CORPORATE PHILOSOPHY AND CORPORATE SOCIAL RESPONSIBILITY

Yokohama Rubber established its corporate philosophy in 1992. Its essence is the Basic Philosophy, Management Policies, Action Guidelines, and Corporate Slogan. The Basic Philosophy embodies the types of business where Yokohama Rubber commits itself to all activities. The Management policies outline basic administrative principles for upper-level management to commit themselves to. The Action Guidelines are the code of conduct for each employee to comply with. 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 latter “R” in CSR to “Responsibility.” By doing so, we are holding up to the concept more accessible and practical in our daily operations.

CSR Management System Launched in 2008

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

Seven Pillars of Core Subjects

The seven pillars of core subjects, which includes all domestic and overseas subsidiaries, observe 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.

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, as these measures, and we have established the Environmental Council, headed by Head of Corporate Social Responsibility Division, to oversee our work in maintaining environmental sustainability. 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 major restrictions as appropriate for making improvements in our approach.

Yokohama Rubber’s corporate social responsibility is a global understanding 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.

ISO 26000 Seven Core Subjects

1. Organizational Governance
2. Human Rights
3. Labour Practices
4. The Environment
5. Fair Operating Practices
6. Consumer Issues
7. Community Involvement and Development

UN Global Compact’s 10 Principles

1. Businesses should support and respect the UN’s 10 principles in their operations and in their relationship with stakeholders.
2. Businesses should declare their support for the 10 principles in their reports and publish details of their Programme of Action.
3. Businesses should appoint an individual or an existing body to be responsible for overseeing the implementation of the programme.
4. Businesses should be held accountable for their own and their partners’ adherence to the programme.

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Corporate Philosophy (Launched in 1992)

To enrich people’s lives and contribute to their greater happiness and well being by developing our wholehearted energies and advanced technology to the creation of technical products.

Basic Policy

- Take on the challenge of new technologies to produce new value.
- Deal fairly with society and value harmony with the environment.
- Create a workplace that values, improves and energizes people.
- Develop ourselves so that we may give our personal best.
- Take on the challenge of new technologies to produce new value.
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- Create a workplace that values, improves and energizes people.
- Develop ourselves so that we may give our personal best.

Corporate Slogan

Excellence by nature

ISO 26000 Seven Core Subjects

1. Organizational Governance
2. Human Rights
3. Labour Practices
4. The Environment
5. Fair Operating Practices
6. Consumer Issues
7. Community Involvement and Development
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 invests itself in all activities. The Management policies outline the basic administrative principles for upper-level management to commit themselves to. The Action Guidelines are the code of conduct for each employee to comply with. In 2008, we reformed our corporate structure by establishing the CSR Division, followed by announcing our Stay of CSR management both internally and externally. The seven pillars of critical issues and issue instructions as well as the Basic Philosophy have been compiled based on the strong awareness of the expectations and needs among 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 listening to 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 Stay 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 having to make the concept more accessible and practical in our daily operations.

Corporate Philosophy (Launched in 1990)

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

1. Take on the challenge of new technologies to produce new value.
2. Develop ourselves so that we may give our personal best.
3. Create a workplace that values, improves and energizes people.
4. Deal fairly with society and value harmony with the environment.
5. Encourage an awareness, open spirit.

Management Policies (Launched in 2008)

1. Assert world-class strengths in technologies for protecting the environment.
2. Develop proprietary business fields to expand the scope of business.
3. Take on the challenge of new technologies to produce new value.
4. Practice CSR in one’s own work.
5. Encourage an awareness, open spirit.

Corporate Slogan

Excellence by nature

CSR Management Model - Established in 2008

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

1. Identity constantly changing social values
2. Determine the issues that our company
3. Act in line to our social values
4. Prepare CSR in our own work

Corporate Philosophy (Launched in 1990)

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

1. Take on the challenge of new technologies to produce new value.
2. Develop ourselves so that we may give our personal best.
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Corporate Slogan

Excellence by nature

Three Pillars of Core Subjects

1. Seven Pillars of Core Subjects
2. CSR Environmental Management Framework
3. CSR Action Guidelines
4. ISO 26000 seven core subjects

ISO 26000 seven core subjects

1. Organizational governance
2. Human rights
3. Labor practices
4. The environment
5. Fair operating practices
6. Consumer issues
7. Community involvement and development

CSR Environmental Management Framework

Overseeing our measures for fulfilling corporate social responsibility is our CSR Council, headed by our company president. Subsidiary Green Team, of course, as those mentioned, 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 understanding in the Yokohama Group, and representatives of group companies worldwide gather annually for a global environmental conference. In addition, we have begun building regional partnerships of the managers responsible for environmental protection at Yokohama Group companies from 2014.

UN Global Compact’s 10 Principles

Human Rights

1. Business should support and respect the protection of all internationally proclaimed human rights, and make sure that they are not complicit in human rights abuses.

Labor

2. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining. They should respect the right to strike, consistent with the provisions of international law. They should not discourage the formation or activity of trade unions.

Environment

3. Business should support a precautionary approach to environmental challenges; encourage the development and dissemination of environmentally friendly technologies.

Anti-Corruption

4. Business should work against bribery.

Environment

5. Business should support a precautionary approach to environmental challenges; encourage the development and dissemination of environmentally friendly technologies.

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Environment

7. Business should support a precautionary approach to environmental challenges; encourage the development and dissemination of environmentally friendly technologies.
Our medium-term management plan, Grand Design 100, calls for us to exert world-class strength 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 competing 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.

Environmental 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’s 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.

Retreaded Tires
Japanese have begun awakening to the value of reusing tires as 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.

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.

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.

Ultralight-concept Tires
We have developed technology that allows for reducing tire weight 35% 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.

Shaping an Environmentally Sound Product Portfolio

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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 15 megapascals (MPa), 30 MPa, and 60 MPa. And we are working on global-standard hoses that will accommodate pressures of up to 87.5 MPa.

Aerodynamic Tires
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Proportion of Environmentally Sound Products among All Products

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>47.0%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>98.9%</td>
</tr>
</tbody>
</table>

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Reducing Output of Greenhouse Gases

Our medium-term target in Japan is to reduce our annual greenhouse gas 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 these 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.

Our Shizuoka 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.

International Regard for Our Approach to Corporate Social Responsibility

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 Forest Forest project, our work in energy conservation at our plants, and our work in developing environmentally friendly products.

Public-Interest Activities in Japan and Overseas

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

Japan
Shizuoka Plant
Our Shizuoka 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.

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.

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 arrestee spots, to prevent the present special risks for commuters.

New overseas plants

Reducing Output of Landfill 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.

Public-Interest Activities in Japan and Overseas

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

Overview

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

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.

Kurume Plant

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 Forest Forest project, our work in energy conservation at our plants, and our work in developing environmentally friendly products.
New overseas plants

Reducing Output of Waste

Our medium-term target in Japan is to reduce our annual greenhouse gas 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.

Reducing Output of Greenhouse Gases

Our medium-term target in Japan is to reduce our annual greenhouse gas 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.

CSR HIGHLIGHTS

Public-Interest Activities in Japan and Overseas

Global warming has been increasingly identified as a critical issue that threatens life as we know it. It has become clear that actions must be taken to reduce greenhouse gas emissions. The Intergovernmental Panel on Climate Change (IPCC) has reported that scientists blame 90% of observed warming since 1951 on human activities, particularly emissions of carbon dioxide from burning fossil fuels.

Our company is committed to reducing greenhouse gas emissions by deploying fuel-saving performance in tires and other product features. 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.

We also support initiatives to reduce greenhouse gas emissions. Our company has participated annually in the "A list" of corporate leaders in forestalling global warming cited in CDP's 2016 climate change report. We were also recognized as a "Supplier Engagement Leader" in CDP’s Supplier Engagement report in 2016 for our annual participation in the "A list" of corporate leaders in forestalling global warming.

In Japan, our company has voluntarily disclosed information about its climate change and energy data to CDP. Our company has been invited to the "A list" of corporate leaders in forestalling global warming cited in CDP's 2016 climate change report. We were also recognized as a "Supplier Engagement Leader" in CDP’s Supplier Engagement report in 2016 for our annual participation in the "A list" of corporate leaders in forestalling global warming.

In 2015, our company has entered the "Supplier Engagement Leader" category in CDP’s Supplier Engagement report for our annual participation in the "A list" of corporate leaders in forestalling global warming. We were also recognized as a "Supplier Engagement Leader" in CDP’s Supplier Engagement report in 2016 for our annual participation in the "A list" of corporate leaders in forestalling global warming.

In India, ATC Tires supports practical education for schoolchildren, and employees provide tree-planting guidance to children at an arboreal festival and donated seedlings cultivated by plant employees. Employees at Yokohama Tire Philippines, Inc. (Philippines) provided 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.

In Italy, ATC Tires supports practical education for schoolchildren, and employees provide tree-planting guidance to children at an arboreal festival and donated seedlings cultivated by plant employees. Employees at Yokohama Industrial Products-Hangzhou Co., Ltd. (China) provided 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.

Our company has been invited annually in the "A list" of corporate leaders in forestalling global warming cited in CDP's 2016 climate change report. We were also recognized as a "Supplier Engagement Leader" in CDP’s Supplier Engagement report in 2016 for our annual participation in the "A list" of corporate leaders in forestalling global warming.

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 reduce their 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.

International Regards for Our Approach to Corporate Social Responsibility

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.

Hitatsuki Factory

Concern about traffic safety prompted the creation of an innovative crossing at our Hitatsuki Factory. The map, supplied to the city and to the local police, indicates intersections and areas of road the present special risk for pedestrians.

Overseas

Yokohama Aerospace America, Inc. (United States)

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

Yokohama Tires Philippines, Inc. (Philippines)

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

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.

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 reduce their 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 Forest Forest project, our work in energy conservation at our plants, and our work in developing environmentally friendly products.
CORPORATE GOVERNANCE

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 and decision-making processes. The Audit and Supervisory Board, for example, is comprised of five members, including three recruited from outside the company. These three have a total of at least 13 years of experience in the financial sector. We also have a one-year term for our Audit and Supervisory Board members. Our Director Personnel/Remuneration Committee deliberates on matters pertinent to our business strategy and performance. The Audit and Supervisory Board, our officers, and our employees share information and develop a common grasp of ethical behavior in the Yokohama Group and of issues faced by the group. Below is a summary of our internal controls in regard to risk management and ethical compliance.

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 promote involvement with organized crime and strengthen our framework of internal controls. And in June 2017, the Board of Directors strengthened our internal controls further by adopting measures related to managing subsidiaries and conducting internal audits. These measures were later revised with provisions of Japan’s Compliance Act. Below is a summary of our internal controls in regard to risk management and ethical compliance.

Risk Management
Specifying risk-preparation 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 also have established committees to manage risk, to respond to incidents, to establish guidelines, and to distribute manuals in regard to ethical compliance; water, disaster preparedness, environmental quality, information security, personal information management, and others. Our Board of Directors, Executive Committee, and CSR Council receive timely reports from all of these committees.

Ethical Compliance
The Compliance Committee and Corporate Compliance Department, chaired by the director responsible for risk management, is a department that monitors the adherence to our ethical guidelines and reports to the Board of Directors, Executive Committee, and CSR Council. In the event of a serious legal or regulatory breach or of any other serious misconduct, the chairman of our Compliance Committee receives a report from the chairman of the compliance committee or the CEO. The report is then submitted to the Board of Directors. Our independent and experienced representatives of the public accountancy conduct internal audits and about the maintenance and operation of our framework of internal controls.
CORPORATE GOVERNANCE

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 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 creating sound management that is fair and transparent, and we have worked continuously to reinforce that 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 accounting firm. 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, our included 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, the Executive Committee, which comprises the chairman 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 members, the members of which include three independent members recruited from outside the company, to ensuring our audit department engages in appropriate financial auditing of the parent company and its principal subsidiaries and affiliates. We reinforce the auditing function by maintaining autonomy among these 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 3-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 operations 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 foster 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 directed guidelines to promote involvement with organized crime and strengthen our framework of internal controls. And in June 2017, the Board of Directors strengthened our internal controls further by adopting measures related to managing subsidiaries and conducting internal audits. These measures were designed in accordance with revisions of Japan’s Corporate Act. Below is a summary of our internal controls in regard to risk management and ethical compliance.

Risk Management
Specifying risk-preparation measures at Yokohama is our Risk Management Committee, chaired by the director responsible for risk management. That committee evaluates risks 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, audits, disaster preparedness, environmental quality, information security, personnel information management, and so on. Our Board of Directors, Executive Committee, and CSR Council receive timely reports from all of these committees.

Ethical Compliance
Our Corporate Compliance Department is our Corporate Compliance Committee. The members of the Board and our Audit and Supervisory Board members refer to guidelines established by the Tokyo Stock Exchange for ensuring independence.

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 group 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 function 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.