

Message From The President

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Reaching the milestone of our 100th anniversary while facing a rapidly changing business environment

Recently, the business environment in which Yokohama Rubber operates has been undergoing dramatic changes. Besides the increased uncertainty in the economic and political spheres, and in international relations, the rapid development of autonomous driving technology and of the Internet of Things (IoT), as well as the increasingly widespread adoption of electric vehicles, has created a situation where the automotive industry is undergoing a transformation of the kind that normally only occurs once every few decades. Having been appointed President of Yokohama Rubber in March 2017, I am deeply aware of the heavy responsibility that I now bear to steer the Yokohama Rubber Group, an organization that comprises around 25,000 people, through these challenging times.

Yokohama Rubber's GD100 medium-range management plan, which takes as its final year of implementation the year 2017 (the year that marks the 100th anniversary of the founding of Yokohama Rubber), was launched in fiscal 2006. At that time, demand for our company's tires and other products was growing steadily throughout the world; anticipating that we would be able to ride this wave of growth, we set ourselves the high targets of achieving annual sales of 1 trillion yen and annual operating income of 100 billion yen. Afterwards, however, the world has experienced a series of events that could not have been foreseen, including the Lehman collapse of 2008, the Great East Japan Earthquake of 2011, the European Debt Crisis, etc. In addition, the emergence of major new tire manufacturers in South Korea and China has led to the global market becoming flooded with cheap tires, disrupting the supply-demand equilibrium. As a consequence, the company has been operating within a very challenging business environment over the past few years. Despite the unexpectedly dramatic changes in the business environment, because all of the companies in the Yokohama Rubber Group have been moving in the same strategic direction in a coordinated manner, I feel that the setting of high targets over the medium-term timeframe still had a very positive impact. Over the past few years, we have achieved steady growth in the global OE (Original Equipment) segment, and our sponsorship agreement with Chelsea Football Club has helped us to boost Yokohama Rubber's global brand recognition. We have also succeeded in expanding our industrial tires business, with the acquisition of Alliance Tire Group B.V. (ATG) in fiscal 2016 and of Aichi Tire Industry Co., Ltd. in fiscal 2017. As a result, despite the uncertain times in which we have found ourselves, we have succeeded in maintaining steady growth in the global market as a whole, and have made significant forward progress.

Remaining true to Yokohama Rubber's core values, and realizing corporate social responsibility from a broad perspective

In order to maintain our status as a business enterprise that is felt to be irreplaceable, both by our customers and by society as a whole, as we approach our 100th anniversary, we need to think seriously about the next 100 years. We are currently formulating our next medium-term strategy, focused on what we want to achieve by fiscal 2020.

To ensure the continued growth of Yokohama Rubber in today's constantly changing automotive sector, it is vitally important to spread awareness of our company's tires among the customers of leading global automotive manufacturers in Japan, Europe, North America and China, etc., ensuring that the Yokohama Rubber brand becomes more widely known. One area where our company is particularly strong is in relation to the superior environmental performance of our tires. Making

effective use of our unique technology that combines low rolling resistance with improved wet-weather performance (two attributes that in the past have usually been mutually exclusive), we are expanding our presence in the premium car market, where the emphasis is on speed and comfort. CSR, which includes not only measures to address environmental problems but also compliance and quality enhancement initiatives, is an area that needs to be an integral part of our day-to-day operations in order to realize continued growth for our company. Companies that are weak in CSR cannot win the trust of society; a single mistake in CSR can be fatal, even for a firm with a history going back 100 years.

The impact of our corporate activities is felt far and wide, and we need to take account of the impact on the regions in which we operate, and on our suppliers. It is not enough just to look at how things are now; we need to build solid foundations that look ahead to the situation several decades from now, when the people currently joining our company as new employees will be approaching retirement.

We attach great importance to initiatives aimed at tackling major international challenges, such as the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. The 17 objectives enunciated by the SDGs each represent new business opportunities for our company. Yokohama Rubber's manages have an important role to play in formulating strategies that recognize this importance and that reflect the connections between the SDGs and our company's business operations, and in encouraging every individual employee to participate fully in implementing these strategies.

Yokohama Rubber has been described as "a serious-minded company run by good people." Environmental activities such as the Yokohama Forever Forest initiative, launched in fiscal 2007 with the goal of planting 500,000 trees, are a reflection of the kind of company we are. Every individual tree is being carefully cultivated by us from a seedling until it is fully grown. A company that is willing to continue making this type of effort, working away steadily year after year, is a company with a corporate culture that it can be proud of, and which can be maintained over the next 100 years.

Striving for continued growth, and focusing on the development of diverse human talent around the world

To remain competitive in an era of revolutionary changes, both business innovation and technology innovation are vitally important. Without question, the single most important driver of innovation is the diverse human resources that underpin our Group's operations. At our Japan-based facilities, we are working actively to promote women's advancement and participation. Nearly 40% of the new employees that have joined the company in fiscal 2017 are women, and we view the creation of a workplace environment in which outstanding female employees can maximize their potential as a top priority.

In addition, as part of our efforts to take the global expansion of our business operations a step further, we are proactively recruiting local talent, and cultivating the local managers to whom we can entrust the running of our business sites in countries throughout the world. Japanese-style business management cannot be applied in a "one size fits all" way throughout the world; while ensuring that the human talent that plays such a key role in our overseas operations has an in-depth understanding of the Yokohama Rubber corporate philosophy and of the policies that we seek to adhere to, we also need to give them the latitude to develop business operations in ways that reflect local culture and the unique features of local society. In the future, I hope that we will see some of these locally-recruited managers making an important contribution on the board of directors of our company.

When undertaking human talent cultivation, I believe that an effective approach is to set targets that are slightly higher than what each individual might currently think they are capable of achieving, and to gradually entrust them with more and more responsibility. The individual employee learns to make decisions for himself or herself, determine what steps need to be taken, take responsibility for the outcome, and accept assessment of his or her performance. This can be very challenging, but younger employees really do need to build up experience in this way. We need to treasure the "Yokohama Rubber core values" that have been built up by so many employees over the 100 years of our company's history, and work to enhance them still further. By working together as one, we can take on the challenge of dealing with the changes that the next 100 years will bring.