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## ○ Company Overview / CSR Management

An introduction to the Yokohama Rubber Group and our concepts and systems for promoting CSR.

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## Company Overview / CSR Management

### Yokohama Rubber Group at a Glance

#### Yokohama Rubber Group at a Glance (as of December 31, 2013)

Company Name	The Yokohama Rubber Co., Ltd.	Number of Employees	19,770 (consolidated)
Establishment	October 13, 1917	Number of Shareholders	13,612
Paid-in Capital	JPY 38,909 million	Number of Shares Issued and Outstanding	342,598,162
Net Sales	JPY 601,629 million (consolidated)	Number of Consolidated Subsidiaries	121
Fiscal Year End	December 31	Number of Affiliates Accounted for by the Equity Method	2
Chairman and CEO and Representative Director	Tadanobu Nagumo	Stock Exchange Listings	Tokyo and Nagoya
President and Representative Director	Hikomitsu Noji	Our Worldwide Locations	Japan, the USA, Canada, Australia, Germany, the Philippines, Vietnam, China, Thailand, Russia, etc.
Head Office	〒105-8685 36-11 Shimbashi 5-chome, Minato-ku, Tokyo, Japan 105-8685	Website	http://www.yrc.co.jp

#### Company Overview / CSR Management

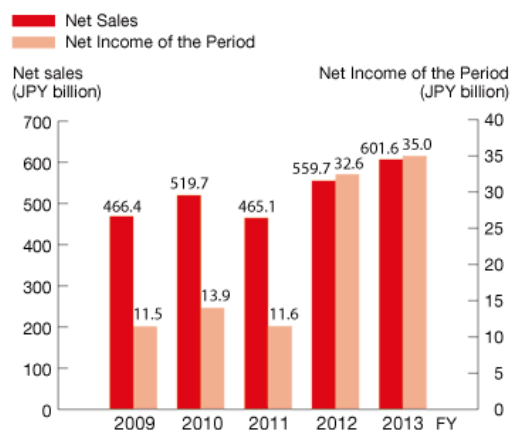
##### Yokohama Rubber Group at a Glance

▶ Corporate Philosophy and Yokohama Rubber Group's Approach to CSR

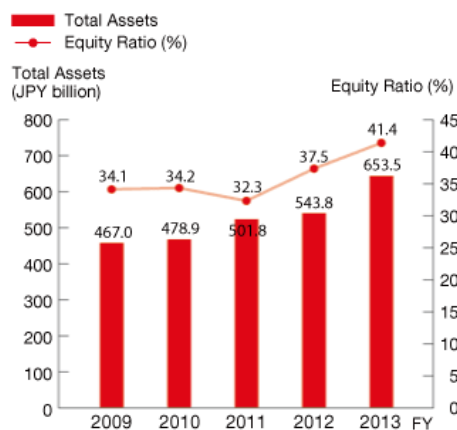
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\*In order to be consistent with our overseas subsidiaries for consolidated accounting, we have decided to shift our financial closing date from March 31 to December 31 as of the fiscal year of 2011.

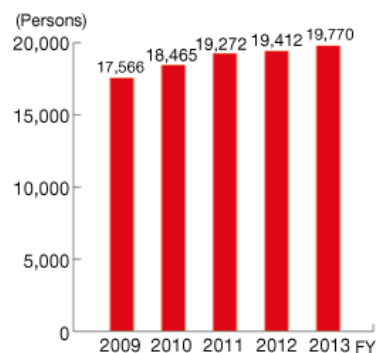
#### Net Sales and Net Income (consolidated)



#### Total Assets and Equity Ratio (consolidated)



## ■ Number of Employees (consolidated)



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## Economic Dividends to our Stakeholders

Stakeholders	Dividends Amount (unit: JPY million)		Calculation Method
	FY2013	FY2012	
Partners	270,477	275,246	Cost of Sales + Sales Admin Fee (excluding labor costs)
Employees	49,966	48,706	Cost of Sales + Sales Admin Costs (labor costs)
Shareholders	7,103	4,021	Payment of dividends
Creditors	3,183	2,518	Interest expense
Government	25,725	9,175	Corporate income tax, etc.
Society	56	29	Donation (entertainment) and others
Internal	24,914	28,590	Net income less dividend payments

※The table above shows the non-consolidated data of Yokohama Rubber.

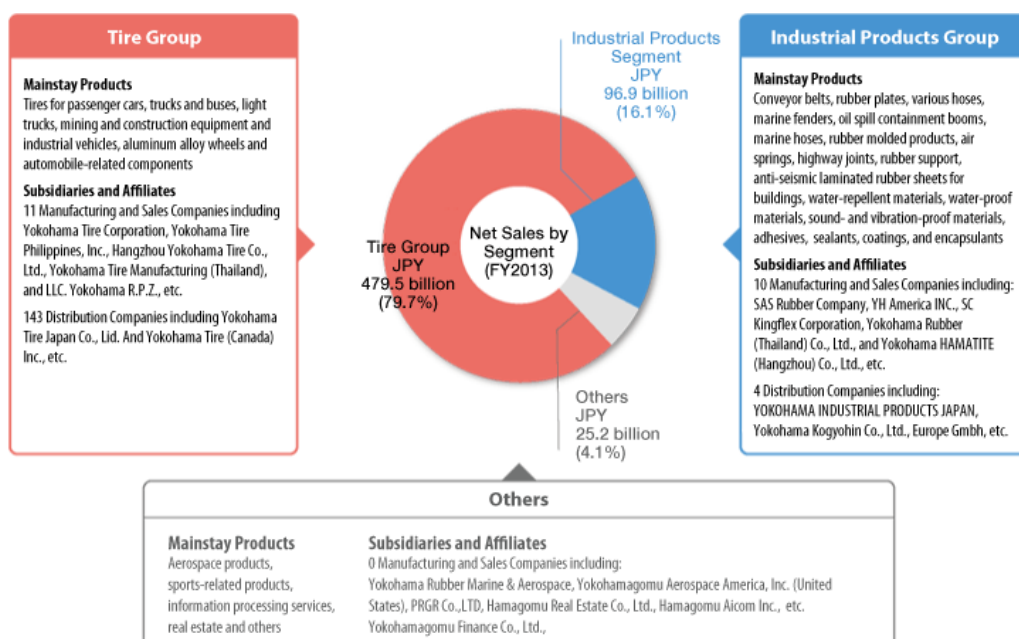
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## Financial Support Received from Government

The total amount of the financial support for tax or subsidies from national or municipal government in the fiscal year of 2013 was JPY 22.7 million from corporate tax relief due to donations and extraordinary amortization of assets under the regulations for research and development.

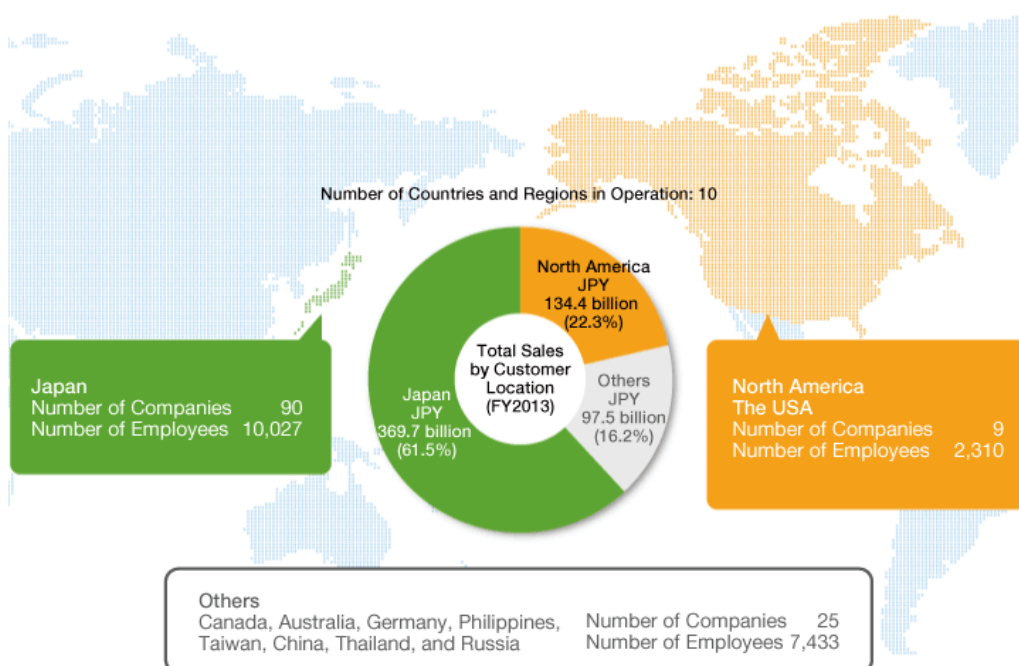
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## Mainstay Products and Group Companies by Segment



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## Breakdown of Operations by Region Number of Companies: Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method



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## Company Overview / CSR Management

### Corporate Philosophy and Yokohama Rubber Group's Approach to CSR

#### Company Overview / CSR Management

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### Corporate Philosophy and Yokohama Rubber Group's Approach to CSR

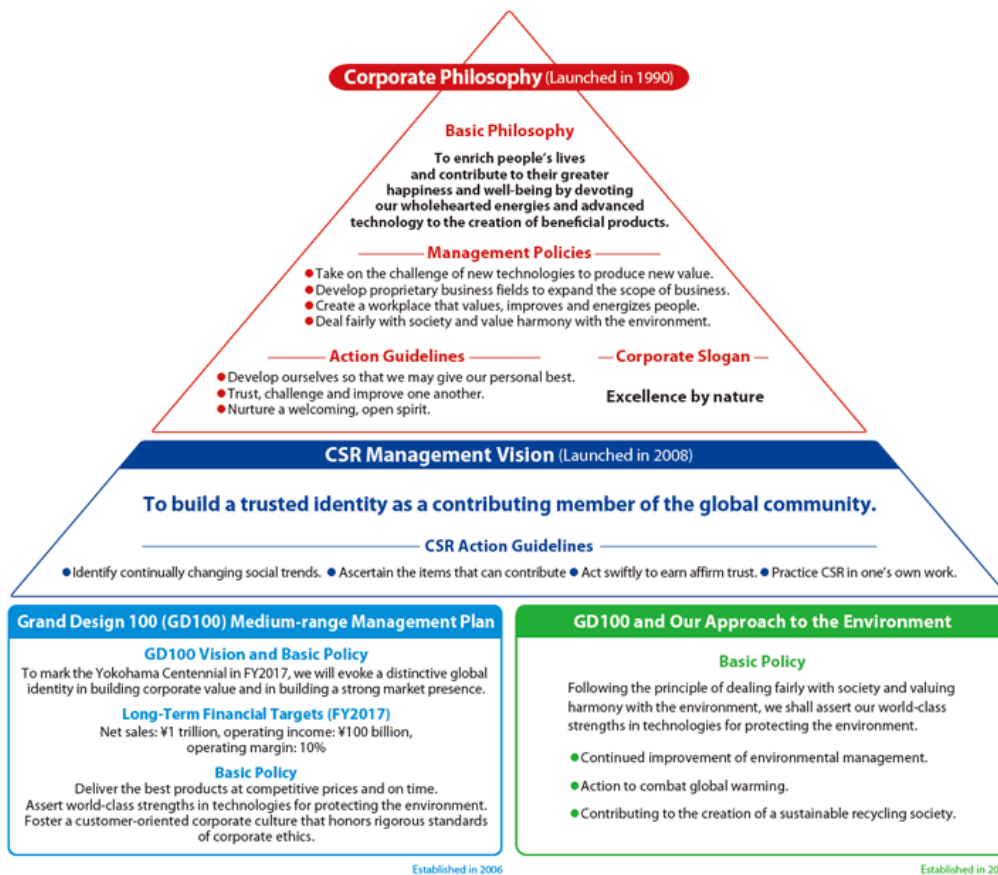
Yokohama Rubber established its corporate philosophy in 1990. It consists of the Basic Philosophy, Management Policies, Action Guidelines, and Corporate Slogan. The Basic Philosophy embodies the types of business where Yokohama Rubber commits itself in all activities. The Management Policies outline basic administrative principles for upper-level management to commitment themselves to. The Action Guidelines are the code of conduct for each employee to comply with.

In 2006, we drew up a medium-term management plan, the Grand Design 100 (GD100), and set a clear target of becoming a global company with one trillion yen in net sales by FY2017. Also, since our Basic Philosophy has been compiled based on the strong awareness of the expectations and needs arising from the international community, the plan places a strong emphasis on CSR by adopting these two basic points; to assert world-class strengths in technologies for protecting the environment, and fostering a customer-oriented corporate culture as our first priority by respecting higher standards of corporate ethics. In 2008, we reformed our corporate structure by establishing the CSR Division, followed by announcing our vision of CSR management both internally and externally. Our vision, to build a trusted identity as a contributing member of the global community, incorporates our desire to change the letter "R" in CSR to "Reliability", instead of the original "Responsibility." By doing so, we are hoping to make the concept more accessible and practical in our daily operations.

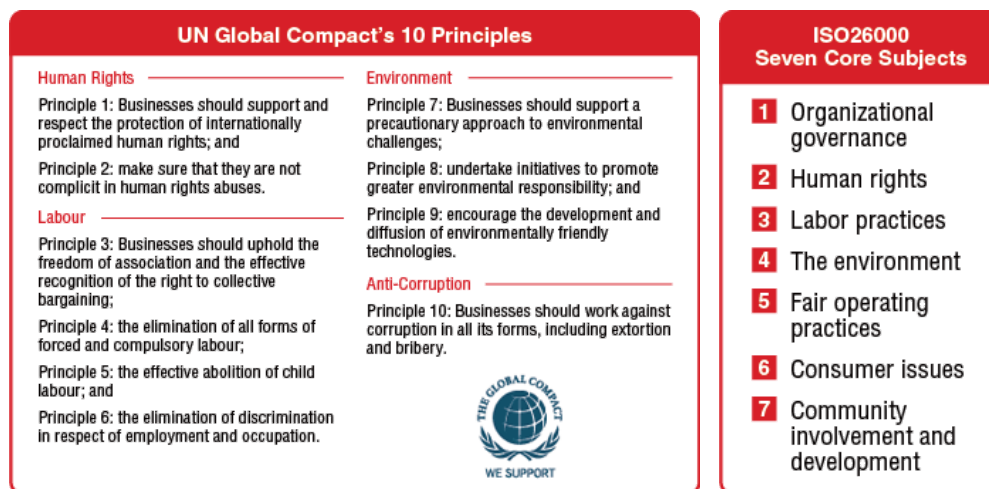
Incidentally, Yokohama Rubber still maintains the cautionary tale by Suekichi Nakagawa, who was president at the time of the inauguration of our Yokohama Plant (located in Tsurumi-ku, Yokohama City) in 1929 as our Founding Spirit. This tale comprises the balancing of both sociality and economic efficiency; it still greatly relates to today's notion of CSR management.

#### ■ The Founding Spirit

1. Production business is a social service. Its purpose is to make people's lives more convenient and enjoyable. Its aim should be to offer good, useful products at moderate prices.
2. There must be a basic commitment to delivering quality products unrivaled by those of competitors.
3. Management should adhere to the principles of fairness and consideration. The mission of a fair, honest management is to ensure capital, share the fruits of endeavor with its workers, and fulfill its responsibilities to consumers – to act, in other words, rationally.
4. A company should have as few employees as possible and make the best use of the productivity of machines. This is the great secret for improving efficiency.
5. The success or failure of a business depends on how much one is willing to study, and with how much determination, to mutually improve and grow. Accordingly, one must make a great effort.



The entire Yokohama Rubber Group including all domestic and overseas subsidiaries observe as action guidelines the 10 Principles of the United Nations Global Compact and the ISO26000 seven core subjects, in accordance with PDCA carried out.





## Yokohama Rubber Group Code of Conduct

We, The Yokohama Rubber Co., Ltd. and our Subsidiaries, shall respect human rights and conduct ourselves in a socially responsible manner while promoting the development of a sustainable society, observing applicable laws, regulations and rules applying to our activities both in Japan and abroad and in accordance with the following ten principles. (established in April 2006)

### ■ Code of Conduct

Corporate Compliance Committee, Revised Apr., 2006

1. We shall strive to gain the confidence of consumers by developing and providing socially beneficial products and services in a safe and responsible manner.
2. We shall promote fair and transparent competition and trade in conformity with applicable laws and regulations, business practices and social ethics at home and abroad.
3. We shall disclose corporate information actively and fairly while engaging in communication not only with shareholders but also with members of society.
4. We shall strive to respect the diversity and individuality of our employees and will promote safe and comfortable workplace environments in order to ensure the mental and physical well-being of our employees.
5. We recognize that taking environmental issues into account is an essential part of the activities and sustainability of a corporation and shall therefore take positive action on such issues.
6. As "good corporate citizens," we shall strive to meet the needs of the communities in which we operate, and in realizing our social responsibility to these communities shall not engage in unlawful activities or associate with organizations that promote such activities.
7. We shall manage and maintain company property and data responsibly as well as protect the personal data and information of our customers from unnecessary disclosure.
8. We shall observe laws and regulations applying to our overseas activities and respect the culture and customs of local communities and strive to carry out our overseas activities in such a way so as to promote and contribute to the development of such communities.
9. Management recognizes that they are fully responsible for implementing the spirit and intentions of this Code and thus, shall promote actions company-wide to instill in all employees the importance of observing this Code. Management shall be aware of current circumstances and events both internally and externally and establish an effective internal organizational structure which promotes among our employees a desire to observe and practice corporate ethics.
10. When problems of non-compliance with this Code arise, Management shall, without delay, take the initiative in resolving problems and investigate causes and shall take the necessary actions in order to prevent the occurrence of similar problems in the future. Management shall also disclose such information promptly and appropriately in a manner that clearly respects the concept of accountability and responsibility as well as disciplining those individuals responsible for non-compliance regardless of position or status within the organization.

[The Yokohama Rubber Co., Ltd. and its Subsidiaries](#) ( PDF : 159KB)

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## Mid-Term Management Plan - Grand Design 100 (GD100)

Since the fiscal year of 2006, Yokohama Rubber has launched an initiative called Grand Design 100 (GD100), part of its Mid-Term Management Plan. The purpose of GD100 is to become "a Global Company with a unique presence in terms of both corporate value and market position" by 2017, the 100th anniversary of the company, by targeting JPY 1 trillion in net sales, JPY 100 billion in operating income, and an operating margin of 10%. In order to ensure steady growth, we have the next 12 years until the fiscal year of 2017 into four phases, defining themes, business strategies, and financial targets for each.

### ■ Theme of Phase III: Strong and Flexible Growth

Based on the theme of strong and flexible growth for Phase III that commenced during FY 2012, we worked to further strengthen our business foundations while responding flexibly to changes in the external environment in order to establish a foothold for leaping forward from Phase IV onward. The financial targets established as three-year totals for Phase III are net sales of 1,800 billion yen, operating income of 150 billion yen, and an operating margin of 8.3%. During the final year of FY 2014, we aim for net sales of 630 billion yen, operating income of 60 billion yen, and an operating margin of 9.5%.

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We are promoting CSR and environmental management by integrating environmental aspects and social aspects into GD100.

### ■ GD100 basic policy on the environment

Following the principle of dealing fairly with society and valuing harmony with the environment, we shall assert our world-class strengths in technologies for protecting the environment.

- Continued improvement of environmental management.
- Action to combat global warming.
- Contributing to the creation of a sustainable recycling society.

### ■ GD100 guidelines for action on the environment

For the sake of future generations and this irreplaceable planet, we shall act to protect the environment.

#### Practice of global environmental management

We will adopt consistent, high-level environmental management practices at all operations worldwide.

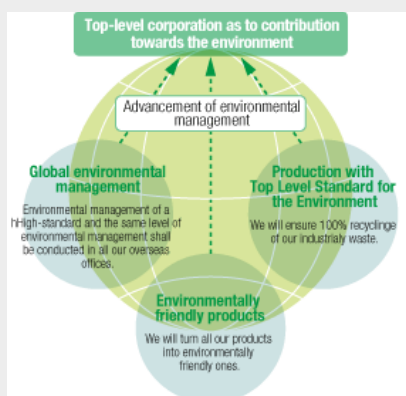
#### We will contribute to society using an approach to manufacturing

We will take action to minimize the environmental impact in all products.

#### We will take action to protect the environment as a duty to society by practicing top-level environmentally conscious production

All industrial waste will be recycled.

#### Improvement of communication with society and local communities



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## Our Stakeholders

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Following the establishment of our CSR Division in 2008, we have organized the social responsibility issues we need to address in our day-to-day and future activities, and also we have appointed our stakeholders as listed below. During our selection process, we consulted the GRI Guidelines, ISO26000, and Nippon Keidanren's Charter of Corporate Behavior, and other descriptions thereto.

### ■ Customers

We will enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technologies; this basic philosophy is our declaration to put our customers first. We seek to develop a corporate culture where the customer's interests are the top priority.

### ■ Employees

We believe that being considerate to the rights and safety of the workers and providing an environment to maximize their potential are the greatest driving forces for a corporation with sustainable growth. This is clearly stated in our management policies that reads, "create a workplace that values, improves, and energizes people".

### ■ Business Partners and Suppliers

We are expanding our businesses by working together with a variety of suppliers and partners who procure raw materials, parts, equipment, etc. By practicing fair and free trade with business partners, we will continue to build relationships of mutual sustainment and being beneficial to each other.

### ■ Shareholders and Investors

By taking on any challenges to develop innovative technologies to generate new value, we will realize our sustainable growth and return of reasonable profits. Also, we will be happy to provide any information in an appropriate manner to meet the expectations of all of our stakeholders and investors.

### ■ Local Communities

As a globally active business, we relate to local communities in a number of domains – the natural environment, law, culture, customs and the economy. We will strive to build a healthy relationship for various local communities together with our both domestic and overseas offices.

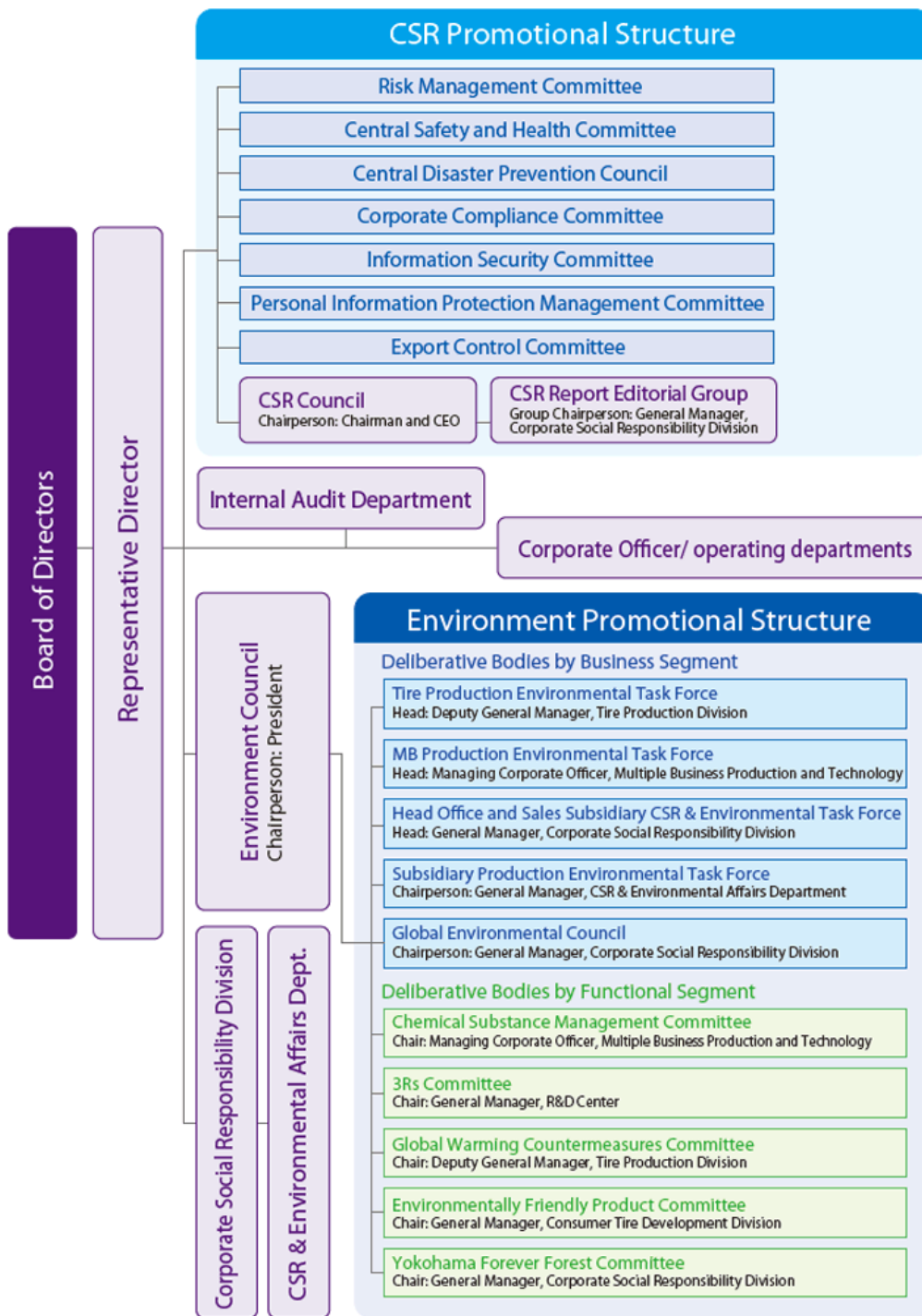
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## CSR and Environmental Promotion Framework

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Twice a year, we hold a CSR Council where our company Chairman and CEO serves as a chairperson, and an Environmental Council where our company President serves as a chairperson. These councils are part of an organizational framework that was set up to discuss and develop plans for addressing the social responsibility issues currently Yokohama Rubber Group is facing, with the ultimate goal to build a trusted identity as a contributing member of the global community. We have three task forces, two sub-councils, and five committees who promote environmental activities as sub-bodies within the Environmental Council. Every year the CSR Council and Environmental Council evaluate the performance of CSR activities carried out by the Group in accordance with the Seven Pillars of Critical Issues and develop plans for improvement in the subsequent fiscal year.

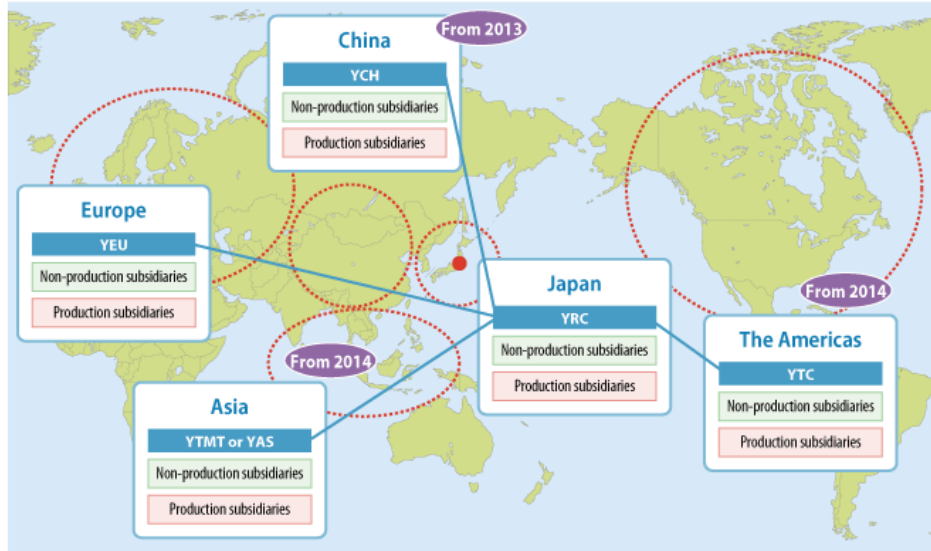
To pursue our effort on practicing consistent and high-level environmental management in all our operations worldwide, we also annually hold a Global Environment Council, which is a gathering by managers from all of our overseas production operations. The council for FY2013 was held on December 11 to engage in discussions focusing on environmental policies and initiatives at the overseas production operations and core distribution subsidiaries. Furthermore, in order to incorporate regional circumstances overseas, in FY 2013 an Environment Council has held by production and sales offices in China in an aim to promote area management. There are plans to hold Environment Council for Thailand and North America during FY 2014 for the global expansion of area management for CSR and environmental management. The Council will also push forward such efforts to promote CSR activities and put into practice consistent and high-level environmental management.



CSR and environmental management promotion framework (as of April 1, 2014)

## Vision for FY 2017

The autonomous implementation of CSR and environmental management in line with regional circumstances centered around the supervising companies of each region around the world that is consistent with the environmental policy of the Group as a whole.



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## CSR and Environmental Mid- to Long-Term Action Plans

The Yokohama Rubber Group sets medium to long-term and single-year targets in line with the seven core subjects of ISO26000 and manages these issues through PDCA.

Yokohama Rubber has defined seven critical issues to address based on the core subjects of ISO26000.

For each subject, we will manage our PDCA cycle by defining each goal for the mid- and long-term as well as each single year.

[7 Pillars of Core Subjects](#)

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## ○ Response to the GRI Guidelines (Version 4)

► **Response to the GRI Guidelines (Version 4)**

Focus was placed upon the G4 demands with respect to current information disclosure levels (CSR Report 2013). The current situation was grasped vis-à-vis the content and processes of both responsive and unresponsive items. (conducted January 2014)

[illegible]

Analysis was conducted in accordance with this company's industries, business sectors and business regions. After completion of this analysis, the G4 gap analysis priority was assigned vis-à-vis those issues identified through discussions with related business units. (conducted January – February 2014)

the “Supplier Environmental Evaluation” Aspect: For Yokohama Rubber, a company that procures natural rubber as a raw material, there is the necessity to consider that hidden human rights risks might exist within the upper reaches of supplier chains extending beyond its scope. Moreover, if wide-ranging business activities conducted in numerous regions encompassing both developed and developing nations are considered, such risks might be easily exposed. Through coordination in-house with the parties responsible for such matters, “human rights risk” was evaluated as being “a very important aspect” for Yokohama Rubber.

Interview research was conducted among five stakeholders. From the perspective of what each of these individuals considered to be important issues (material aspects), a gap analysis priority was assigned based upon the research results.  
(conducted February – March 2014)

## ● Opinions from Experts



### **Ms. Mariko Kawaguchi**

Chief Researcher

Research Division, Daiwa Institute of Research Ltd.

Ms. Kawaguchi has advised countless corporations on how to achieve a sustainable society from the perspective of corporate social responsibilities (CSR) and socially responsible investments (SRI).

I would like to draw attention to anti-corruption, in addition to those other important issues of human rights, diversity, equal pay, complaint processing systems, and the protection of customer's privacy. There is no dedicated government ministry in Japan that covers anti-corruption matters, and other countries pay much more attention to the issue of anti-corruption than we do in Japan. The UN Global Compact even has an independent provision on the issue. With globalization advancing today anti-corruption has become an even more important issue, and companies need to have a clear policy on anti-corruption and response measures in place.



### **Mr. Kenichi Kumagai**

Member of the Editorial and Planning Committee,

The Japan Association for Advancement of ILO Activities

Member of the Japanese National Committee for

ISO Working Group on Social Responsibility

Member of the International Drafting Committee

Mr. Kumagai is actively involved in domestic and international deliberations on ISO26000 through its involvement as member of various committees. He is also a member of the Japan Labor Law Association.

Today, companies need to understand what parts of occupational safety and health and labor relations that society as a whole has an interest in and disclose information as necessary. For example, there is a strong interest in mental health initiatives among all companies. By disclosing that labor-management consultations have been carried out continuously, Yokohama Rubber will be able to correctly convey that it respects the rights of workers when expanding overseas. Additionally, the proactive appointment of female board members will be essential as Yokohama Rubber steps up its global expansion in the future.



### **Ms. Kaori Kuroda**

Executive Director

CSO Network Japan

Ms. Kuroda is an expert in community involvement and development. She established a regional forum with farmers and other community members in Fukushima Prefecture that is broadening exchange with other parts of Asia.

Today, a company should integrate social responsibility throughout the company and practice it in its value chain. For example, in areas that produce raw materials, such as rubber plantations, a company needs to pay a great deal of attention to human rights risks it may be susceptible to. A company must also convey that it has established a proper grievance mechanism for its own use and of its stakeholders. A company must be much more sensitive about human rights issues when expanding its operation globally.



### **Mr. Masao Seki**

Associate Professor, School of Business Administration, Meiji University

Senior Adviser on CSR, Sampo Japan Insurance Inc.

Mr. Seki was involved in the creation of ISO26000 as a representative of Japanese business. He also participates in various discussions on the topic of sustainable development at various international conferences.

An important perspective to keep in mind when expanding business operations into various regions is the extent to which the company contributes to local employment. Contributions to employment represent a topic of strong interest both in Japan and abroad and companies should be well aware of this. Additionally, educating consumers about sustainable consumption is another topic that must be remembered when aiming to realize a sustainable society. For example, Yokohama Rubber should tackle the challenge of communicating enhancements in its brand by appealing to consumers about its consideration of ecosystems and other matters.



**Mr. Keisuke Takegahara**

General Manager Environmental Initiative & Corporate Social Responsibility-Support Department  
Development Bank of Japan Inc.

Mr. Takegahara lived in Frankfurt, Germany for a total of six years and is known as one of Japan's foremost experts in environmental nance, having development the Development Bank of Japan's environmental loan rating system.

In identifying important issues, a company needs to consider not only the unique characteristics of its location, but also the time frame. For example, a company may be aware of the regional risks and in control of these risks at the present time, but once the weight of emerging markets increases over the medium to long term, the risks that are currently under control could grow into much larger ones. In that sense, I would like Yokohama Rubber to get the message out about both its current issues and management reporting as well as its medium- to long-term vision and awareness of issues.



**Deciding Important Issues (Materiality)**

Concerning those important issues identified via the degree of importance analysis, the research and discussions conducted both internally and externally in Steps 2 and 3 of the preparations, discussions shall be conducted by the CSR Council and the Board of Directors, with decisions being made accordingly.  
(planned October 2014)

**Concerning identified important issues (materiality); ongoing improvements shall be conducted via the establishment of KPI and use of the PDCA cycle.**

**Mr. Hiroki Uchida,  
Senior Researcher, Cre-en Incorporated**

In preparing to respond to G4, in STEP 1 we supported an evaluation of current information disclosure practices; and areas of improvement vis-à-vis the demands of G4 were identified. In Steps 2 and 3 of the process, support was received by the evaluation of some 46 aspects from both internal and external perspectives. This was done to select the issues of importance. In the future, in that within STEP 4 there is a focus upon material aspects, in that the company wants to make final decisions, there exists a desire to proactively use PDCA cycles based upon the establishment of suitable KPI. In such circumstances, some expectations may be held both with respect to establishing boundaries for each aspect, and management getting proactively involved. Such factors represent a major change in the demands that are being set forth by G4 in that they constitute necessary elements for management in the future. Although there is a sense of "saying is easy while doing is difficult" with regard to G4, in that it has up until now proceeded with measures in a honest manner, expectations may be held that Yokohama Rubber will willingly swim upstream in order to blaze its own trail to further develop its business.

