

CORPORATE PHILOSOPHY AND CORPORATE SOCIAL RESPONSIBILITY

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, Grand Design 100, and set a clear target of becoming a global company with ¥1 trillion in net sales by 2017. 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.

Corporate Philosophy (Launched in 1992)

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.

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.

Action Guidelines

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

Corporate Slogan

Excellence by nature

CSR Management Vision (Launched in 2008)

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

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.

Grand Design 100 (GD100) Medium-Term Management Plan (Established in 2006)

GD100 Vision and Basic Policy

To mark the Yokohama Centennial in FY2017, we will evoke a distinctive global identity in building corporate value and in building a strong market presence.

Long-Term Financial Targets (FY2017)

Net sales: ¥1 trillion, operating income: ¥100 billion, operating margin: 10%

Basic Policy

- Deliver the best products at competitive prices and on time.
- Assert world-class strengths in technologies for protecting the environment.
- Foster a customer-oriented corporate culture that honors rigorous standards of corporate ethics.

GD100 and Our Approach to the Environment (Established in 2006)

Basic Policy

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.

Seven Pillars of Core Subjects

The entire Yokohama Rubber Group, including all domestic and overseas subsidiaries, observes as action guidelines the 10 Principles of the United Nations Global Compact and

the ISO 26000 seven core subjects, in accordance with PDCA carried out.

UN Global Compact's 10 Principles		ISO 26000 Seven Core Subjects
<p>Human Rights</p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.</p> <p>Principle 2: the effective abolition of child labour; and</p>	<p>Environment</p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.</p> <p>Principle 9: the elimination of all forms of forced and compulsory labour;</p>	<ol style="list-style-type: none"> 1 Organizational governance 2 Human rights 3 Labor practices 4 The environment 5 Fair operating practices 6 Consumer issues 7 Community involvement and development
<p>Labour</p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>Anti-Corruption</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	

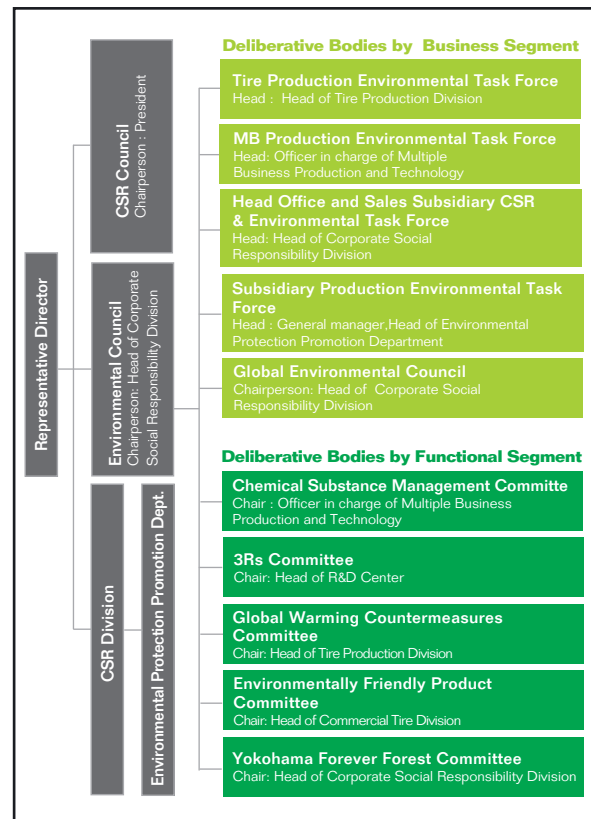


CSR and Environmental Management Promotion Framework

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 Head of 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 and Environmental Promotion Framework

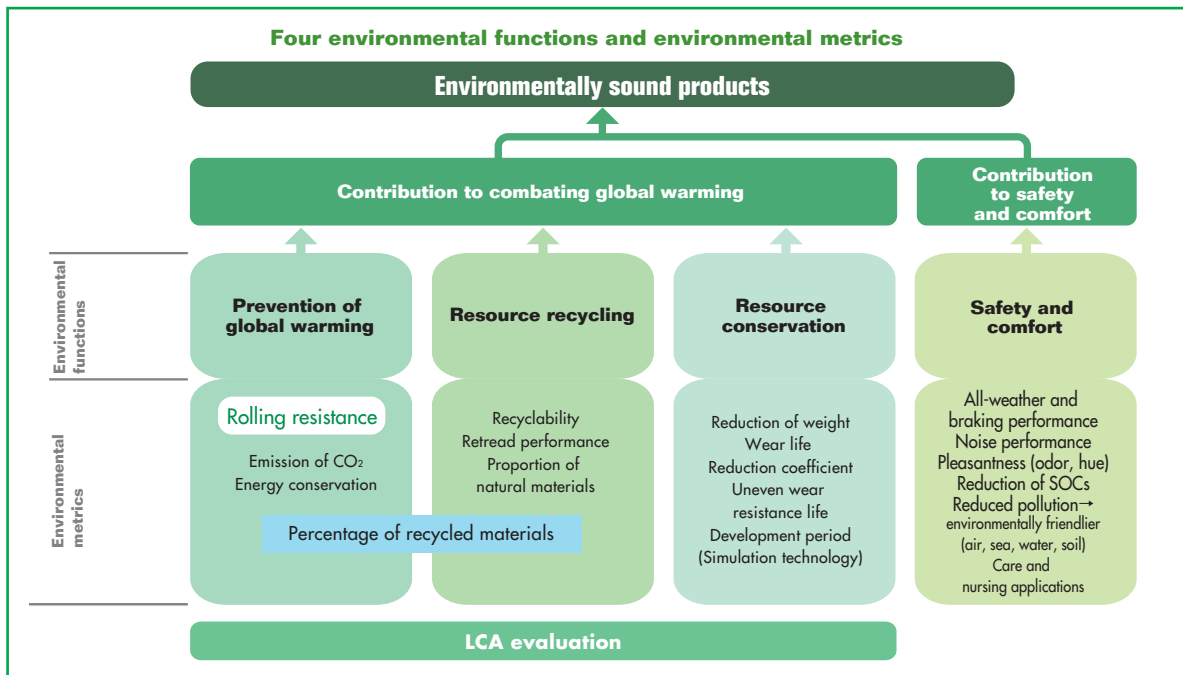


Shaping an Environmentally Sound Product Portfolio

Our medium-term management plan, *Grand Design 100*, calls for us to assert world-class strengths in technologies for protecting the environment. That includes deploying environmentally sound offerings in our product portfolio.

Definition

We evaluate products in regard to four environmental functions: 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 functions.

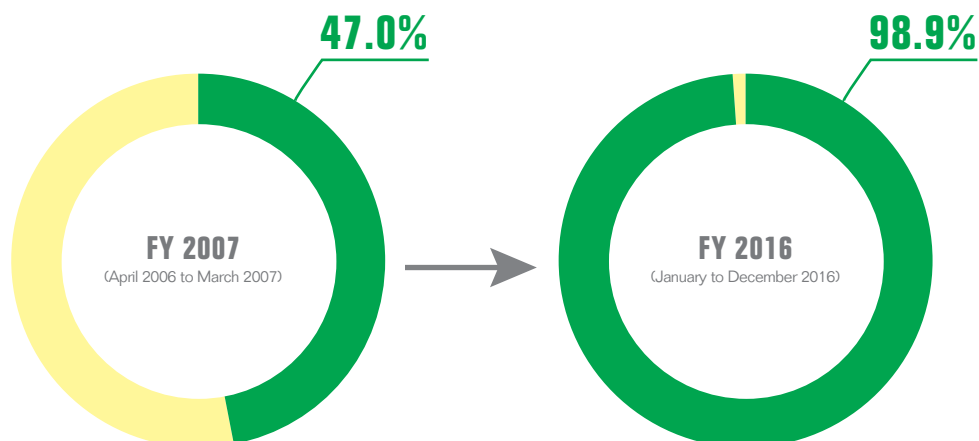


Attainment

We aim to increase the environmentally sound weighting of our product portfolio to 100% by the end of 2017. By the end

of 2016, 98.9% of our products fulfilled our functions for minimizing environmental impact.

Proportion of Environmentally Sound Products among All Products



Environmentally Sound Product Highlights

BluEarth Fuel-saving Tires

We launched the BluEarth line of fuel-saving tires in 2010. Those tires have earned a global following with their fuel savings and superior wet-grip performance. We continue to hone the BluEarth attainment in fuel savings and in all-around handling. And we have broadened the BluEarth line to encompass vans, light trucks, and small buses, as well as passenger cars.

Left: the BluEarth-1 EF20, which has secured the top designations for low rolling resistance and wet grip under Japan's tire-labeling system, right: the fuel-saving BluEarth LT152R, for vans, light trucks, and small buses



Retreaded Tires

Japanese have begun awakening to the value of retreading tires in conserving resources through recycling and reuse. We produce and market retreaded tires in Japan through a subsidiary and have expanded that company's operations in recent years.



Our LT151R retreaded tire for vans, light trucks, and small buses

Hoses for Hydrogen Filling Stations

We began development work in 2003 on hoses for hydrogen filling stations for fuel-cell vehicles. That work has spawned products for accommodating pressures of 35 megapascals (MPa), 70 MPa, and 82 MPa. And we are working on global -standard hoses that will accommodate pressures of up to 87.5 MPa.



A Yokohama hose at a hydrogen filling station

R&D on Next-Generation Products for Safeguarding the Environment

Aerodynamic Tires

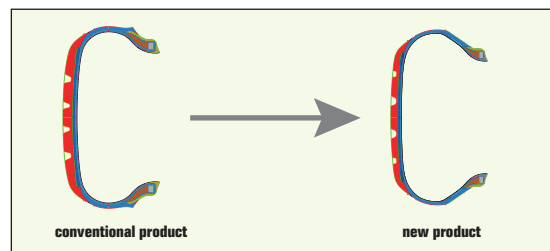
Original advances in tire aerodynamics have allowed us to couple gains in fuel economy with improved vehicle handling. Fins on the outer sides of the tires reduce air drag and help keep the tires in sound contact with the road surface, which improves handling.



An aerodynamically optimized tire

Ultralight-concept Tires

We have developed technology that allows for reducing tire weight 25% without compromising basic tire performance. That technology promises to contribute to substantial gains in fuel economy, and we aim to begin marketing products based on the new technology in 2017.



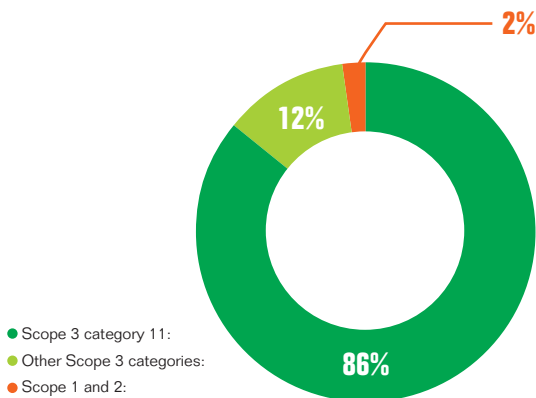
Cross section of our ultralight-concept tire

CSR HIGHLIGHTS

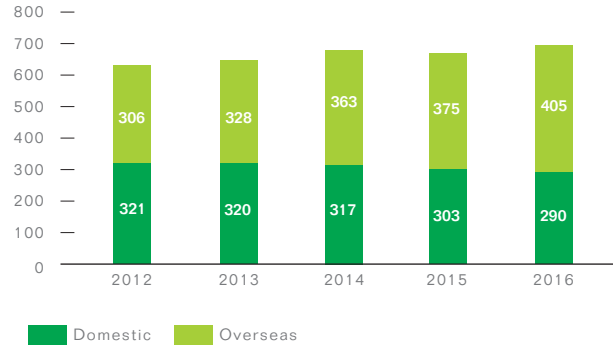
Reducing Output of Greenhouse Gases

Our medium-term target in Japan is to reduce our annual greenhouse emissions 25% by 2020, compared with 1990. In 2016, our overall reduction reached 20%. Our long-term target worldwide is to reduce our output of carbon dioxide more than 50% across our entire value chain by 2050, compared with 2005. That target encompasses indirect “Scope 3” emissions as defined under the Greenhouse Gas Protocol Corporate Standard, as well as emissions from our directly owned operations.

Emissions associated with product usage account for about 85% of our Scope 3 emissions. We are working to reduce those emissions by deploying fuel-saving performance in tires and other product features for minimizing environmental impact. Our efforts include working with suppliers and other partners to reduce emissions of greenhouse gases throughout our value chain.



Output of Greenhouse Gases at Yokohama Group Companies (Kt-CO₂)



Scope 3 Emissions at Yokohama Group Companies (Kt-CO₂)

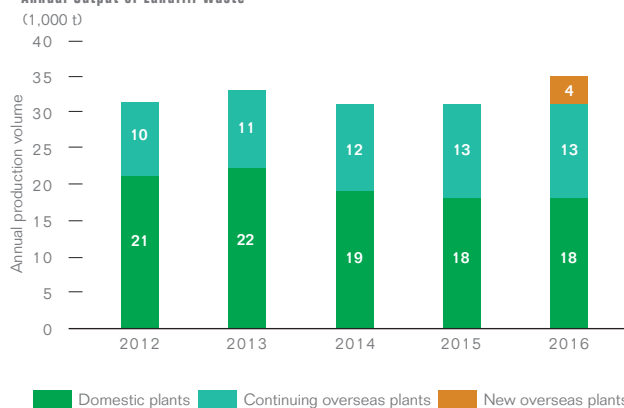
Scope 3 category	2015	2016
1 Purchased products and services	2,364	2,340
2 Capital goods	302	371
3 Fuel and energy	108	115
4 Transportation and distribution (upstream)	148	148
5 Waste	2	2
6 Business travel	14	22
7 Commuting employees	18	27
8 Upstream leased assets	—	—
9 Downstream transportation and distribution	50	51
10 Processing of sold products	4	4
11 Use of products	20,273	20,275
12 Disposal of products	464	456
13 Downstream leased assets	0	0
14 Franchises	—	—
15 Investment	84	111
Total	23,832	23,920

Reducing Output of Waste

Most of our plants participate in a program for reducing waste per unit of production (by value) at least 1% annually. In 2016, the ongoing participants—14 plants in Japan and 12 overseas—achieved an aggregate reduction of 4.0%, though the first-time participation by four new overseas plants resulted in an overall increase of 9.3%.

We are also working at our plants worldwide to eliminate output of landfill waste completely. All of our plants in Japan had achieved that goal by the end of March 2006, 12 of our overseas plants had attained that goal by the end of 2016, and we continue working to attain the goal at our remaining plants.

Annual Output of Landfill Waste



Public-Interest Activities in Japan and Overseas

Below are some examples of public-interest activities at our operations around the world in 2016.

Japan

Shinshiro Plant

Our Shinshiro Plant was a prominent participant in a community festival held on behalf of preserving the vicinity's cherry trees. The plant ran a study booth at the festival and donated seedlings cultivated by plant employees.



Hiratsuka Factory

Concern about traffic safety prompted the creation of an innovative map at our Hiratsuka Factory. The map, supplied to the city and to the local police, indicates intersections and stretches of road the present special risks for commuters.



Overseas

Yokohama Aerospace America, Inc. (United States)

Employees at Yokohama Aerospace America support a local charity, Northwest Harvest/Kent, that provides meals to needy individuals and families. Company employees have participated annually since 2014 in packing foodstuffs for the charity.



Yokohama Tire Philippines, Inc. (Philippines)

Sixty-five kindergarten and elementary school students received meals from Yokohama Tire Philippines for 60 days. That initiative, aimed at alleviating malnutrition, included the provision of dishes and vitamins, as well as food.



ATC Tires Private Ltd. (India)

In India, ATC Tires supports practical education for schoolgirls and other women in its community. That support includes free-of-charge classes for sewing and for using computers.



Yokohama Industrial Products-Hangzhou Co., Ltd. (China)

Employees at Yokohama Industrial Products-Hangzhou participated in local forestation activities. They also provided tree-planting guidance to children at an arboreal festival held at a local elementary school.



International Regard for Our Approach to Corporate Social Responsibility

Prestigious Acknowledgement in CDP Environmental Reports

We earned a place on the Supplier Engagement Leader Board announced by CDP (formerly Carbon Disclosure Project) in January 2017. CDP is a nonprofit organization that provides a global framework for companies and cities to measure, disclose, manage, and share vital environmental information. Earlier, we earned a place on the "A list" of corporate leaders in forestalling global warming cited in the "CDP Climate Change Report 2016." That followed our appearance in the Climate Disclosure Leadership Index included CDP's 2015 climate change report.

Continued Inclusion in FTSE4Good Index

Our company has appeared annually in the FTSE4Good Index, a global index for socially responsible investment, for the past 12 years. The inclusion in that index is in recognition of our forestation work in the Yokohama Forever Forest project, our work in energy conservation at our plants, and our work in developing environmentally friendly products.

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. That means abiding rigorously by the Tokyo Stock Exchange's Corporate Governance Code and devoting high priority to securing the rights and equal treatment of shareholders, to engaging in appropriate cooperation with stakeholders

other than shareholders, to ensuring appropriate information disclosure and transparency, to ensuring the fulfillment of the responsibilities of the Board of Directors, and to maintaining robust dialog with shareholders. 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. Presently, the senior management team comprises 12 members of the Board, headed by the chairman of the Board and the president, and 17 officers, not including officers who serve concurrently as members of the Board. The members of the Board include 7 members who serve concurrently as officers and 3 independent 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,

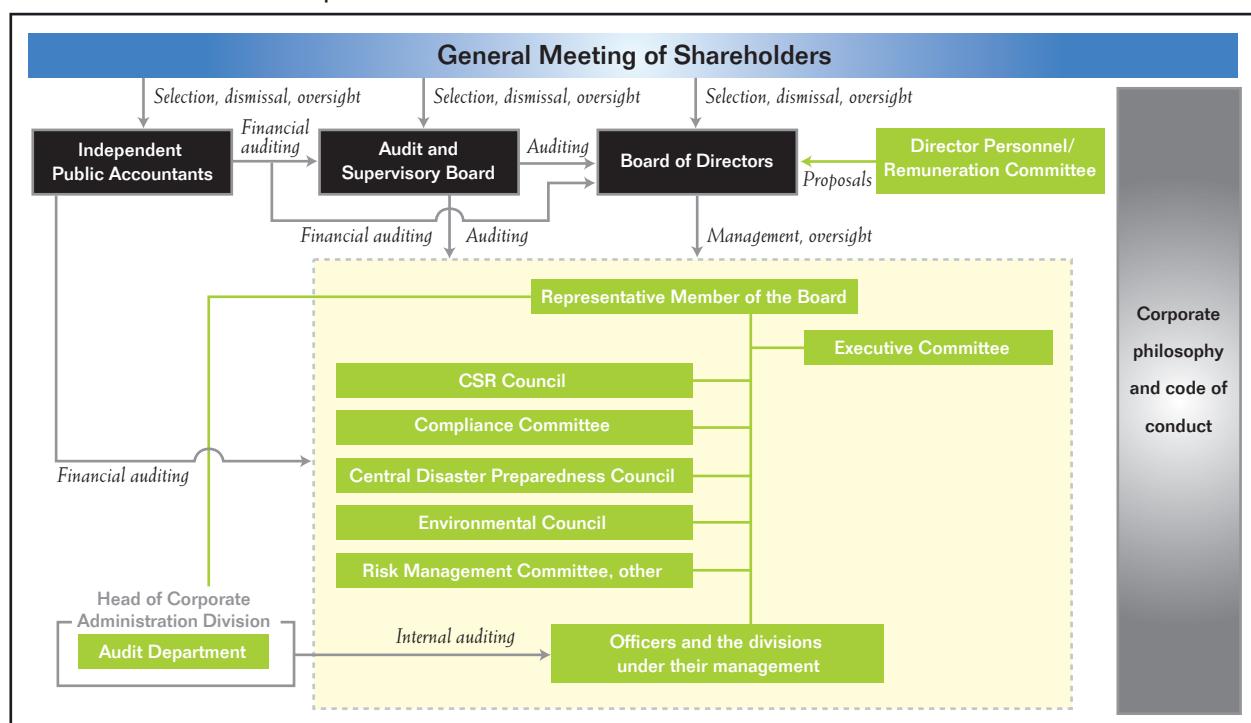
and other executives. That committee monitors our performance in fulfilling our business plans and deliberates on matters pertinent to our business strategy.

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 independent directors, reviews proposals for matters under its purview and makes recommendations to the Board of Directors, which makes the final decisions.

Audit and Supervisory Board members

Auditing at Yokohama is a tripartite undertaking by our Audit and Supervisory Board, which monitors management; an independent public accounting firm, which monitors the company's financial accounting; and

The Yokohama Framework of Corporate Governance



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 of 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 13-member Audit Department. We assign an assistant to the Audit and Supervisory Board members to help them carry out their work smoothly and effectively.

Independent Members of the Board and Independent Audit and Supervisory Board Members

Our Board and our Audit and Supervisory Board each include, as noted, three independent members recruited

from outside the company. In appointing the independent 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 independent 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 independent 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 independent members of the Board. They further fortify their capacity for conducting audits efficiently and effectively by exchanging information with our independent public accounting firm, with our Audit Department, and with corporate auditors at Yokohama subsidiaries.

Internal Controls

The Board of Directors adopted a basic policy for internal controls based on Japan's Company Law in May 2006. In April 2009, the Board of Directors adopted guidelines to prevent involvement with organized crime and strengthen our framework of internal controls. And in June 2015, the Board of Directors strengthened our internal controls further by adopting measures related to managing subsidiaries and conducting internal audits. Those measures were in conjunction with a revision of Japan's Companies Act. Below is a summary of our internal controls in regard to risk management and ethical compliance.

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.

Ethical Compliance

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 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 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.