

# CORPORATE PHILOSOPHY

## CORPORATE SOCIAL RESPONSIBILITY

### Corporate Philosophy

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 the 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.

Corporate Philosophy (Launched in 1992)	
<b>Basic Philosophy</b>	
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	
<b>Management Policies</b>	
<ul style="list-style-type: none"> <li>Take on the challenge of new technologies to produce new value.</li> <li>Develop proprietary business fields to expand the scope of business.</li> </ul>	<ul style="list-style-type: none"> <li>Create a workplace that values, improves and energizes people.</li> <li>Deal fairly with society and value harmony with the environment.</li> </ul>
<b>Action Guidelines</b>	
<ul style="list-style-type: none"> <li>Develop ourselves so that we may give our personal best.</li> <li>Trust, challenge and improve one another.</li> </ul>	<ul style="list-style-type: none"> <li>Nurture a welcoming, open spirit.</li> </ul>
<b>Corporate Slogan</b>	
Excellence by nature	

### Corporate Social Responsibility

Fulfilling our corporate social responsibility (CSR) 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.

CSR Management Vision (Launched in 2008)	
To build a trusted identity as a contributing member of the global community	
<b>CSR Action Guidelines</b>	
<ul style="list-style-type: none"> <li>Identify continually changing social trends.</li> <li>Ascertain the items that can contribute.</li> </ul>	<ul style="list-style-type: none"> <li>Act swiftly to earn firm trust.</li> <li>Practice CSR in one's own work.</li> </ul>

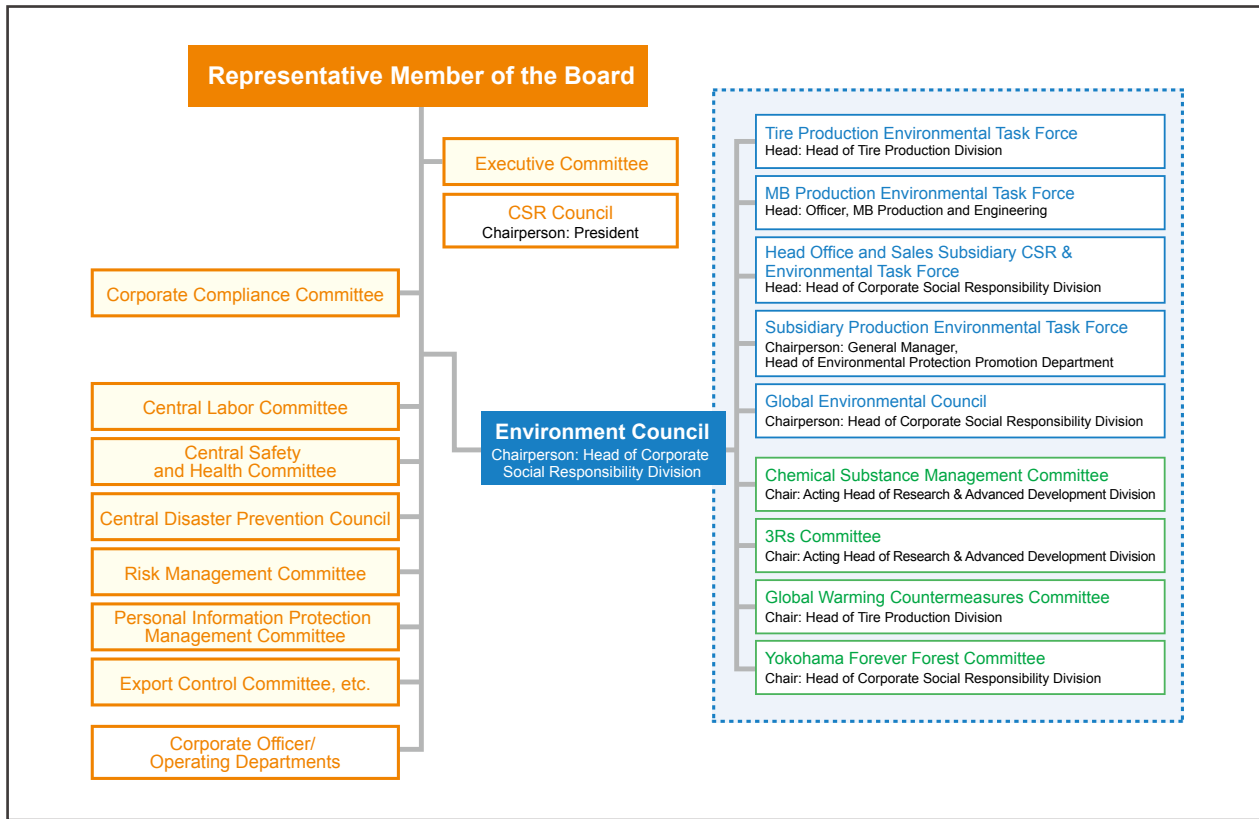
### CSR and Environmental Management Promotion Framework

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 been holding regional gatherings of the managers responsible for environmental protection at Yokohama Group companies since 2014.

**CSR and Environmental Promotion Framework**








**CSR Slogan**

Under the Grand Design 2020 (GD2020) medium-term management plan, we must aim to become a global enterprise that is able to successfully develop localized business operations

throughout the world. We will create value through business activities based on our CSR slogan, "Caring for the Future."



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

# CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

## Renewable Energy for Forestalling Climate Change

The United Nations has included action against climate change in its 17 Sustainable Development Goals, and we at Yokohama take part proactively in the global effort to forestall global warming. Our efforts in that regard focus on adopting renewable energy.

### ■ Working toward a 50% reduction in CO<sub>2</sub> emissions by 2050

We are working throughout our value chain to reduce emissions of greenhouse gases. Our long-term target is to reduce emissions of carbon dioxide by at least 50% by 2050, compared with 2005. We are tackling that target in several

ways, such as adopting renewable energy, reducing energy consumption in manufacturing processes and in logistics, and deploying product technologies for reducing fuel consumption and otherwise protecting the environment.

### ■ Adopting renewable energy at nine sites

Today, we generate electricity with solar panels at Hangzhou Yokohama Tire Co., Ltd.; Suzhou Yokohama Tire Co., Ltd.; and Yokohama India Pvt. Ltd. and at our Mie Plant, Mishima Plant, and Research and Development Integrated Center. We generate electricity with both solar panels and wind turbines at our Hiratsuka Factory and Shinshiro-Minami Plant. In July 2019, we increased our renewable energy output with the installation of photovoltaic panels on factory roofs at Yokohama Tire Philippines, Inc. Our renewable electricity generation at nine sites reduces annual carbon dioxide emissions about 268 tons in comparison with conventional generation.



Yokohama Tire Philippines

### ■ Returning to the CDP Climate Change A List

In another gratifying development, the United Kingdom-based nonprofit organization CDP Global (formerly Carbon Disclosure Project) named Yokohama in January 2020 to its Climate Change A List 2019. That list, as noted elsewhere, recognizes corporate commitment to combatting global warming and comprises 182 companies for 2019. The organization recognized us for our groupwide commitment to reducing output of greenhouse gases. We are making our second appearance on CDP Global's Climate Change A List, having also appeared on the list for 2016. CDP Global selected the companies for the 2019 list from more than 8,000 companies worldwide, and we are one of only 38 Japanese companies on the list.



## A Memorandum for Sustainable Procurement of Natural Rubber

We concluded a memorandum in January 2020 with the Rubber Authority of Thailand in regard to sustainability in natural rubber procurement. The memorandum reinforces the commitment that we evinced in policy adopted in October 2018. It provides for cooperation in extending economic support to rubber growers and in fortifying traceability in the supply chain with an eye to increasing visibility and integrity. We have been conducting a survey of growers since June 2019 in Surat Thani Province, a large production center. The survey included interviews with about 70 growers by mid-March, and we plan to interview 500 by the end of 2021. Our survey findings will furnish a basis for providing effective economic assistance to growers and for fortifying traceability.

The survey and follow-up work are part of an original, wide-ranging initiative for bolstering sustainability in natural rubber procurement. Our initiative includes joint

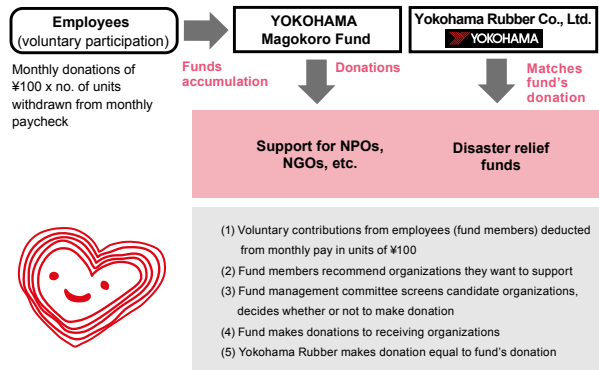
research with universities, measures for promoting the cultivation of natural rubber in combination with other crops, and gatherings for exchanging ideas with suppliers.



Signing ceremony for sustainable-procurement memorandum with the Rubber Authority of Thailand

## Yokohama Magokoro Fund

Our Yokohama Magokoro (Sincere Heart) Fund, launched in 2016, is a philanthropic vehicle funded with voluntary contributions by employees and matching contributions by the company. The fund trustees allocate donations to organizations engaged in environmental protection, human rights advocacy, and other worthy causes and to emergency relief efforts. In 2019, the fund donated ¥3,376,000 to five organizations engaged in safeguarding the environment and in providing educational, medical, and nutritional support to children and ¥5,000,000 to emergency relief efforts.



## Third-Party Regard for Our CSR Management

Yokohama is part of the FTSE4Good Index Series and the FTSE Blossom Japan Index. 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 is one of four indexes that Japan's Government Pension Investment Fund administers as benchmarks for ESG performance, and Yokohama has been part of the index since its inception in 2017.



FTSE4Good



FTSE Blossom Japan

# 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, the representative member 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 11 members of the Board, headed by the president, who serves concurrently as the chairman of the Board, and 17 officers, not including officers who serve concurrently as members of the Board. The members of the Board include 5 members who serve concurrently as officers and 5 nonexecutive members of the Board.

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.

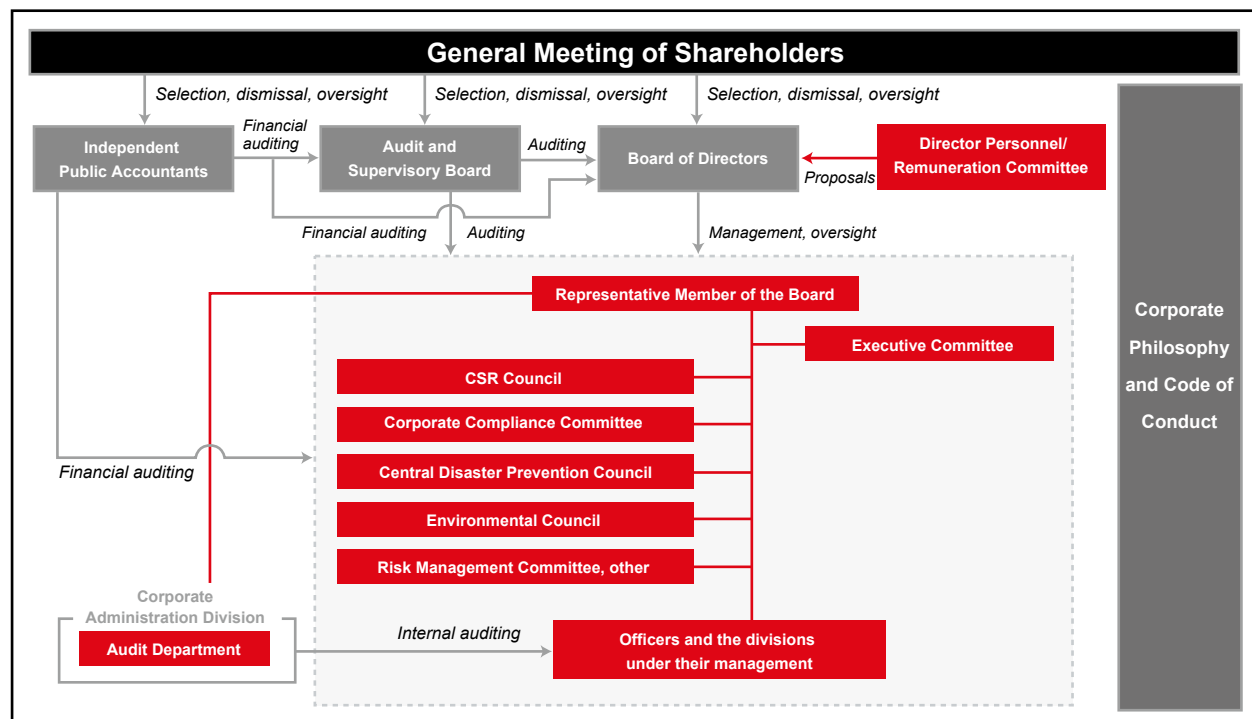
In the interest of clarifying management responsibility, we employ a one-year term for members of the Board. And we abide by the principles of transparency and fairness in personnel and remuneration decisions in regard to the Board. Our Director Personnel/Remuneration Committee, the members of which 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.

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 15-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.