configures and manages the FTSE Blossom Japan Index as a benchmark for ESG performance at Japanese corporations. That index comprised 151 companies as of June 2017.

### MSCI Japan ESG Select Leaders Index

The US company MSCI Inc. supplies research-based indexes and portfolio analytics to the world's leading investors, and it is the world's largest provider of ESG research. Its MSCI Japan ESG Select Leaders Index comprised 251 Japanese corporations as of June 2017.



2017 Constituent  
MSCI Japan ESG  
Select Leaders Index



### Morningstar Socially Responsible Investment Index

The Morningstar Socially Responsible Investment Index, configured and managed by the US investment research firm Morningstar, Inc., and Japan's Public Resources Foundation, was the first CSR investment index for Japanese corporations. Based on surveys of some 4,000 listed companies, it comprises 150 corporations selected in reference to excellence in ESG criteria.

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## Public-Interest Activities in Japan and Overseas

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Below are some examples of public-interest activities at our operations around the world in 2017.

### **Mie Plant (Japan)**

Employees from the Mie Plant built playground equipment and fences at two childcare centers in the earthquake-devastated community of Onagawa-cho, Miyagi Prefecture. They used 53 off-standard tires donated by the plant. The plant and its employees have been supporting Onagawa-cho since the Great East Japan Earthquake struck in March 2011. Their support has also included donating relief supplies and doing cleanup work at municipal facilities.

### **Mishima Plant (Japan)**

In Shizuoka Prefecture, employees from the Mishima Plant participated in restoring the riverine environment along the Matsugegawa river. That was in support of the nonprofit organization Groundwork Mishima's work on behalf of preserving biodiversity. The employees' work focused on protecting an endangered aquatic plant species, *Ranunculus nipponia* var. *japonicus*.

### **Hangzhou Yokohama Tire Co., Ltd. (China)**

Responding to a Chinese government initiative, Hangzhou Yokohama Tire has provided employment for the disabled and presently employs 22 such individuals. Its personnel and administrative departments have cooperated effectively in adapting work to different levels of disabilities. The city of

Hangzhou recognized the company in 2017 as a model employer of the disabled.

### **Y.T. Rubber Co., Ltd. (Thailand)**

About 100 Burmese work at Y.T. Rubber, which processes natural rubber and accommodates non-Thai speakers with interpreters and multilingual signage. The company holds monthly meetings where management representatives discuss issues with the employees and work out solutions. Employees from afar receive free room on the plant grounds and enjoy free access to electricity, water, and wireless internet connectivity.

### **Yokohama Tyre Vietnam Inc.**

The company is carrying out a safety-awareness program under the name, "Safety starts with me." That program invites attention to traffic regulations, especially among young people, and includes events at shopping centers and elsewhere for acquainting motorists with pointers for choosing and using tires safely. Yokohama Tyre Vietnam also calls attention to traffic safety through its support for children's soccer. The company sponsors soccer training for children, and it includes traffic-safety messages in commemorative photographs that the participants receive.



Mie Plant employees with playground equipment that they installed at a childcare center



Environmental conservation activities at Mishima Plant



Disabled employees at Hangzhou Yokohama Tire



Employee housing at Y.T. Rubber



Safety awareness program at Yokohama Tyre Vietnam

# 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 Act: the annual General Meeting of Shareholders, representative members of the Board, the Board of Directors, the Audit and Supervisory Board, and an independent public accountancy. We supplement those entities with officers, who are responsible for operational management, to speed the process of making and implementing decisions. Our senior management team comprises 10 members of the Board, headed by the chairman of the Board and the president, and 15 officers, not including officers who serve concurrently as members of the Board. The members of the Board include 4 members who serve concurrently as officers and 4 nonexecutive members of the Board.

In the interest of clarifying management responsibility, we employ a one-year term for members of the Board. And we abide by the principles of transparency and fairness in personnel and remuneration decisions in regard to the Board. Our Director Personnel/Remuneration Committee, the members of which include one or more nonexecutive directors, reviews proposals for matters under its purview and makes recommendations to the Board of Directors, which makes the final decisions.

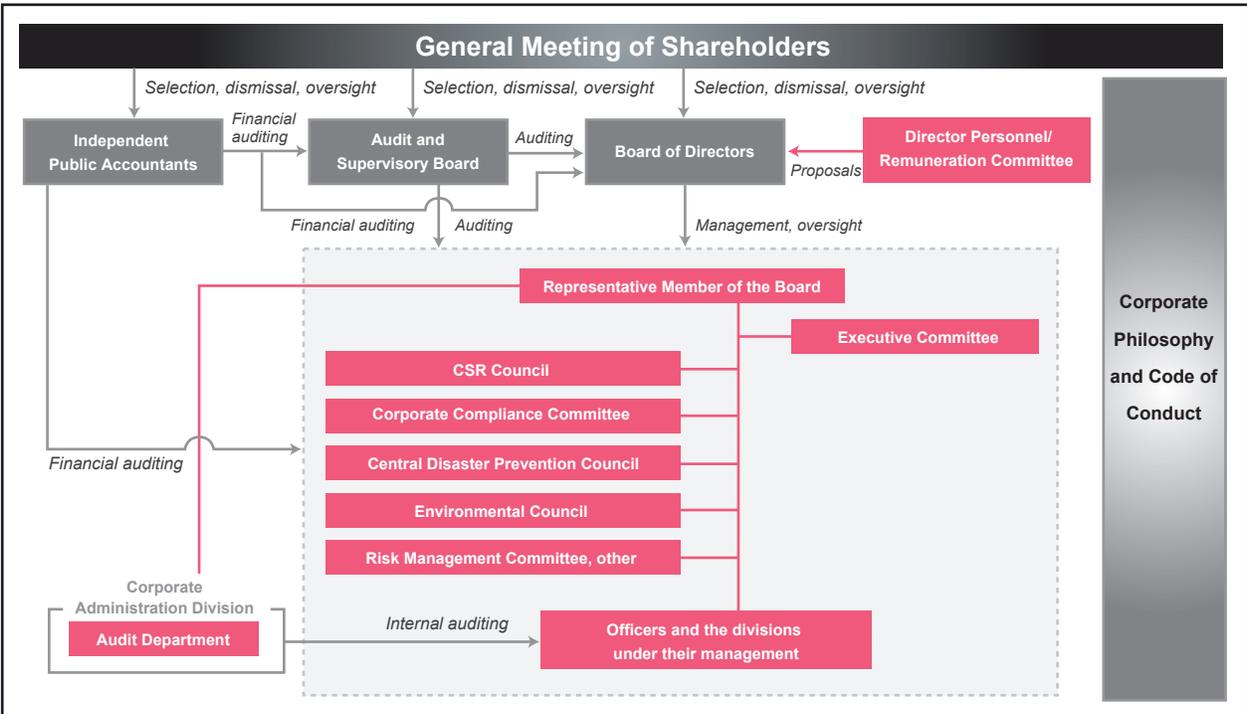
We reinforce our management framework with the Executive Committee, which comprises the chairman of the Board, other selected members of the Board, and other executives. That committee monitors our performance in fulfilling our business plans and deliberates on matters pertinent to our business strategy.

Yokohama adopted a stock-compensation plan in March 2018 for members of the Board, not including the nonexecutive members. That plan, subject to restrictions on selling shares, is a measure for instilling a shareholder perspective on share-price movement and for strengthening the motivation to maximize Yokohama's corporate value and share valuation.

### Audit and Supervisory Board Members

Auditing at Yokohama is a tripartite undertaking by our Audit and Supervisory Board, which monitors management; an

### The Yokohama Framework of Corporate Governance



independent public accounting firm, which monitors the Company's financial accounting; and our Audit Department, which conducts operational and financial auditing of the parent company and its principal subsidiaries and affiliates. We reinforce the auditing function by maintaining autonomy among those units.

The Audit and Supervisory Board comprises five members, including three recruited from outside the Company to help ensure objectivity in the auditing function. They participate in meetings of the Executive Committee and in other management gatherings where important matters are discussed and receive reports about the status of our business operations. The Audit and Supervisory Board members also obtain important information from the independent public accounting firm and from the 12-member Audit Department. We assign an assistant to the Audit and Supervisory Board members to help them carry out their work smoothly and effectively.

### **Nonexecutive Members of the Board and Independent Audit and Supervisory Board Members**

Our Board and our Audit and Supervisory Board each include, as noted, members recruited from outside the Company. In

appointing the nonexecutive members of the Board and the independent Audit and Supervisory Board members, we refer to guidelines established by the Tokyo Stock Exchange for ensuring independence.

The nonexecutive members of the Board receive reports from the Audit Department about the results of internal audits and about the maintenance and operation of our framework of internal controls. They also receive regular reports from the Audit and Supervisory Board members about pertinent matters. The nonexecutive members of the Board thereby secure a grasp of the status of the Yokohama Group and of issues faced by the group, and they express their views on matters of importance to their fellow members of the Board as they deem appropriate.

Our independent Audit and Supervisory Board members receive reports in the same manner as the nonexecutive members of the Board. They further fortify their capacity for conducting audits efficiently and effectively by exchanging information with the independent public accounting firm, with our Audit Department, and with the corporate auditors at Yokohama subsidiaries.

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## Internal Controls

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The Board of Directors adopted a basic policy for internal controls based on Japan's Company Law in May 2006. It has subsequently adopted a series of measures for safeguarding the Company against risk and for ensuring compliance with rigorous standards of ethical behavior.

### **Risk Management**

Spearheading risk-preparedness measures at Yokohama is our Risk Management Committee, chaired by the director responsible for risk management. 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 Board of Directors, Executive Committee, and CSR Council receive timely reports from all of those committees.

### **Corporate Compliance Committee and Corporate Compliance Department**

A member of the Board 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 Corporate Compliance Committee, who is the director responsible for ethical compliance, and to the Audit and Supervisory Board members. Responsible for enforcing ethical compliance is our Corporate Compliance Department. That department establishes guidelines for ethical behavior in the Yokohama Group and conducts training and awareness-raising activities in regard to ethical compliance for the members of the Board, our officers, and our 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 Corporate Compliance Committee. The Corporate Compliance Department and compliance officers designated by that department at our Japanese subsidiaries and affiliates share information and develop a common grasp of issues. In addition, the Corporate Compliance Department reports regularly to the CSR Council about the status of ethical compliance in the Yokohama Group. 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 members of the Board, to the pertinent divisions, and to the Audit and Supervisory Board members.