

# Dialogue with Stakeholders

## Dialogue Between Outside Directors

Under a new management structure from fiscal 2024, Yokohama Rubber launched its new Medium-term Management Plan, “Yokohama Transformation 2026 (YX2026).” In completing the transformation initiated under the previous plan, YX2023, we will remain mindful of not leaving any negative legacies for the next generation. Against this backdrop, we asked two outside directors about their thoughts on the new structure, governance in general, and the role that directors should play in enhancing corporate value



**Megumi Shimizu** Member of the Board (Outside)

Career summary: Joined Nishimura & Sanada (now Nishimura & Asahi) in April 1993; Partner at that law firm since 2004 (current post). After graduating from Harvard Law School (LL.M) in 2005, she worked at Paul, Weiss, Rifkind, Wharton & Garrison LLP (New York) until March 2006. Took up the post of Audit & Supervisory Board Member of Yokohama Rubber in March 2018; Member of the Board (Outside Director) of Yokohama Rubber since March 2023.

**Hirokazu Kono** Member of the Board, Member of the Audit & Supervisory Committee (Outside)

Career summary: After serving as Assistant Professor at the Graduate School of Business Administration, Keio University, and a visiting scholar at Harvard Business School from 1991, assumed the office of Dean of the Keio Business School in 2009. Took up posts as a Member of the Independent Committee of Yokohama Rubber in 2011, and a Member of the Board of Yokohama Rubber in 2018. Outside Director, Audit & Supervisory Committee of Yokohama Rubber since 2023. Also serves as a Member of the Board of Stanley Electric Co., Ltd.

### How do you evaluate the current state of Yokohama Rubber’s governance and the progress it has made?

**Kono**

I have been engaged in the study of management engineering and business administration as a faculty member at Keio University. Appointed as an Outside Director of Yokohama Rubber in 2018, I have served concurrently as an Audit &

Supervisory Committee member since 2023. When I was first appointed, Board of Directors' meetings generally began with an explanation of each agenda item, followed shortly thereafter by a resolution. Today, we share information, engage in lively discussions, and spend more time on the process before starting our deliberations. I think that, in a context where the Company is aiming for growth, and with a growing number of important matters requiring decision-making, a corporate culture that enables appropriate deliberation is now in place. I feel information related to internal audits conducted at global sites are adequately shared, and subjects for discussions are appropriately submitted to the Board of Directors, following proper organization by the Audit & Supervisory Committee or the Personnel Remuneration Committee for Corporate Officers and Directors. Moreover, I believe the governance structure has grown stronger. In addition to Board members visiting plants in Japan, Board meetings themselves are also held at plants. In 2023, all Members of the Board toured Shinshiro Plant in Aichi Prefecture. Similar opportunities are planned for this year as well.

### **Shimizu**

I became an Audit & Supervisory Board Member of Yokohama Rubber in 2018 and, upon its transition to a Company with an Audit & Supervisory Committee in 2023, was appointed an Outside Director. As a corporate lawyer who was involved in the Company's M&A projects in the past, I already had some knowledge of Yokohama Rubber at the time of my appointment as an Outside Director. In light of my background as a lawyer, I understand that I am expected to monitor the Company, specifically from a legal and compliance perspective.

In this respect, I find that the matters related to compliance have been discussed seriously at Board meetings. When a report of an issue is submitted, the Board engages in deliberations as often as is required. For example, outside directors frequently make incisive comments on reported matters, which are discussed in depth at subsequent meetings. It is not uncommon for the Board to engage in vigorous debate about how to prevent the recurrence of an issue and to ensure the effectiveness of preventive measures. While remarks are not limited to compliance-related matters, I believe the internal directors are receptive to the opinions of outside directors and respond to them well.

## **Please tell us about discussions regarding changes in the management structure and your thoughts on management personnel?**

### **Kono**

Under the new structure, President Masataka Yamaishi serves as Chairperson and CEO, Shinji Seimiya as Representative Director and COO, and Nitin Mantri as a Member of the Board, Senior Managing Officer, and Co-COO. As a member of the Personnel Remuneration Committee for Corporate Officers and Directors, I participated in the selection process. While achieving growth in excess of the initial targets set in the Medium-term Management Plan YX2023, Yokohama Rubber faces various issues with respect to its technical and production competitiveness as well as the need to enhance governance, against the backdrop of a rapid increase in sales and the expansion of its overseas sales ratio. With this in mind, the Company decided to revamp its management structure to ensure that it successfully carries out the next medium-term management plan. Under this three-person team, individual roles and responsibilities will be clarified. Given that Yokohama Rubber has grown to such a large scale and is engaged in a wide range of businesses in addition to tires, I believe that only people with a long-term and broad perspective can serve as its leaders. It is vital that the Company's leaders have a clear vision of what value should be provided in the next 10 to 20 years, and take the initiative in dealing with changes in the surrounding environment and work styles. Since expectations regarding tires vary from country to country, we need managers who can look both in and outside of Japan. At the same time, these leaders must also possess the necessary skills to cover functional areas, including manufacturing technology, sales, and marketing, while maintaining their own expertise.

### **Shimizu**

Through the acquisition of Alliance Tire Group B.V. (ATG) and Trelleborg Wheel Systems Holding AB (TWS), Yokohama Rubber has globalized rapidly in terms of the geographical scope of its business activities as well as its personnel

composition. Yokohama Rubber has entered a phase of significant change. In order for the Company to continue growing, it needs to have leaders who possess the knowledge and qualities required to unite employees who have various backgrounds and experiences, and to leverage their capabilities. I believe that identifying the best way to develop management leaders, who will serve as the driving force behind the continuing growth of the Yokohama Rubber Group, is one of the Company's most important issues.

### **Kono**

Studying theories at a desk is just one of the requirements needed to become a management leader. It is vital to learn the difficulty of selling products, developing a production technology, as well as managing people with different cultures and customs, by experiencing several crisis situations from a young age. These experiences offer managers precious opportunities to think not only about the present but also the future of their company from wide perspectives. We should follow this cycle to develop management leaders.

### **Shimizu**

I understand that Japanese companies have traditionally trained personnel who will become members of management in-house, by allowing them to experience difficult situations on the job, over time. However, as the concept of lifetime employment fades, the mindset of young people entering the Company may change as well. It is critical to develop a personnel policy that helps to determine how the Company will train successors. People who entered the Company as a result of M&As, like Director Nitin, have gone through various experiences at other companies. In addition to educating employees from scratch within the Company, it is important to consider other measures.

## **What are your expectations for the YX2026 New Medium-term Management Plan, and what issues need to be addressed in the future?**

### **Kono**

As a result of the acquisition of ATG in 2016 and TWS in 2023, Yokohama Rubber has experienced rapid sales growth. While recognizing the need to steadily achieve the target values set in YX2026, I am concerned whether the current personnel and organizational structure can undertake the proper internal and performance management, as the number of sites increases rapidly, and that certain departments may be overburdened. In addition to exceeding targets, I believe that it is equally important to strengthen production infrastructure, including IT systems, production technology, and plant automation, as well as personnel management, including recruitment and training under YX2026.

### **Shimizu**

There is continuity between the new and previous medium-term management plans. Each maps out clear strategies with measures to realize Yokohama Rubber's vision. This includes maximizing the ratio of high value-added products among consumer tires and enhancing our market position in the OHT business. As Mr. Kono mentioned, given the Company's rapid expansion, we seem to be experiencing growing pains, particularly with regard to the management of global operations and compliance. As similar points have often been noted during Board of Directors' meetings, I believe that management shares this view.

## **What is Yokohama Rubber's vision for the medium to long term and what role will the Board of Directors play toward its realization?**


### **Kono**


A few years after completing YX2026, a critical stage, where we have to fight our most important battle, may await us. Extending beyond tires, Yokohama Rubber handles a wide variety of products in its businesses, including goods such as

hoses, couplings, and conveyor belts. In addition, there is the need to develop production technology and engage in sales and marketing activities in the global market. Under such circumstances, there is no clear-cut answer as to the skill set required for Board members. Yet, outside directors are expected to point out risks based on their expertise, and frankly express their opinions with a sense of responsibility and without fearing the reaction of others. That is our duty to shareholders, employees, and customers. In carrying out these duties, we should help improve the Company in the belief that it also serves society. Free and impartial exchange of opinions among inside and outside directors can lead to active and deep discussions. I believe that Board of Directors' meetings should be the place for meaningful discussions about compliance, future problems, and other relevant issues.

## **Shimizu**

A proposal is submitted to the Board of Directors following consideration at various internal meetings, at the initiative of management personnel who are familiar with the Company's business activities. Outside directors are expected to ask questions and express opinions based on their knowledge, without being restrained by interests and common views within the Company. In this way, the Board of Directors can identify risks and issues that might have been overlooked at in-house meetings. By taking adequate measures to cope with these risks and issues, the Board of Directors can contribute to the sound growth and development of the Company, which I believe is one of the important roles of outside directors. Going forward, it will become extremely important for the Board to consider how to build a system to organize the entire Group effectively, efficiently, and properly. I would like to carry out my duty as an Outside Director by actively expressing my opinions at Board of Directors' meetings to promote and enhance the development of the Yokohama Rubber Group.

 [Dialogue Between Outside Directors \(FY2023\)](#)

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