

CSR REPORT 2014

To Build a Trusted Identity as a Contributing Member of the Global Community



CSR REPORT 2014

Editorial Policy

Our stakeholders are advised that within this report a focus has been placed upon those representative measures of the Yokohama Rubber Group that are being promoted to realize the CSR management vision of “To build a trusted identity as a contributing member of the global community”.

From a medium-term perspective, this brochure has been compiled to convey in easily-understood terms what Yokohama Rubber thinks it should be doing, and is doing, with regard to the message of “protecting the environment and people around the world”. In the Annual Activity Report, in accordance with the seven core subjects of ISO26000 framework, a review from managers has been offered along with measures that are being undertaken both domestically and overseas.

Please note that the organization names and affiliations appearing in the report are current as of April, 2014.

As is the case each year, in the CSR Report online edition, information corresponding to the GRI Guidelines (Version 3) Application Level B is listed.

CSR Web

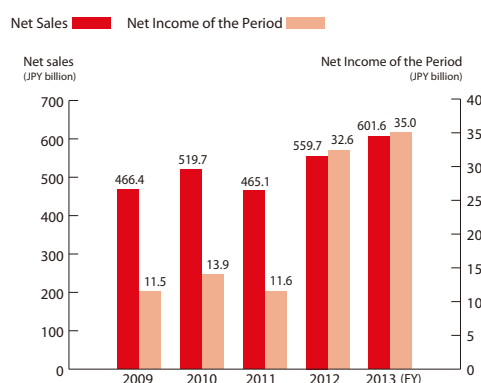
<http://www.yrc.co.jp/csr/en/>

Yokohama Rubber Group at a Glance (as of December 31, 2013)

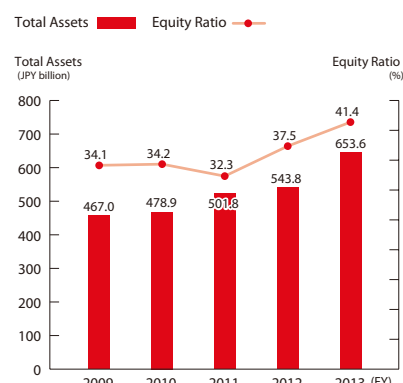
Company Name	The Yokohama Rubber Co., Ltd.	Number of Employees	19,770 (consolidated)
Establishment	October 13, 1917	Number of Shareholders	13,612
Paid-in Capital	JPY 38,909 million	Number of Shares Issued and Outstanding	342,598,162
Net Sales	JPY 601,629 million (consolidated)	Number of Consolidated Subsidiaries	121
Fiscal Year End	December 31	Number of Affiliates Accounted for by the Equity Method	2
Chairman and CEO and Representative Director	Tadanobu Nagumo	Our Worldwide Locations	Japan, the USA, Canada, Australia, Germany, the Philippines, Vietnam, China, Thailand, Russia, etc.
President and Representative Director	Hikomitsu Noji	Website	http://www.yrc.co.jp/global/index.html
Head Office	36-11 Shimbashi 5-chome, Minato-ku, Tokyo, Japan 105-8685		

*In order to be consistent with overseas subsidiaries with respect to consolidated accounting practices, etc., it was decided to shift the date of financial closing from March 31 to December 31 as of the 2011 financial year.

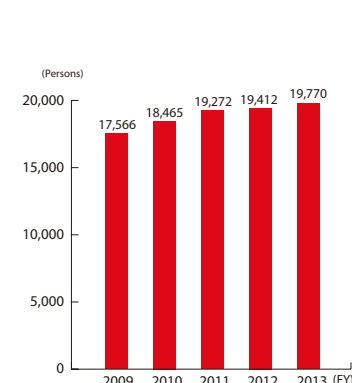
Net Sales and Net Income (consolidated)



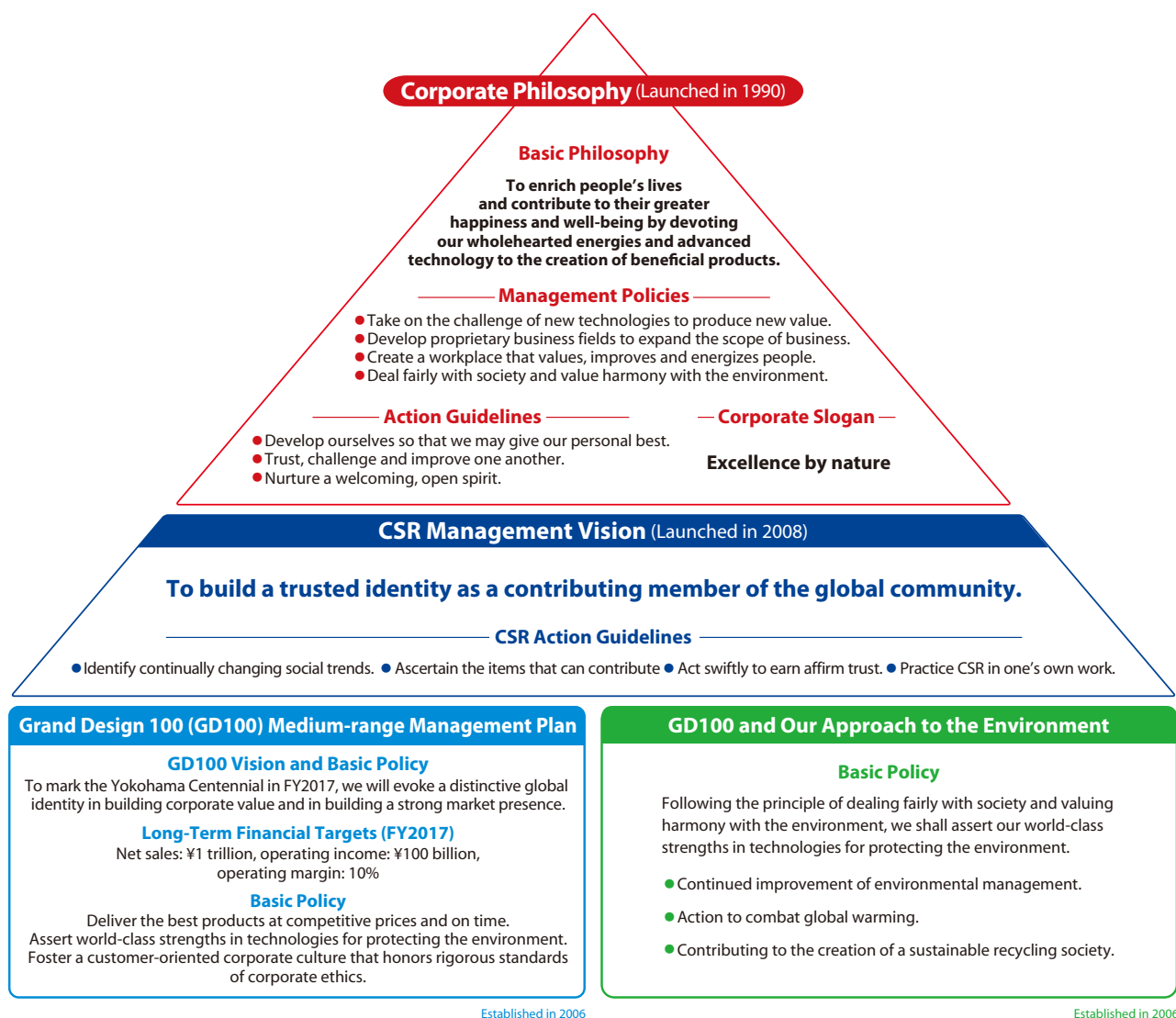
Total Assets and Equity Ratio (consolidated)



Number of Employees (consolidated)



Issued Date: September 2014 **Editorial Responsibility:** CSR Report Editorial Group



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Notes Concerning Forward-Looking Statements

This report contains projections, statements regarding plans and objectives, and other forward-looking statements. All such statements are made based on assumptions and judgments derived from information available as of March 2014, and are subject to risks and uncertainties that could cause actual performance to differ, including not only the business activities of the Yokohama Rubber Group but also global and economic trends and changes in the global environment. We hope for your understanding on this point.

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MESSAGE FROM THE
PRESIDENT



**Yokohama Rubber's Commitment to be
a Corporate Group Truly Indispensable to
Society Like No Other**

Hikomitsu Noji
President and Representative Director

Fulfilling Our Responsibility as a Supplier with a Global Perspective

The principle of “To build a trusted identity as a contributing member of the global community” represents the CSR management vision we at Yokohama Rubber uphold. In FY 2013, our employees worked collectively toward achieving this vision, and it was also a year in which we made a great deal of progress in the global expansion of our businesses.

Worldwide demand for tires is expected to increase over the medium to long term, causing supply shortages to continue. In response, it will be more important than ever to think truly globally, in which Japan is a single country in the world, instead of viewing the world from a Japanese perspective. That is, where in the world and how many tires should be manufactured? What is the most efficient means to shipping these tires and getting them to our sales channels? Without being aware of these answers and more, we will never be able to fulfill our responsibility as a supplier on a worldwide scale.

In the future, we may not even need to have our head office located in Japan. I believe we must develop the future leaders of our company organically from locally hired employees at each of our sites around the world. We will also build a framework for promptly identifying and addressing human rights issues and preventing these violations and labor issues from ever occurring. At the same time, I am deeply aware of our responsibility to implement various measures that will contribute to the living standards of the local community.

Various global standards on quality and reducing environmental impacts carry with them a great meaning when it comes to our expansion in international markets. Not only do we have to launch high-value added products, but we must also actively take part in creating global standards, through our participation in the World Business Council for Sustainable Development (WBCSD) as a member of the Japan Automobile Tyre Manufacturers Association (JATMA). In turn, this will improve quality across the entire market.

Finding Ways to Conserve Resources in Every Facet of Our Businesses

In terms of reducing our environmental impacts, and to establish a stable supply of raw materials, we must conserve resources in every feasible manner within our businesses.

On the frontlines of production we are in the process of researching rubber created using enzymes and other materials, instead of petroleum. Although this type of basic research is not always glamorous, it carries with it significant meaning for the future of Yokohama Rubber.

In addition to reusing crushed used rubber as a raw material in new tires, we are also focusing on improvements in the quality and manufacture of re-treaded products where the tire tread is removed and replaced with a new one. We are also moving forward with an initiative where certain logistics providers return their used truck tires to Yokohama Rubber and all they have to do is pay a usage fee. These tires can also be reutilized as retreaded tires after they have been returned. We plan on expanding this initiative going forward.

To that end, we need to be open and widely share how we are providing value to society and the technologies and products we are producing. That is, I believe we need to further expand our engagement of consumers and stakeholders, which includes plant visits and other means.

Establishing Brand Power where Consumers Purchase Our Products Because of the Yokohama Rubber Name Brand

Yokohama Rubber’s medium-term management plan Grand Design 100, or GD100, calls for evoking a distinctive global identity in building corporate value and in building a strong market presence by FY 2017.

I believe this distinctive global identity is similar to a local bakery where people actually go out of their way to travel a long distance just to purchase its products. This presence represents a company that is truly indispensable like no other for both society and its customers. This does not necessarily mean carrying only high priced products, but rather a company where consumers believe their lives just would not be the same without Yokohama Rubber. We will not focus on selling only certain products that are the most popular, but rather a company where the Yokohama Rubber brand has established a solid footing among consumers and markets. These visions truly represent a distinctive global identity.

To achieve these, we must continually launch products that are one step ahead of our customers’ expectations. Yokohama Rubber has a wealth of human resources on the front lines of production with advanced skill sets that cannot be obtained through automation. Our goal will be to pass down these skills globally across the entire Yokohama Group. As is the case with our already released adjustable air cushion for wheelchairs, we are seriously exploring the possibilities of rubber materials in completely different fields and applications to create products that help resolve social issues. This is an area that we will focus even greater efforts in the future.

It will also be important to utilize our diverse pool of human resources to deploy the right people at the right place. Currently, we require that all newly hired employees participate in training sessions held outside of Japan, and we are implementing initiatives that combine with rotations to ensure our people can experience working in a host of different workplaces early in their careers. In this manner, we will be able to create opportunities for various human resources to get the most out of their skills and talents, which, I believe, represents the truest form of diversity.

The year 2014 represents the final year of phase III under GD100, which began back in FY 2006. We find ourselves at a time when we need to be thinking about our future beyond 2017, or the target year of GD100. Currently, we are reviewing specific targets and a future vision, but I would like to carry on with the vision of a distinctive global identity forged under GD100 beyond the year 2017.

Our ultimate goal is to increase the number of customers that believe they need to buy only Yokohama Rubber brand products and not those from any other company. Moving forward, we will continue working hard to achieve this goal.



For 2017 and Beyond

What is needed for evoking a distinctive global identity in building corporate value and a strong market presence?

Yokohama Rubber's medium-term management plan GD100 calls for the establishment of a distinctive global identity in building corporate value and a strong market presence. How should we contribute to the future of society as a multinational corporation with an eye on its centennial in 2017 and beyond? To answer this question and more, President Hikomitsu Noji and Head of the Corporate Social Responsibility Division Kinya Kawakami sat down with three experts in their respected field for a candid discussion.





Expert Profiles



Ms. Mariko Kawaguchi
Chief Researcher
Research Division
Daiwa Institute of Research Ltd.

Ms. Kawaguchi has advised countless corporations on how to achieve a sustainable society from the perspective of corporate social responsibilities (CSR) and socially responsible investments (SRI).



Mr. Masao Seki
Associate Professor, School of Business
Administration, Meiji University
Senior Adviser on CSR, Sampo Japan
Insurance Inc.

Mr. Seki was involved in the creation of ISO26000 as a representative of Japanese business. He also participates in various discussions on the topic of sustainable development at various international conferences.



Ms. Sook Ja Pak
Representative
Appassionata, Inc.

Ms. Pak is an expert in strategies for getting the most out of a diverse workforce, including work-life balance, diversity and telecommuting. She often conducts training and gives lectures at multinational corporations.



Hikomitsu Noji
President and Representative
Director



Kinya Kawakami
Director and Managing
Corporate Officer
Head of Corporate Social
Responsibility Division

(As of March 2014)

Yokohama Rubber Attendee Profiles



Maximizing the Use of Resources and Fulfilling Responsibilities as a Supplier

Kawaguchi: I was really shocked when I heard about the procurement of rubber materials at last year's stakeholder dialogue session. Yokohama Rubber attendees talked about how synthetic rubber is made from oil-based raw materials, which face the problem of future depletion, and the fact that endlessly increasing the number of production sites for natural rubber is impossible from the standpoint of biodiversity.

Kawakami: You are exactly right. As solutions to these challenges, we are currently researching ways to manufacture natural rubber ingredients using water, carbon dioxide gas, water, and light, and ways to produce butadiene, a type of raw material for synthetic rubber, from garbage. Our goal is to successfully develop the former by 2020 and move on to mass production. As another part of our efforts to get the most out of resources, we are also crushing used tires and using these materials to produce new tires. Currently about 1.9% of the raw rubber we produce is recycled rubber.

Kawaguchi: As a tire manufacturer, I would like us to fulfill our supplier responsibilities, while also actively sharing information with regards to the growing difficulty of sourcing raw materials. This will make it easier for consumers to better understand and visualize the need for recycling.

Seki: Yokohama Rubber is already manufacturing wonderful products, such as the Eco Tire series, but it will also be important to more actively share information on the background behind these issues, raise awareness among consumers and also involve consumers.

Pak: I believe people need to be educated further on these issues. I think it would be a great idea to provide opportunities for children to learn about this from an early age through plant tours and other means. This will encourage these same children to want to purchase environmentally-friendly products when they grow up and become consumers themselves.

Proactive Involvement in the Creation of International Standards

Seki: In getting the message out, I believe it would be a good idea to take full advantages of the platforms afforded by the U.N. Global Compact and World Business Council for Sustainable Development (WBCSD) as a multinational corporation. For example, Yokohama Rubber should get involved in the process behind creating official action plans and share its message as a corporation and member of the business community.

Noji: I agree. Our industry organization, the Japan Automobile Tyre Manufacturers Association, or JATMA, discusses a variety of important industry themes, such as the environment, resources and labor. I hope to share the details of these discussions with the WBCSD and other platforms.

Seki: Thanks to the U.N. Global Compact and other

platforms, companies today are strengthening their policy recommendation efforts. Companies should not view international standards as something that inhibits business; instead, they should actively get involved in the creation of standards and policies and make proposals not only for business, but also the betterment of society and the planet as a whole. This new form of engagement will likely be necessary in the future.

Noji: Corporations should not only be bound by international standards, but also get involved in the creation of these same standards to have a greater impact on society.

Kawaguchi: Japan's tire industry is very competitive globally, and as a member of this industry, Yokohama Rubber's commitment to create international standards and get actively involved in environmental and social issues is very a positive.

Getting the Most Out of Human Resources as a Multinational Corporation

Pak: I believe global human resource development and diversity will be important perspectives for Yokohama Rubber's ambitions as a multinational corporation. What are your thoughts about this?

Noji: As part of our efforts in human resource development, we offer an overseas training program for new employees lasting between two and three months. All new employees take part in this program.

Kawaguchi: That's really extraordinary that all new employees participate.

Noji: The before-and-after change is quite remarkable. I feel this experience is invaluable early in their careers, even if it costs a little extra.

As for management at our overseas sites, I would like to have board members at the very least made up of our local human resources. To accomplish this, we will need to clarify the extent of their authority and clarify standards for governing there work. By local, these human resources don't necessarily have to be from that particular country. For example, a person from the United States can work in Thailand for us. That is, we will be free of hurdles to hiring in terms of nationality, race or religion.

Pak: Going forward, forecasts show that by 2030 nearly one quarter of the world's population will be Muslim. This change will make it more important than ever before to have intercultural understanding.





Noji: The key above all else will be to understanding the other person instead of excluding them. This is an ideal I would like to impart on all of our employees.

Pak: On the other hand, the percentage of Yokohama Rubber's female managers is less than one percent, which is still a rather low figure. This is perhaps the remnants of when the company would not hire females as comprehensive staff, but you may have to take measures such as momentarily increase the quantitative target for the hiring of women, in order to catch up.

Kawaguchi: I also believe it would prove very effective to share the message that women can continue their career after childbirth by providing examples of women who have already achieved a work-life balance and ensuring supervisors and colleagues provide support.

Kawakami: I agree. Yokohama Rubber's Research Division has a lot of female researchers that have been able to balance their career with raising a child, so I would like to get the word out more.

Building Mechanisms to Prevent Human Rights Violations

Seki: Another important factor behind the global expansion of corporations is the issue of human rights. The one aspect of human rights being emphasized the most around the world today is due diligence. That is, building mechanisms to ensure human rights violations never occur and carrying out continual verifications and improvements.

Another important element is the presence of positive initiatives for improving the human rights situation locally. Companies often donate money for the construction of schools, but this doesn't help encourage children to actually attend the school once it's finished. This is because an environment for children to attend school needs to be established.

Kawaguchi: I see. Instead of just helping to make something, you also need to create a framework so that local people can actually use it and also follow up.

Seki: Therefore, I think it's effective to work together with a local NGO or other organization to carry out activities closely rooted in the community.

Noji: Yokohama Rubber may have focused predominantly on improving labor and living environments. For example, we make sure that the children of employees of our natural rubber production processing plant in Thailand living in company housing attend school locally. However, there may have been aspects of our initiatives where we didn't carry out sufficient due diligence.

Pak: Education is an important factor behind the future of children. This is why I believe it is important to build frameworks that enable children to attend school and study in a proper and sustained format.

Leveraging Advanced Technologies to Resolve Social Issues

Pak: I would like Yokohama Rubber to actively pursue other avenues of use for its advanced rubber technologies. For example, I hope that can use your technological prowess in the nursing care business or other areas fields where social issues will need to be addressed in the future

Kawaguchi: For example, cushions for wheelchairs have a major impact in changing the lifestyle of wheelchair users. I feel these products have great potential in Japan and Asia, where society is aging. This may not be a profitable business at the moment, but I would like us to pursue a balance with other businesses in order to resolve social issues precisely because these products can make a positive different in people's lives. From the perspective of achieving a balance, we should pursue product development and marketing by building a network of industry NPOs, consumers and local governments, and sharing this knowledge.

Noji: Yokohama Rubber is still very much a domestic company and I would like to employ opportunities based on a correct understanding of the counterparties involved. Today, we were able to receive a great deal of important feedback about human rights and diversity that we were not fully aware of until now. I would like Yokohama Rubber to become a company that reflects such feedback in our future activities, closely monitors the happenings in the world, and promotes CSR with a future-oriented approach. Thank you for your conversations and time today.

Yokohama Rubber's Growth Strategy for 2017

Protecting the Environment and People Around the World Yokohama Rubber's Efforts to Achieve Robust and Responsive Growth

Below we report on medium-term management plan GD100 started in FY2006 and the growth strategy of each division to examine the type of value we will provide to society through our business activities in the run up to our centennial in FY2017. Pages 12 to 18 highlight our MB growth strategy and tire growth strategy seen through our products and the eyes of our employees.

GD100 Vision and Basic Policy

- We will evoke a distinctive global identity in building corporate value and in building a strong market presence by FY2017.

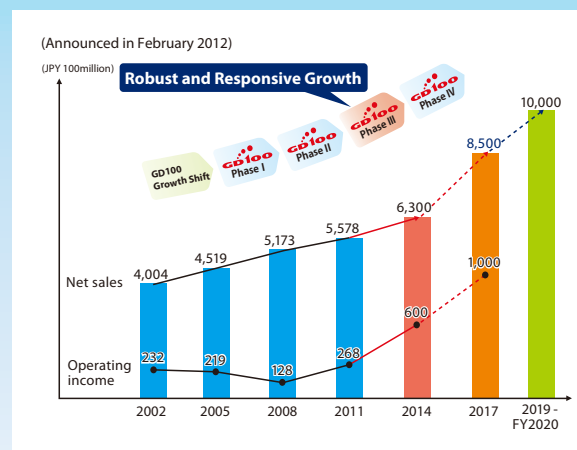
- Long-term financial targets (FY2017)

Net sales	Operating income	Operating margin
¥1 trillion	¥100 billion	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 honours rigorous standards of corporate ethics.

Position of Phase III



We expect to achieve ¥1 trillion in net sales sometime between FY2019 and FY2020 due to changes in operating environment. However, the target for operating income will be achieved as planned and we anticipate attaining operating margin of 10% ahead of schedule.

Basic Approach of Phase III

Given the basic approach of Phase III, we have created a specific strategy and initiatives for tires, MB, technology, operating base and CSR. Our growth strategy for tires and MB is presented below.

Generate investment funds using a solid operating base
and proactively invest these funds to increase primarily tire production on a large scale

Capture rising demand in growth markets
without delay by expanding supply capacity

Aim to achieve an operating margin of 10% by
improving cost competitiveness and enhancing
brand power

Tire Growth Strategy

See pages 16 to 18

● Establish a distinctive identity in global markets

- Japan: Enhance competitiveness by improving technological prowess and product development capabilities
- Overseas: Expand supply capacity and achieve profitable growth

● Increase tire production capacity on a large scale

- Increase capacity annually by approx. 7 million tires mainly in Russia, China, the Philippines and Thailand
- Carry out ¥140 billion in new investments to increase production aimed at Phase IV and beyond (expand production capacity by approx. 20 million tires per year)

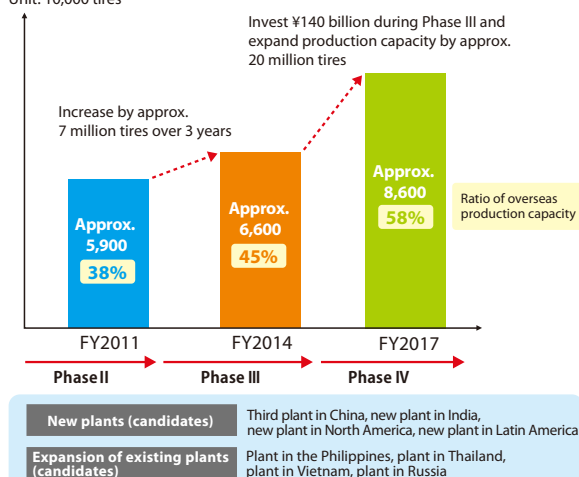
● Roll out high value added products globally

- **Consumer goods:** Accelerate worldwide rollout of flagship tire ADVAN, fuel efficiency-focused tire BluEarth, winter tire iceGUARD, SUV tire GEOLANDAR and carry out sales and marketing to increase their use on new luxury cars
- **Production goods:** Launch and increase production of large tires for construction vehicles (especially radial tires over 49 inches in wheel diameter)/ increase the number of highly functional products, such as super low profile truck and bus tires, and increase rollout of retread tires.

Expand Tire Production Capacity by Increasing Production and Investing in New Facilities

(Announced in February 2012)

Unit: 10,000 tires



MB Growth Strategy

See pages 12 to 15

● Aim to develop a new number one product from the 3 core technologies

- Create a new number one product using the 3 core technologies of transport, adhesion, and cushioning
- Continue to expand overseas production sites and pursue structural reforms at domestic plants

● Generate and expand new business opportunities

- Generate new business opportunities with new products and distinctive technologies that utilize advanced telecommunications and measurement technologies

3 Core Technologies

Transport	Adhesion	Cushioning
Conveyor belts	Construction sealants	Rubber bearings
High pressure hoses	Hard coat materials	Fenders
Water tanks	Windshield sealants for automobiles	Aero-cell cushions for wheelchairs

MB Growth Strategy

Supporting the Joy of Mobility with **Medi-Air Technologies**

Tadao Aida
(pictured at right)

Mr. Aida is utilizing his experience in product development and sales promotion support for companies in various sectors to help revitalize Japanese society, which is expected to see its population gray further moving forward. He also investigates uneven parts of the road and sidewalk using his wheelchair in order to achieve universal designs in community development plans. Mr. Aida is also an advocate of the Human Resource Self Sustainability Project that focuses on caring for those providing care.



Looking to fulfill expectations for manufacturing that improves people's quality of life in Japan's rapidly aging society

I first learned about Medi-Air at the International Home Care & Rehabilitation Exhibition held in 2011. At the time, bed sores on my hip had gotten worse and for some time I was very close to being bedridden since I could only sit in a wheelchair for only so long. I borrowed the air cushion as a product monitor only half believing, but I was desperate to try anything.

I lost my freedom of movement when I fell down an escalator in 2007. After the accident, I began my new life in a wheelchair, and the wheelchair turned out to be more than just a method of getting around, it was where I lived. The question mark I had toward the Medi-Air One was whether it could rid me of my fears and give me peace of mind about life in a wheelchair. I don't have feeling in my upper body, too, so I'm unable to lift and reposition myself alone even if I know my I have poor blood flow when sitting in the same position for an extended period of time. I remember the automatic inflation and deflation of the Medi-Air One felt just like my own hands were repositioning my body. I was really troubled by bed sores so much, so that my doctor told me I would need surgery if I couldn't get them under control. After about six months of using the Medi-Air One I began to feel my bed sores improving. I was receiving various other treatments at the time, so it wasn't until after about one year of using the Medi-Air One that I firmly believed it was responsible for my progress. I was able to use a wheelchair freely again, which greatly extended my scope of activities. The sound of the Medi-Air One inflating and deflating eased my fears of my bed sores reoccurring and gave me a positive outlook.

Today, I have an even greater outlook on life, which has broadened my vision from myself to the rest of society and encouraged me to take action. My goal is to contribute to a more comfortable aging society through my verification work on the unevenness of various surfaces around town.

I believe that rubber products will provide us with even more possibilities in the future. For example, I think it would be a good idea to develop products for nursing care providers that leverage the unique features of rubber, such as its water repellency and prevention of static electricity. I sincerely hope that Yokohama Rubber will use its company-wide commitment to take the lead in the industry toward broadening the possibilities of rubber technologies.

Pursuing Product Development in Tune with Customer Lifestyles

Yokohama Rubber decided to enter the nursing care sector about ten years ago. When I was placed in charge I must say I found myself with cold feet since it was a field I knew nothing about. First, I felt I must understand the front lines of nursing care, so I studied the field and received Level 2 certification as a home helper. While receiving advice and support from a graduate school professor who specialized in bed sores, we finally completed the Medi-Air One after four years.

The unfortunate thing about this product, which brought us closer to actual people in need, is that it can't be mass produced due to the need for customization. It is essential that we work closely with each and every person with disability to find out their needs.

As the person in charge of development, nothing brings me a greater sense of joy than to see this product become an integral part of someone's life like Mr. Aida. I feel that each and every one of our employees needs to broaden their understanding toward the fact that Yokohama Rubber's technologies can make contributions to new parts of society we had never considered. That is, we need to change the way we think to come up with new value for consumers and society.

Hideki Nihei (pictured at left)

Development Group No. 2
Industrial Products Technical Department
Industrial Products Technical Division



Yokohama Rubber has applied the many technologies it has amassed as a rubber company to develop and market the Medi-Air series of air cushions with deflators for wheelchairs. The persons in charge of development were given an opportunity to speak with customers currently using the product to share each other's thoughts.



Masaaki Chiba
(pictured at middle)

Mr. Chiba established the NPO called Variety Club Japan in 2001 to support the independent living of children with disabilities and currently works as its Representative Director. Using his experience of appearing in three straight Paralympics Games as a representative of Japan in short-distance track and field, he promotes ways to help children with disabilities enjoy sports. Mr. Chiba also serves as Director of the Japan Association of Athletics Federations for the Disabled.

Working together so that Medi-Air can pave the way for a brighter tomorrow for people and society

I lost all feeling from my chest down after an injury about 30 years ago and I've been in a wheelchair ever since. Being paralyzed means my body can be stuck in the same position a long time, leading to bed sores, which if unnoticed can get infected and even lead to death in some cases. This is why a cushion seat for a wheelchair is an extremely important device that can literally save my life and lives of others.

In my case, scoliosis has caused my spine to curve, which means a large amount of pressure is placed on one point on the right side of my ischial bone. I tried Medi-Air, which was under development at the time, for the first time in 2011. My abdominal and back muscles don't work because I have no feeling, but I compared to before I didn't lose my sitting position and I felt very stable. Using the Medi-Air Sky, the pressure on the right side of my ischial bone is now distributed and I am no longer at risk for developing bed sores. This is because the cushion contains an air pocket cell on the right and left side that can be finely adjusted. I inflate the right side higher and deflate the left side a bit so that my upper body is straight.

However, people with disabilities are overly careful when it comes to selecting a new device or piece of equipment because it could make their condition worse if doesn't work for them. This is why I feel that manufacturers involved in the development process need to continually convey the positives of their product with a long-term perspective. Therefore, we, the customers, need to be the recipient of a one-sided service.

Currently there are two types in the Medi-Air series and many types of people with disabilities (deformities or otherwise) and different conditions, so if there is a product for those of us that want to live more active lifestyles, I think this increases the possibilities and those that exercise or do desk work for extended periods of time can use Medi-Air.

People with disabilities are able to notice a lot of things others cannot. This is why I hope to be a part of the manufacturing process so that I can share my ideas and unique perspective.

I feel very encouraged by the fact that a company like Yokohama Rubber has entered the healthcare device industry in this manner. I hope Yokohama Rubber will continue to develop and expand its sales, and establish a presence as a successful role model for other industries to follow.

Reference: Medi-Air website: <http://www.yrc.co.jp/medi-air/> (Japanese language only)

Bringing smiles to people around the world with Yokohama Rubber's technologies

The manual type Medi-Air Sky makes it possible for the user to adjust the air pressure as they see fit. The reason why we designed a manual version is because users shared with us that they wanted to feel the joy of doing something themselves and maintaining their existing abilities. We chose the product name "Sky" to embody our wishes that users will be able to go out and live more freely under the sky without the worry of bed sores.

During the development process we asked Mr. Chiba several times to provide frank feedback about the prototype. By asking actual users about their daily experience in the wheelchair with the prototype we were able to make a number of modifications. Medi-Air Sky was designated as a component for an assistive device by Japan's Ministry of Health, Labour and Welfare on March 31, 2014, which enables National Health Insurance enrollees to purchase it for a 10% co-pay.

My hope is for people feeling inconvenienced by a disability to be able to use their wheelchair with peace of mind and live a more free and independent life.

I look forward to evolving more products into something useful for more people not only in Japan, but internationally, too.

Kiyoshi Iida (pictured at right)

Development Group No. 2
Industrial Products and Technical Department
Industrial Products Division



We communicated closely with the overseas OEM supplying the component to ensure they thoroughly understood the performance we required.

Ryotaro Suefuji

Managing Corporate Officer, MB Production and Technology
Raw Materials Development Group
MB Materials Development Department

The key is to persistently and continually think it through.

Atsushi Miyashima

Development Group No. 1
Industrial Products and Technical Department
Industrial Products Division

The development concept was to provide an even better conveyor belt to customers.

Gang Hou

Technical Planning & Administration Group
MB Materials and Development Department

It was a difficult challenge, but I gave it my utmost efforts knowing that a rubber company should never be beat by another company when it comes to a rubber product.

Hidehiro Sasakuma

Raw Materials Development Group
MB Materials Development Department

Developing Superior **Eco Conveyor Belts** in Terms of Environmental Performance and Economics



A More Energy Efficient Eco Conveyor Belt

One of core products of the Yokohama Rubber MB Division is conveyor belts. These conveyor belts are used to transport goods at quarries and in factories as eco-friendly solutions that feature superior quality and environmental performance.

ECOTEX, which was first developed in 2001 and has since undergone several modifications, optimizes the visco-elasticity of rubber using proprietary rubber compounding technologies to reduce the running resistance of conveyor belts. ECOTEX has earned a strong reputation among customers for its ability to curb power consumption during use, the phase of the lifecycle that produces the largest environmental impact next to development, production, and disposal.

The mission behind this project was to develop the undisputed leader in eco-friendly conveyor belts, with further improvements in environmental performance beyond ECOTEX, which had already reached the limits of resource saving and energy efficiency. Of course, this was no easy task. One of the development team members honestly thought it wasn't possible to squeeze any more performance out of ECOTEX.

The development team focused on the rolling resistance that occurs when the conveyor belt passes over the spinning roller to transport goods. Reducing the resistance that occurs where the roller and belt contact would reduce the amount of energy needed to spin the rollers and in the process reduce the amount of electricity used. Even the smallest improvement on a part of the each roller will have a great impact on overall energy reductions because these conveyor belts can span up to one kilometer in length with a large number of rollers. However, simply looking at reducing rolling resistance to curb electricity usage could mean that the required durability and strength of the rubber gets

overlooked. The question becomes how can something be made more energy efficiency while maintaining the same materials? The answer to this question of finding the perfect balance was found with Yokohama's groundbreaking eco tires. The expertise gleamed from daily research on rubber compounding used reduce roll resistance between the road and tire, and improve fuel economy served as a big hint for the development of an eco conveyor belt.

Also, the team repeated a trial and error approach with the structure and materials of other components besides rubber. Until now Yokohama Rubber's eco conveyor belts had mainly attempted to reduce the use of resources and electricity through rubber compounding alone. This time, they looked at optimizing the entire conveyor belt structure. This approach led to a major step forward in the project.



Repeated Failures Turned Out to be the Key

Development team members look back and find that their daily dedication and repeated failures actually turned out to be the key to success. There were times when the prototype turned out for some reason to have poorer performance than existing conveyor belts. The team never gave up, and instead thoroughly looked at why that happened, which produced new knowledge to use. These repeated efforts lead to the successful development.

These efforts to develop the undisputed champion in eco conveyor belts and greatly reduce environmental impacts during usage represent the true embodiment of Yokohama Rubber's commitment to protect the environment and people around the world. Yokohama Rubber is set to leverage its strength of enhancing durability, reducing weight and employing the same technologies in other products to tackle the challenge of addressing the many challenges that society faces.



I focus on having a never-give-up attitude in our pursuit of developing the number one product in the market.

Eita Minegishi

Technology Group No. 1
Aerospace Engineering Department
Aerospace Division

I always devote my attention to the materials and technology aspect, while carefully thinking about the endless possibilities.

Ayano Hirose

Technology Group No. 1
Aerospace Engineering Department
Aerospace Division

Making the Best Airplane **Lavatory** in the Skies with a Focus on **Quality and Passion for Flying**

→ Integrated Approach from Materials Selection to Production

Yokohama Rubber manufactures a number of products for the aerospace components field, including tanks and insulation, among others. One of its core products is the wash basin unit installed in commercial airplanes known more commonly by passengers as the lavatory. Due to space restrictions, a lavatory must be compact and yet easy to use. At the same time, a lavatory also needs to be light weight, flame resistant and solidly built from the standpoint of safety and lessening environmental impacts. This demands materials and manufacturing technologies that meet rigorous standards for development and production.

One of Yokohama Rubber's advantages is that it has the Aerospace Engineering Department, which is responsible for everything from materials selection through to production. This means that everyone on the front lines of each field works in close proximity, making it possible to develop and manufacture while sharing each other's knowledge and experience. This has contributed to Yokohama Rubber's strength of adequately being able to respond to customer needs.

Aerospace components is known as a rather peculiar field. One reason is because commercial airplanes are used for 10- or 20-year periods and the timeline for development differs compared to consumables. This makes for rigorous demands when it comes to quality and start-overs are not acceptable. The field requires a precision that needs to satisfy not only customer requirements, but also comply with aviation laws and regulations. No matter how extraordinary a material or design may be, it cannot be used if it does not comply with the applicable laws and regulations. Therefore, persons in charge of development at Yokohama Rubber note that they have acquired the habit of devoting their attention to materials and technologies, and thinking carefully about all possibilities, by constantly questioning conventional approaches and methods.

Yokohama Rubber's corporate culture of always pursuing the highest possible quality has made development possible under such rigorous conditions. The other advantage is the passion that employees involved in development and manufacturing have toward airplanes. Even the employees acknowledge that the Aerospace Engineering Department is full of airplane aficionados. This strong passion translates into making the impossible possible and creating ideas that have earned the trust of customers.

→ Pursuing People-and Eco-friendly Products that are Leaders in Their Respective Markets

Yokohama Rubber's commitment to protecting the environment and people around the world is alive and well in the field of airplane lavatories.

For example, the selection of sustainable materials that do not impact the environment. The fiberglass reinforced plastics used to make many of the interior components of a lavatory is not recyclable and can only be disposed of by crushing and incineration. By switching to a highly recyclable thermoplastic plastic material and making innovations to the design and production method, Yokohama Rubber was able to successfully reduce environmental impacts by a large margin, while maintaining the same strength, flame resistance and light weight design. In addition to including the customer's requirement for a universal design, Yokohama Rubber occasionally pitches ideas to the customer to make the lavatory design even easier to use for any passenger. In this manner, we have created and supplied a large number of products that are eco-friendly, people-friendly, and offer a more comfortable travel environment for all passengers. We believe this culture will help us to constantly pursue the goal of developing the next number one product in the world cited in our medium-term growth strategy.



Tire Growth Strategy

Delivering Tires that Protect the **Environment** and **People** Around the World

In 1996 Yokohama Rubber was among the first in the industry to focus on the fuel economy of tires with the belief that tires represent a game changer. In 1998 it launched the Eco Tire DNA series, and since then Yokohama Rubber has consistently been at the forefront of the eco-friendly tire market in Japan. The BluEarth series that aims to protect the environment and people around the world represents a culmination of these efforts.

In 2013, the new BluEarth-1 EF20 was launched. This tire maintains the same fuel economy performance as conventional BluEarth tires, but with improved safety features. This tire, which stands as the pinnacle of fuel efficient tires, captured the highest grade possible in terms of both safety and environmental performance. How did Yokohama do it? Below two employees involved in the development process take a look back on their experiences.

Masaki Sato (left)
Amino Research Lab
Tire Technology Development Division

Masaya Mita (right)
Tire Designing Department No. 1

Received the Highest Grade Possible for both Environmental Performance and Safety

The development project that would give rise to the BluEarth-1 EF20 was launched in 2011 with the mission to develop a tire that could obtain the highest grade in terms of environmental performance and safety from the fuel economy tire grading system.

The Japan Automobile Tyre Manufacturers Association (JATMA)'s labeling system that was started in 2010 shows the grade of a tire's rolling resistance performance and wet grip performance on a five-level scale and four-level scale, respectively. The grade for rolling resistance considers how well the tire is able to improve the vehicle's fuel economy by reducing energy loss from the rotation of tires, while the grade for wet grip examines how firmly a tire grips wet road surfaces and the degree to which it can bring the vehicle to a stop. Any tire that receives a grade of at least "A" for rolling resistance performance and between a grade of "a" and "d" for wet grip performance is defined as a fuel efficient tire. The BluEarth-1 EF10 received the highest grade for rolling resistance, or "AAA," while it also received the highest grade for wet grip performance, or "a." This marked the first time ever a tire received the highest score for both.

"Being the first to receive the highest grade under this labeling system was a major goal of all the technology divisions involved. While having the chance to work on this project was a major motivation, honestly I had a lot of unease about whether it was actually possible to accomplish this goal," says Masaya Mita, who is in charge of structural design with the Tire Designing Department No. 1. Masaki Sato, who was in charge of the tire's tread rubber development with the Tire Technology and Development Division looks back and notes, "A grade is assigned for the overall tire, but the role of the tread rubber is especially important, so I felt a strong sense of responsibility." Enthusiasm, unease and responsibility. With these mixed emotions in tow the project was launched with a firm focus on its mission.

Yokohama Rubber's Amassed Technologies made Development Possible

Just as Sato says, "At the start of the project I knew we wouldn't succeed without the help of various people," development got started with collaboration between various departments within the company. "The cooperation of our plants was essential, since we examined the conceptual image of the tire on countless occasions with planning departments and checked with production departments to see if the manufacturing process was reasonable. This is because no matter how good a tire might be, it's pointless if we can't mass produce it," says Mita about his own experience working at a plant for this project.

A turning point for the project was the development of new ingredients. As for the compounding design for tread rubber, adding silica, which is used as a type of reinforcement filler, will markedly improve wet grip performance, but silica tends to lump up in rubber, which greatly increases rolling resistance. "The development of ingredients that increased the use of silica but made it harder for it to lump up and achieved even consistency within the rubber turned out to be one of the missing pieces of the puzzle," says Sato.



Yet, there was still something needed to help everything come together. The two of them mentioned this was the presence of initial technology research carried on from before the project was started that had undergone a number of daily trials and tribulations. Development turned out to be a success not because of single breakthrough, but rather a culmination of the technologies that Yokohama Rubber had built up to date.



Continually Evolving with New Ideas

The BluEarth-1 EF20 was released in the summer of 2013 just one year from the start of the project. However, for Mita, Sato and other members of the development team, this wasn't the end goal of the project. "We feel the need to further improve the technological level of both safety and environmental performance. For example, if we can create a rubber that causes less friction, we can extend the life of the tire and reduce the number of replacements, which will help conserve resources. I'd like to focus more energy on these aspects," says Sato.

There is also the possibility that performance requirements for tires will change due to the spread of the electric vehicle. Today, Yokohama Rubber is in talks with Kumho Tire, a major South

Korean tire manufacturer about a possible technical tie-up, and both Sato and Mita believe these talks have provided positive stimuli and motivated them to work on the development of more new ideas.

Work has already begun on rolling out the BluEarth-1 EF20 tire in overseas markets, which involves market research and preparation for certifications. BluEarth tires, which protect the earth and people around the world, are set to continually evolve thanks to the commitment of Yokohama Rubber's many future-looking employees.



Balancing rolling resistance and wet grip performance with increased amounts of silica and an evolved compounding technology

Silica is needed to achieve a high degree of balance between fuel efficiency and grip performance. The BluEarth-1 EF20 successfully developed a technology to increase the amount of silica used while minutely and evenly distributing it. This enabled the tire to receive the highest grade for wet grip performance, or "a," and the highest grade for roll resistance performance, or "AAA," under JATMA's labeling system for fuel efficient tires. This tire balances safety and fuel economy at the highest possible level.

Aerodynamic dimpled design

Air resistance, or drag, works against a vehicle's fuel economy, with resistance becoming particularly large at higher speeds. Yokohama Rubber developed an aerodynamic simulation for use in the tire design process based on the idea of creating a tire with reduced air resistance. This led to a dimpled design optimized for effectively reducing air resistance by changing the flow of air on the surface of the rotating tire.

Preventing air leaks using a proprietary new technology

Tires naturally lose air as time passes and lower air pressure causes an increase in rolling resistance. The AIRTEX Advanced Liner, made from a specially developed combination of rubber and plastic, is used as the inner liner inside the tire. This design helps reduce the loss of air and also reduces the weight of the tire, which maintains good fuel economy and reduces the burden of maintenance.

Making Comfort Accessible to People and Society

Punctureless Wheelchair Tires that Make Recycling Possible

Yokohama Rubber's tire business is moving forward with the development of eco-friendly tires under the theme protecting the Earth and people around the world in search of further technological innovations. Here, we will take a closer look at the development of a wheelchair tire that can be recycled and is virtually impossible to puncture, which represents one of Yokohama Rubber's technology-driven social contributions.

For Protecting the Earth and People Around the World

Generally, most wheelchair tires use the same type of inflated tires as bicycles, which require that the tire be able to support weight, have low rolling resistance and be long lasting (including resistance to wear). Inflated tires need to be regularly filled with air and carry with them the risk of punctures, resulting in a number of inconveniences for users.

Yokohama Rubber's basic philosophy is to enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technologies. This is why it decided to embark on the development of a recyclable, punctureless wheelchair tire to help mitigate impacts on people and the environment while satisfying the basic requirements.

Overcoming Technical Challenges with Amassed Technological Prowess and Expertise

Today, most rubber, once used, is incinerated as fuel without ever being recycled or reused. Certain products use a small amount of recycled rubber, but rubber's characteristics are difficult to maintain after recycling. However, Yokohama Rubber recognizes that rubber recycling will be an important way to conserving resources in the future and has begun research into possible methods. As a result, Yokohama Rubber arrived at a heat-based recycling method that uses hydrogen bonding, which makes it possible to reform rubber by heating

and cooling it. Today, the company is beginning to partially use this technology.

At the same time, Yokohama Rubber was able to develop a punctureless tire. The capacity of a normal tire to support weight is determined by the volume inside the tire and the air pressure. However, Yokohama Rubber used a method to fill the tire with rubber instead of air, making it completely solid. A solid tire can never be punctured, but it weighs more than an inflated tire and lacks the same resiliency, causing greater rolling resistance. In turn, this places a large burden on wheelchair users. To solve this problem, Yokohama Rubber welcomed Takuma Aoki as a development advisor and gathered others together to share ideas and insights, including the use of foamed rubber and innovations in the contact shape of the tire. These ideas are being put to use in solutions.

Aiming to Develop Technologies that can Contribute to the Fields of Healthcare and Welfare

Although still tackling various challenges, Yokohama Rubber is on the verge of commercializing a product that will eliminate the hassle of filling wheelchair tires with air, alleviate concerns over punctures, and reduce stress. The development of a recyclable rubber has brought us one step closer to resolving certain social issues. Going forward, Yokohama Rubber will research the potential of rubber in the fields of healthcare and welfare to create products that protect the Earth and people around the world as well as help resolve social issues.



Takuma Aoki

A former GP rider active on the world stage in the 1990s, Takuma Aoki was injured in an accident in 1998 and has been confined to a wheelchair ever since. Despite his disability, Mr. Aoki still participates in a number of car racing events for the disabled.

A punctureless tire mindful of people and society

Yokohama Rubber's punctureless wheelchair tire uses a solid tire that eliminates concerns over punctures and alleviates the stress of users by offering greater ride comfort (resiliency) and operability (reduced rolling resistance).



Yokohama Rubber Group's CSR

Approach to CSR

The entire Yokohama Rubber Group (including all its domestic and overseas subsidiaries) observes the 10 Principles of the United Nations Global Compact as action guidelines, and PDCA (Plan-Do-Check-Act) activities are being conducted by the entire group in accordance with the seven core subjects of ISO26000 certification.

UN Global Compact's 10 Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

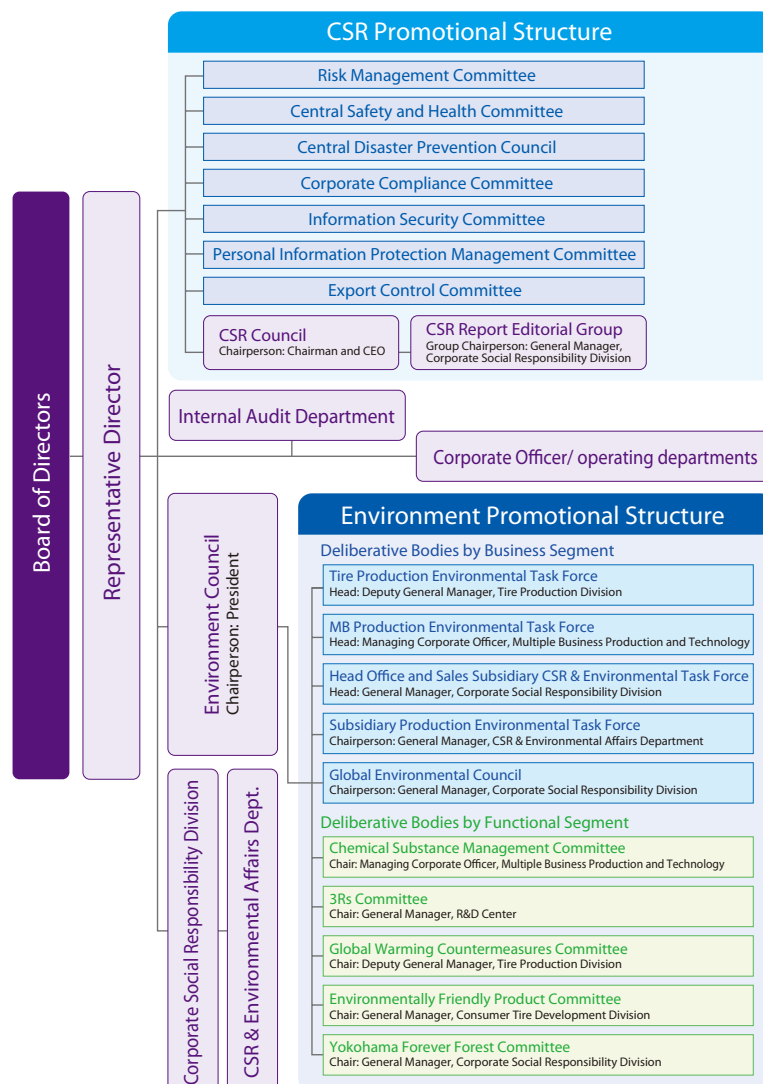


ISO26000 Seven Core Subjects

- 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 and Environmental Promotion Framework

Twice a year, we hold a CSR Council where our company Chairman and CEO serves as the chairperson; and an Environmental Council where our company President serves as the chairperson. These councils are part of an organizational framework that was established to discuss and develop plans for addressing the social responsibility issues that currently confront the Yokohama Rubber Group. The councils' ultimate goal is to build a trusted identity as a contributing member of the global community. We have three task forces, two sub-councils, and five committees, all of which promote environmental activities as sub-bodies within the Environmental Council. Every year the CSR Council and Environmental Council evaluate the performance of CSR activities carried out by the Group in accordance with the Seven Pillars of Core Subjects and develop plans for improvement in the subsequent fiscal year.



■ CSR and environmental management promotion framework (as of April 1, 2014)

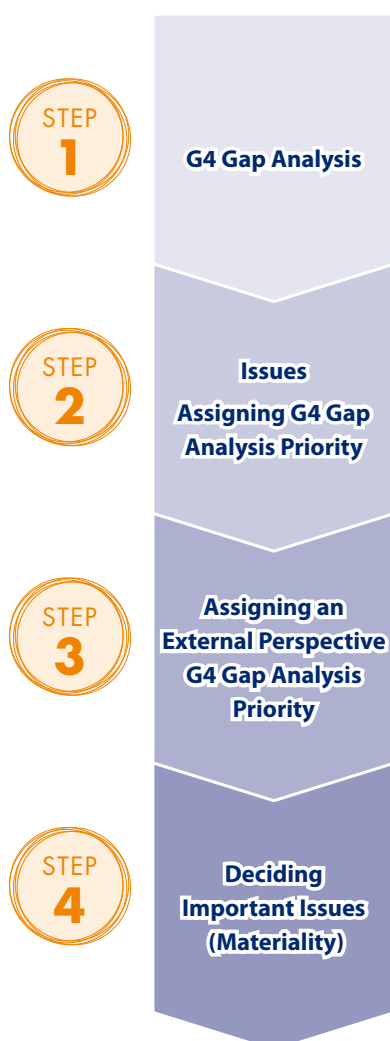
Yokohama Rubber Group's CSR

Response to the GRI Guidelines (Version 4)

The Global Reporting Initiative (GRI), an international non-government organization (NGO) that develops and disseminates globally applicable "Sustainability Reporting Guidelines", released the revised Version 4 of its GRI Guidelines (G4) in May of 2013. The content of G4 has shifted away from the "exhaustive disclosure of information" demanded previously. Instead, it demands the "disclosure of information that focuses on important issues (material aspects)". By deeper involvement of management in CSR

activities, this development aims to have business proactively possess opinions, and for the content of information reported in CSR reports to be fixed. Because GRI shall demand the preparation of G4 rather than G3 reports from 2016 onwards, Yokohama Rubber is advancing preparations in accordance with the following steps so as to prepare for G4 reporting.

With respect to the "important issues (materiality)" identified for this company, it is planned that such shall be reported upon both on the CSR Web and in the CSR Report 2015.



Focus was placed upon the G4 demands with respect to current information disclosure levels (CSR Report 2013). The current situation was grasped vis-à-vis the content and processes of both responsive and unresponsive items. (conducted January 2014)

Analysis was conducted in accordance with this company's industries, business sectors and business regions. After completion of this analysis, the G4 gap analysis priority was assigned vis-à-vis those issues identified through discussions with related business units. (conducted January – February 2014)

Sample Evaluation the "Supplier Environmental Evaluation" Aspect: For Yokohama Rubber, a company that procures natural rubber as a raw material, there is the necessity to consider that hidden human rights risks might exist within the upper reaches of supplier chains extending beyond its scope. Moreover, if wide-ranging business activities conducted in numerous regions encompassing both developed and developing nations are considered, such risks might be easily exposed. Through coordination in-house with the parties responsible for such matters, "human rights risk" was evaluated as being "a very important aspect" for Yokohama Rubber.

Interview research was conducted among five stakeholders. From the perspective of what each of these individuals considered to be important issues (material aspects), a gap analysis priority was assigned based upon the research results. (conducted February – March 2014)

▶▶▶ The opinions received from the stakeholders are offered on P21.

Concerning those important issues identified via the degree of importance analysis, the research and discussions conducted both internally and externally in Steps 2 and 3 of the preparations, discussions shall be conducted by the CSR Council and the Board of Directors, with decisions being made accordingly. (planned October 2014)

Concerning identified important issues (materiality); ongoing improvements shall be conducted via the establishment of KPI and use of the PDCA cycle.



Mr. Hiroki Uchida,

Senior Researcher,
Cre-en Incorporated

In preparing to respond to G4, in STEP 1 we supported an evaluation of current information disclosure practices; and areas of improvement vis-à-vis the demands of G4 were identified. In Steps 2 and 3 of the process, support was received by the evaluation of some 46 aspects from both internal and external perspectives. This was done to select the issues of importance. In the future, in that within STEP 4 there is a focus upon material aspects, in that the company wants to make final decisions, there exists a desire to proactively use PDCA cycles based upon the establishment of suitable KPI. In such circumstances, some expectations may be held both with respect to establishing boundaries for each aspect, and management getting proactively involved. Such factors represent a major change in the demands that are being set forth by G4 in that they constitute necessary elements for management in the future. Although there is a sense of "saying is easy while doing is difficult" with regard to G4, in that it has up until now proceeded with measures in a honest manner, expectations may be held that Yokohama Rubber will willingly swim upstream in order to blaze its own trail to further develop its business.



Opinions from Experts

This page contains the opinions of experts that took part in interviews as part of Step 3. Each expert spoke primarily about their unique field of expertise.

Today, companies need to understand what parts of occupational safety and health and labor relations that society as a whole has an interest in and disclose information as necessary. For example, there is a strong interest in mental health initiatives among all companies. By disclosing that labor-management consultations have been carried out continuously, Yokohama Rubber will be able to correctly convey that it respects the rights of workers when expanding overseas. Additionally, the proactive appointment of female board members will be essential as Yokohama Rubber steps up its global expansion in the future.

Mr. Kenichi Kumagai

Member of the Editorial and Planning Committee,
The Japan Association for Advancement of ILO Activities
Member of the Japanese National Committee for
ISO Working Group on Social Responsibility
Member of the International Drafting Committee

Mr. Kumagai is actively involved in domestic and international deliberations on ISO26000 through its involvement as member of various committees. He is also a member of the Japan Labor Law Association.



An important perspective to keep in mind when expanding business operations into various regions is the extent to which the company contributes to local employment. Contributions to employment represent a topic of strong interest both in Japan and abroad and companies should be well aware of this. Additionally, educating consumers about sustainable consumption is another topic that must be remembered when aiming to realize a sustainable society. For example, Yokohama Rubber should tackle the challenge of communicating enhancements in its brand by appealing to consumers about its consideration of ecosystems and other matters.

Mr. Masao Seki

Associate Professor, School of Business Administration,
Meiji University
Senior Adviser on CSR, Sampo Japan Insurance Inc.

Mr. Seki was involved in the creation of ISO26000 as a representative of Japanese business. He also participates in various discussions on the topic of sustainable development at various international conferences.



I would like to draw attention to anti-corruption, in addition to those other important issues of human rights, diversity, equal pay, complaint processing systems, and the protection of customer's privacy. There is no dedicated government ministry in Japan that covers anti-corruption matters, and other countries pay much more attention to the issue of anti-corruption than we do in Japan. The UN Global Compact even has an independent provision on the issue.

With globalization advancing today anti-corruption has become an even more important issue, and companies need to have a clear policy on anti-corruption and response measures in place.

Ms. Mariko Kawaguchi

Chief Researcher
Research Division, Daiwa Institute of Research Ltd.

Ms. Kawaguchi has advised countless corporations on how to achieve a sustainable society from the perspective of corporate social responsibilities (CSR) and socially responsible investments (SRI).



Today, a company should integrate social responsibility throughout the company and practice it in its value chain. For example, in areas that produce raw materials, such as rubber plantations, a company needs to pay a great deal of attention to human rights risks it may be susceptible to. A company must also convey that it has established a proper grievance mechanism for its own use and of its stakeholders. A company must be much more sensitive about human rights issues when expanding its operation globally.

Ms. Kaori Kuroda

Executive Director
CSO Network Japan

Ms. Kuroda is an expert in community involvement and development. She established a regional forum with farmers and other community members in Fukushima Prefecture that is broadening exchange with other parts of Asia.



In identifying important issues, a company needs to consider not only the unique characteristics of its location, but also the time frame. For example, a company may be aware of the regional risks and in control of these risks at the present time, but once the weight of emerging markets increases over the medium to long term, the risks that are currently under control could grow into much larger ones. In that sense, I would like Yokohama Rubber to get the message out about both its current issues and management reporting as well as its medium- to long-term vision and awareness of issues.

Mr. Keisuke Takegahara

General Manager
Environmental Initiative & Corporate Social Responsibility-
Support Department
Development Bank of Japan Inc.

Mr. Takegahara lived in Frankfurt, Germany for a total of six years and is known as one of Japan's foremost experts in environmental finance, having developed the Development Bank of Japan's environmental loan rating system.



7 Pillars of Core Subjects for Yokohama Rubber to Address

With ISO26000 as a foundation, Yokohama Rubber Group set our key performance indicators for carrying out the PDCA cycle. This section details the progress of the activities we have been focusing on in order to achieve our goals by FY 2017, and provides reports from those responsible for each activity giving an overview of the current situation of respective activities, and outlines the domestic and overseas CSR activities of the Yokohama Rubber Group.

[Self-assessment criteria] ○ = Target achieved △ = Improved but targets not achieved × = No significant achievement

* 9 months, from April to December, FY2011

* Beginning in FY 2014, ISO26000 provides the central framework for our activities



Organizational Governance

p.24

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● Good ethics values based on ISO26000 compliance are well-known throughout our company. ● The entire company can visualize the applicable legislations. ● BCP support system is being developed as a group unit. 		
KPI	Cases of infringement of legal compliance FY2011 ... 0 FY2012 ... 1 FY2013 ... 2	Number of participants in compliance-training meetings FY2011 ... 558 FY2012 ... 1,477 (Participation rate 85%) FY2013 ... 1,245 (Participation rate 93%) <small>* Participation rate: percentage of all eligible employees who participated</small>	Number of reports issued via whistle-blowing system FY2011 ... 14 FY2012 ... 39 FY2013 ... 27
Self-assessment of achievements	△	○	○
Issues to be addressed	<ul style="list-style-type: none"> ● Evaluation of respective domestic and overseas companies' risk level in the group ● Penetration of CSR among domestic and overseas companies in the group 		



Human Rights

p.25

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● Our workplace is structured so that all of our diversified personnel can perform to the fullest regardless of age, gender, nationality, etc. 		
KPI	Employment rate of people with disabilities FY2011 ... 1.77% FY2012 ... 2.05% FY2013 ... 2.14%	Re-employment rate for retirements FY2011 ... 80.4% FY2012 ... 80.4% FY2013 ... 90.8%	Number of participants in overseas training among new employees FY2011 ... 51 FY2012 ... 49 FY2013 ... 42 <small>(100% of the new employees)</small>
Self-assessment of achievements	○	○	○
Issues to be addressed	<ul style="list-style-type: none"> ● Promotion of the use of women employees ● Development of global human resources ● Establishment of human rights policy 		



Labor Practices

p.26

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● We will establish a "zero risk" safety culture. 	
KPI	Average accident rate of all global sites FY2011 ... 1.29 FY2012 ... 1.01 FY2013 ... 0.99 <small>(Total number of accident occurrences: up 17% from the previous year; the target was not achieved)</small>	Regularly scheduled "open work observation" FY2012 ... 9/10 factories FY2013 ... 10/10 factories
Self-assessment of achievements	×	○
Issues to be addressed	<ul style="list-style-type: none"> ● Establishment of a standard operation procedures through "open work observation" ● Fostering of a "Safety Worker" system ● Using a "calendar of past accidents" to maintain vigilance about safety (by maintaining memories of past accidents) 	



The Environment

p.27

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● We will turn all of our products into environmentally friendly ones. ● We will try to achieve a 25% reduction of greenhouse gases. ● We will achieve and maintain total zero emissions in both in our domestic and overseas factories and intend to keep this up. ● We will enhance the environmental preservation activities in the surrounding areas of both of our domestic and overseas factories. 			
KPI	Percentage of environmentally friendly products among our complete product line FY2011 ... 89% FY2012 ... 91% FY2013 ... 93%	Reduction in the rate of greenhouse gas emissions compared to the base year (domestic group) FY2011 ... 13.2% FY2012 ... 15.9% FY2013 ... 15.9%	Numbers of domestic and overseas factories that achieved total zero-emissions FY2011 ... 21 FY2012 ... 23 FY2013 ... 24	Total water intake at domestic and overseas factories FY2011 ... 8.97 million m ³ FY2012 ... 8.25 million m ³ FY2013 ... 8.28 million m ³
Self-assessment of achievements	○	○	○	○
Issues to be addressed	<ul style="list-style-type: none"> ● Improvement of systems at domestic and overseas business locations towards the achievement of our new mid- to long-term environmental goals ● Biodiversity study at overseas business locations 			



Fair Operating Practices

p.28

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● Our company is able to enhance various CSR activities on the global stage by co-operating with our partners. 		
KPI	Percentage of raw materials procured locally by overseas factories FY2011 ... 70% FY2012 ... 73% FY2013 ... 75%	Numbers of global meetings held; number of participating groups FY2012 ... Once a year; 8 locations in 5 countries FY2013 ... Twice a year; 7 locations in 5 countries	Numbers of partners that participated in CSR workshop FY2012 ... 177 companies FY2013 ... 298 companies
Self-assessment of achievements	○	○	○
Issues to be addressed	<ul style="list-style-type: none"> ● Partners' human rights and labor practices ● Establishment conflict mineral policy ● Sustainable material procurement ● Promotion of greenhouse gas emissions awareness in terms of the supply chain (Scope 3) 		



Consumer Issues

p.29

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● Consistent quality assurance system corresponding to the worldwide expansion of production sites ● Global comprehensive service system for all products ● Quality education for all employees at all production sites, including services 		
KPI	Numbers of employees who newly completed quality training at factories FY2011 ... 73 FY2012 ... 98 FY2013 ... 128	Numbers of newly-qualified service engineers FY2011 ... 111 FY2012 ... 105 FY2013 ... 96	Total number of ISO/TS16949 qualified internal quality auditors FY2012 ... 714 FY2013 ... 826
Self-assessment of achievements	○	△	○
Issues to be addressed	<ul style="list-style-type: none"> ● Expansion of quality training at overseas factories ● Global enhancement of training for service engineers 		



Community Involvement and Development

p.30

Our Goals (by FY 2017)	<ul style="list-style-type: none"> ● A system is in place to apply what stakeholders have to say. ● Five hundred thousand trees have already been planted at both domestic and overseas business locations. 		
KPI	Yokohama Forever Forest project, number of seedlings planted during the year FY2011 ... 49,030 FY2012 ... 53,625 FY2013 ... 39,791 (Total 326,000 trees, achievement rate 65%)	Numbers of saplings provided FY2011 ... 26,848 FY2012 ... 29,169 FY2013 ... 55,635 (Total 161,593 trees)	Numbers of social gatherings held with local citizens at factories (per year) FY2011 ... 6 FY2012 ... 6 FY2013 ... 8 * Changed to the total number per year
Self-assessment of achievements	○	○	○
Issues to be addressed	<ul style="list-style-type: none"> ● Cooperation with NGOs in our business areas ● Development of a system to support employees' volunteer activities ● Support for reconstruction of disaster-stricken areas 		



Organizational Governance

Issue

1

Yokohama Rubber Group Initiative Policy

Yokohama Rubber Group is making every effort to fortify and improve the support system for corporate governance to be established in order to realize management with transparency and fairness under our Corporate Philosophy. Thereby, this is becoming the management body to maintain our ever evolving corporate value in order for our management to continue to win unshakeable credibility.

Message from the General Manager, Corporate Affairs and Compliance Department

The Yokohama Rubber Group regards fostering a customer-oriented corporate culture as our first priority, by respecting high standards of corporate ethics and understanding the importance of corporate governance and compliance.

In accordance with the principles of internal control, we make use of necessary committee structures to conduct inspections and follow-ups to ensure fair business practices. We also discuss and prepare countermeasures against potential crises, while always remaining careful to efficiently deal with all possible risks.

Even within this corporate culture, in FY 2013 we received a correction advisory notice and guidance from the authorities concerned due to inappropriate responses to disaster at our domestic factories. In order to achieve thorough legal compliance, we rebuilt our management system to enable all offices to carry out appropriate disaster response and conduct prompt rescue activities, and also implemented additional employee training programs.

It is essential that we further improve governance and compliance not only at our domestic business locations but also at our overseas business locations, in order to operate our business under our goal for FY 2017 that “we will evoke a distinctive global identity in building corporate value and in building a strong market presence.”

To achieve this goal, we strive to promote information-sharing with overseas business locations while also supporting and revising, as necessary, the activities detailed below. We will continuously engage in enforcement and transparency in fighting against corruption such as bribery and complying with competition laws.

Hisao Uchida,

General Manager, Corporate Affairs Department and Corporate Compliance Department,
Corporate Social Responsibility Division



Compliance awareness raising through the NO DRUG campaign

YOKOHAMA TIRE MANUFACTURING (THAILAND)

We have conducted regular drug tests on our employees since 2010, in order to improve the health and quality of life of our employees and their families. In FY2013, we administered drug tests to a total of 1,994 employees (96%), and 60 of them (3%) tested positive for drug use. In order to minimize drug abuse, employees who tested positive for drug use were required to participate in a drug dependence prevention program at a hospital. Although Thailand faces great difficulties in eradicating drug-dependency and related problems, we were certified as “White Factory” (Grade C) on March 21, in cooperation with the government-led “White Factory Project”. We will continue to promote the PDCA cycle including conducting drug testing, offering support, and reporting the results.



White Factory Certification Ceremony

Drug test results

2013	January	February	March	April	May	June	August	September	October	November	December
Number of employees	1,861	1,835	1,862	1,852	1,846	1,843	1,939	1,965	1,964	1,970	1,994
Tested Number of people (%)	124 6.66%	135 14.11%	131 20.95%	149 29.10%	127 36.08%	122 42.76%	151 48.43%	280 62.04%	237 74.13%	245 86.35%	223 96.49%
Number of people tested positive for drug use	4 3.23%	1 0.74%	10 7.63%	3 2.01%	0 0.00%	2 1.64%	5 3.31%	10 3.57%	15 6.33%	6 2.45%	4 1.79%



To Counter Corruption Making commodities, information, and money more visible

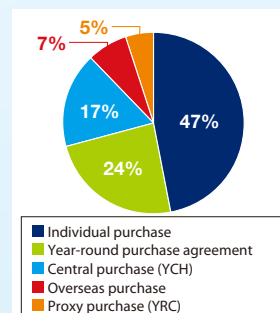
Suzhou Yokohama Tire Co., Ltd.

As a general rule, we obtain competitive quotes before purchasing any goods. For consumable supplies used on a regular basis, we obtain competitive quotes based on the past year's consumption, in order to increase year-round purchase agreements. The procurement result for such competitive quote agreements for FY 2013 was 24%.

We also proactively promote central purchasing via YCH (purchase control company), which maintains the stable performance and purchase price of goods by centrally controlling common purchases among all offices in China. In FY 2013 central purchasing accounted for 17% of purchasing.

We employ the separation of purchasing duties between ordering, inspection, and payment, as well as the rotation of said duties. We also share the number of urgent purchases and unchecked purchases at monthly cost meetings so as to decrease unplanned purchases.

In order to prevent corruption, we insist on the transparency of the flow of goods, information, and money by publishing lists of purchase orders.



Purchase breakdown (FY 2013)



Purchasing staff



Policies for Human Resource Management

We will create an environment in accordance with our management policy of creating a workplace to value, improve, and energize people, where each of our ever-diversifying personnel can equip themselves with the necessary skills and perform by utilizing their capabilities to the fullest. Also, we aim to create a workplace where our employees can realize a work-life balance.

As an urgent need, we will continue to focus on fostering personnel who can perform on the global stage, in order to deliver the business strategy of GD100 and various technical strategies.

Message from the General Manager, Global HR Department

The environment around us has been continuously evolving, based on various factors such as the globalization of the business domain and a decrease in the domestic labor force due to the falling birth rate and Japan's aging population. Accordingly, we have developed an environment that caters to diversity, by fostering the talents of women, senior citizens, and persons with disabilities, and supporting and appointing their respective talents in accordance with the aforementioned changes and in consideration of the human rights involved in business expansion. Since 2009, our personnel training program has been sending all new career-track employees to our overseas group companies for a 2-month training session, in order to develop individuals with a global perspective by experiencing diverse cultures first hand while they are still young. The number of employees to have completed this overseas training reached 250 this year. We promote the employment of people with disabilities through regular recruiting as well as with the establishment of a special subsidiary company (Yokohama Peer Support). We also leverage the skills and experiences of retired employees in a company (Yokohama Business Association) that focuses on handing down skills to current employees and supporting the business operations of the current generation.

As a goal for FY 2017, Yokohama Rubber Group pledges that "our workplace will be structured so that all of our diversified personnel can perform to their fullest potential, regardless of age, gender, nationality, etc." Considering our current progress in terms of this goal, we have made achievements in the employment of people with disabilities but we must make more progress in the utilization of global human resources and women.

To address these challenges, we are implementing measures such as "reviewing and establishing an improved personnel system globally and regionally," "developing a successors' education system," and "discovering, recruiting, and educating outstanding human resources in each region." In the area of human rights, we do not tolerate discrimination of any kind, on the basis of race, religion, or any other factors whatsoever.

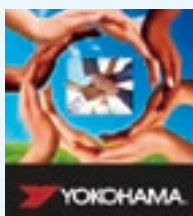
Tsuneyuki Ishizuka, General Manager, Global HR Department, Corporate Planning Department



Promotion of trading opportunities with minority-run companies

YOKOHAMA INDUSTRIES AMERICAS INC.

We have been working to expand supply lines (both direct and indirect trade) in order to ensure the provision of quality products and services, allowing us to evolve with the community and providing investment and employment opportunities in the community by promoting trade with diverse suppliers, including minority-run companies, such as those operated by African-American and Hispanic people. More specifically, we regularly participate in trade shows held by relevant organizations to seek business opportunities; as a result, we have established business relationships with a delivery company and a repair-parts supplier both run by minorities, and our total transaction value with minority-run companies has doubled from a year earlier.



Education for the children of employees

Y.T.RUBBER CO.LTD.

Our rubber processing factory employs not only local Thai people but also those from Myanmar. Our employees from Myanmar live in company residences in the factory with their families. The children of our employees from Myanmar have a hard time keeping up with the classes in local schools, so we recently created a place within the factory for them to study and spend the day. Currently, we are hosting teachers from Myanmar, who teach reading and writing skills to children between 4 and 7 years old. The program is highly regarded by our employees from Myanmar, who can work with fewer worries about their children.



Promotion of work-life balance

On August 1, 2013, we received the "Kurumin mark" as a company offering child-support programs from the Ministry of Health, Labour and Welfare in Japan. The certification was in recognition of our 2-year action plans and achievements between April 2011 and March 2013 to realize the balance between work and child-raising for our employees.

- Promotion of childcare leave system for both mothers and fathers
- Provision of information for those who took childcare leave to comfortably return to work, and publicizing relevant support systems
- Expansion of leave system for childbirth and childcare
- Promotion of using annual paid vacation
- Consideration of other measures to support child rearing



The childbirth and childcare leave system was changed to "up to 10 days before the child turns one-year-old," which led to an increase in both the number of days and the number of people who took advantage of the system.



Labor Practices

Issue

3

Yokohama Rubber Group Safety Policy

1. All employees across the entire group make safety a primary concern, and improve safety activities through their participation, actions, and cooperation with others from all office organizations and job positions.
 - (1) Each member of a workplace conforms to workplace rules and works with safety in mind.
 - (2) All managers and supervisors take responsibility to ensure the safety of their employees, without missing any unsafe conditions or actions. Managers and supervisors clearly express their attitudes towards safety and devote themselves to the "3 Realities Principle" (personally observe the 3 realities: the real place, the real thing, the real situation) and to grasping a complete picture of their respective workplaces.
2. We proactively adapt to laws and government guidelines related to safety and health.
3. We familiarize all group employees with the importance of safety and health, and provide the necessary education and training.
4. We utilize the PDCA cycle and make continuous effort to reduce risks for the elimination of potential hazards related to work and facilities through the Occupational Safety and Health Management System (OSHMS).
5. We strengthen 2S activities (seiri and seiton, or sorting and straightening) based on the idea that "2S is the basis of health and safety."
6. We promote a comfortable working environment where employees can work free from anxiety, and provide active support to promote employees' health.
7. As a company that plays a role in the automobile industry, we contribute to efforts to prevent traffic accidents.

Message from the General Manager, Safety & Health Management Department

Based on the recognition that "safety and health are the foundation for everything else," we aim to prevent workplace injuries, promote a comfortable workplace, and encourage healthy lifestyles, under the strong leadership of managers and supervisors and the cooperation of all group employees. As a step towards reaching our goal to "establish a zero-risk safety culture" by FY 2017, each office has already acquired OSHMS certifications and implements the PDCA cycle of safety activities. However, there is still room for improvement in the areas of systems, human resources, and facilities. Our challenges going forward are to enhance people's awareness and improve the safety of our facilities.

Unfortunately, in FY 2013 8 accidents resulting in lost-time injuries occurred. One of them was a serious accident resulting in the loss of the hand (at the wrist) by the extruder. Furthermore, in two additional accidents, we mishandled initial measures and ultimately exacerbated the damage caused.

Therefore, in the area of systems, we are working to establish appropriate and feasible rules. Specifically, we are developing Standard Operation Procedures(SOP) through open work observation. A good SOP will ensure safety at work as well as product quality, and will also improve productivity. In the area of human resource development, we are focusing on training each and every employee to avoid injuries and comply with rules as a "Safety Worker." We use a "calendar of past accidents" to maintain vigilance about safety (by maintaining memories of past accidents), and we review the calendar each year. At the same time, we also raise risk awareness by reconfirming the efficiency of both our safety measures and our involvement of peer groups in our safety measures. In the area of facilities, we promote the improvement of our facilities through risk assessment.

Kenji Suehiro, Safety & Health Management Department, CSR Division



Certified as a model company for building a "culture of safety"

Hangzhou Yokohama Tire Co., Ltd.

In September, we were recognized by the Zhejiang Production Safety Committee, and were certified as a "Zhejiang model company for building a 'culture of safety.'" This certification recognizes the outstanding companies that promoted proactive safety measures and achieved a satisfactory level of performance. Only 3 companies in Hangzhou City, and a total of 26 companies across Zhejiang Province, received the certification.

Our emission reduction activities to install sewage treatment facilities and deodorization facilities at mixed/vulcanized zoon, and environmental conservation activities including the YOKOHAMA Forever Forest project, received accolades from the local government. In October, we were certified as the first environmental education base in the Hangzhou developmental zone.



Green Day Activities

YOKOHAMA TYRE VIETNAM INC.

Based on the idea that the maintenance of a comfortable working environment is essential in creating a safe working environment, in November 2011 we began suspending factory operations on the first day of every month in order to use that time to clean the factory buildings, work spaces, and equipment. In our morning meetings, we recognize employees who have followed the rules and have worked hard, made contributions to personnel training or process improvement, proactively engaged in demonstration activities, and/or proactively reported near misses.



Awards for outstanding employees



Children also participate in cleaning activities around the factory



Education on proper separation of garbage and recycling



Yokohama Rubber Environmental 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.

1. Yokohama Rubber will globally initiate environmentally-conscious measures in all of its activities, and will make all of its manufactured goods environmentally-friendly products.
2. Yokohama Rubber will deepen communications with stakeholders and will strive to make contributions to local communities and to society as a whole.
3. Yokohama Rubber will strengthen its environmental management system and will continually strive to help improve the environment by using preemptive approaches to mitigate its impacts on the environment, prevent environmental pollution, and reduce sensory nuisances.

4. Yokohama Rubber will comply with all related laws, regulations, and agreements as well as endeavor to continually implement activities that help improve the environment.
5. Yokohama Rubber will strive to prevent global warming, conserve energy and resources as well as promote resource recycling aimed at the fulfillment of a recycling-oriented and low-carbon society.
6. Yokohama Rubber will strive to conserve biological diversity and use organic resources sustainably in its business activities.
7. Yokohama Rubber will promote harmony with local communities as part of its commitment to work with and become a company that is trusted by local communities.
8. Yokohama Rubber shall publish this policy and make it known to all.

Message from the General Manager, CSR & Environmental Affairs Department

We consider the “realization of a low carbon society,” the “realization of a resource-circulation society,” and “biodiversity conservation” as environmental challenges, and address those issues in parallel with the “homogenization and advancement of environmental management.” To realize a low carbon society, we set middle- and long-term goals for GHG emissions, and began by conducting surveys of emissions across the value chain, including Scope 3, so as to decide how to deal with these issues. In the project to realize a resource-circulation society, we have already reduced the amount of industrial waste and increased the number of zero-emissions production sites. In our activities to conserve biodiversity, the Mie factory held the first debriefing meeting on our biodiversity conservation activities with local NPOs, government officials, and community residents. We also continue our tree-planting initiative. In the homogenization and advancement of environmental management activities, we held the first area environment meeting as a means of initiating global environmental management, and are planning to expand such area meetings across Asia and North America this year. We will seek to enhance our environmental management by promoting these activities.

Mitsuo Sakurai, Associate Director CSR Division, General Manager, CSR & Environmental Affairs Department



Yokohama Rubber Group GHG emissions in Scope 1, 2, 3

We assessed GHG emissions in Scope 1, 2, 3. In FY 2013, our GHG emissions totaled about 24 million tons, and 97% were Scope 3. Among Scope 3, 83% came from “usage of products.” We will strive to promote the dissemination of eco-friendly products to reduce GHG emissions.



Biodiversity conservation activities in the Amata area

YOKOHAMA TIRE MANUFACTURING (THAILAND)

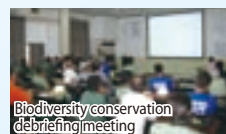
We participate in activities for “living in harmony with the environment.”

In cooperation with local companies, NGOs, and residents, we built a dam to prevent flooding in order to provide security in daily life for the residents of the Kao maikew area. In June 2013, 77 volunteers (486 total participants) participated in the activities, which were held on a holiday, creating a great deal of excitement.



Biodiversity conservation activity at production sites

Based on the “biodiversity conservation guidelines,” we have initiated biodiversity conservation activities at 7 domestic factories, under the theme of “protection of the water environments around the factories.” Regular water quality surveys of the river we use for water intake and discharge for production, and regular monitoring of aquatic organisms, vegetation, and avian species, are conducted. We utilize the results for our conservation activities. We held the first biodiversity conservation debriefing meeting at the Mie plant (Ise city, Mie) to exchange opinions with our stakeholders.





Fair Operating Practices

Issue

5

Basic Guidelines of Yokohama Rubber's Procurement

- **Procure optimum raw materials, equipment, and construction.**

In order to provide better products, we will continue to procure optimum raw materials, materials, and construction.

- **Trading with fairness and impartiality**

We will conduct fair and equal trading based on the notion of free competition. Also, we source all our business partners from all over the world through global perspective.

- **Reasonable selection of our partners**

As for the selection of our partners, we will determine them based on economical reasonability under consideration of comprehensive perspectives; their quality, price, stable supply, ability for technology development, and environmental friendliness.

- **Partnership**

We will establish an equal and fair cooperative relationship through healthy trading with our business partners; we will enhance mutual understandings and credibility to achieve growth with one another.

- **Compliance**

During our procurement activities, we will abide by all the related regulations and social standards in addition to not disclosing any confidential information we came to know during trading. Also, we will try not to conduct any misleading behavior by reflecting onto our socially accepted ideas.

- **Harmony with the environment**

We will try to purchase raw materials with a lesser burden to the earth environment.

Message from the General Manager, Raw Materials Procurement Department

Our Procurement Policy is based on "co-development under fair and equal trading, by establishing a sense of trust, to realize co-existence and co-prosperity." We think that true CSR should expand business relationships with partners who assent to and accommodate our policies in the areas where our production sites are located, and should realize co-prosperity not only with partner companies but also with each locality impacted by our business (with each partner). We aim to source all raw materials locally (with the exception of unique or rare materials), and strive to work on CSR activities together with our local partners. As a part of these approaches, we have held "Partners Workshops" and "CSR/Environment Contributor Recognition" activities. As a result, our local procurement rate reached 75% (up 2% from the previous year) in FY 2013. To further ensure stable local procurement, we have developed human resource by rotating duties among entry- to mid level employees, including overseas assignments. We have held Global meetings with procurement staff to ensure legal compliance and fair and equitable business practices. We have organized our global procurement system by establishing procurement sites all over the world and will promote local production for local consumption together with the education of local staff members.

As a part of our CSR procurement practices in consideration of human rights and the environment, we do not intentionally use any minerals (conflict minerals: tantalum, tin, gold, tungsten) from the disputed region of the Congo. We ask our partners to investigate and confirm that no conflict minerals have been used.

Osamu Fukutani, General Manager, Raw Materials Procurement Department, Global Procurement Division



Partners workshops and recognition

At all of our business offices, we held partner workshops on the topics of "human rights (harassment)" and "information control and security." We aim to improve each other's CSR level by learning about recent example cases and discussing the risks and solutions to those cases together with our partners. In FY 2013 we also started a CSR/environmental activities recognition program, and recognized 3 partners who made significant accomplishments in the first year.



CSR/environmental activities recognition, workshop at the Onomichi Plant



Workshop at the Onomichi Plant



Global procurement staff meeting

We have held domestic material procurement meetings every other month with staff members from all of the domestic business plants, and global procurement staff meetings twice a year for overseas procurement staff, in order to study cases regarding to the code of conduct for procurement. 15 material procurement staff members from different countries including the Philippines, Thailand, Vietnam, Singapore, China, and Russia, participated in the most recent global procurement meeting to learn about the Subcontract Act and a case of compliance violation.

In 2014, we will hold the second global meeting for overseas procurement staff on topics such as "partner self-assessment" and amendments to the global standards for procurement.





Quality Policy

We contribute to society by planning, designing, producing, and selling attractive products for the satisfaction of our customers while maintaining a quality assurance system in all of our processes, including service. To this end, we will conduct systematic activities to ensure that all the basic steps in our quality assurance activities function properly.

Message from the Head of the Tire Quality Assurance Division

As a contributing member of the global community, quality control is an essential element of our pledge to give first priority to customer satisfaction and to build a trusted reputation in society. According to our corporate philosophy, it is our responsibility to establish a stronger, more functional quality control and service system. We will promote quality control at our ever-expanding overseas production and sales sites, which we will continue to expand and enhance even further.

In FY 2013, we voluntarily recalled our tires for lightweight trucks in the US in order to appropriately address quality control issues. For further quality improvement, we have identified some key performance indicators (KPI) to measure our progress, and among them are “number of employees who newly-completed quality training at factories,” “number of newly-qualified service engineers,” and “total number of ISO/TS16949 qualified internal quality auditors.” We have implemented training programs for service engineers who can serve from the customers’ point of view, workshops at our sales bases, and have been upgrading our education materials and programs in a systematic manner, as shown below.

Atsunori Agari, Head of the Tire Quality Assurance Division



Training for service engineers

Our Tire Service Training Center in Thailand was established in October 2011, and since that time has been conducting training programs for service engineers, to enable them to provide more practical service from the customer’s perspective. Participants are able to deepen their understanding of basic knowledge and learn the latest information about the production of tires, while also experiencing various issues in an actual car on test drive courses so as to learn how to improve those issues.



Complaint handling and training for agencies

YOKOHAMA EUROPE GmbH (YEU) Technical Service

We have opened an online contact window on the YEU website to accept queries and claims about our products, including tires. We also have a division to handle quality-related claims from European agencies, which manages, aggregates, and analyzes all of the complaints. Also, aiming to provide the best products and to prevent troubles by providing appropriate advice to our customers, we proactively provide training programs at various levels, from basic training for sales representatives to advanced training for technical staff in Europe.



Company-wide debriefing session for the prevention of recurring quality issues

We held a company-wide debriefing session, which included relevant overseas divisions, on the prevention of recurring quality issues, overseen by Global Quality Assurance (company-wide quality and technology service).

We will continue to develop our global activities to improve customer satisfaction by sharing quality information.



Lectures at sales bases and enhancement of the global quality assurance system

In our Multiple Business Group, we hold lectures on product knowledge and handling by experienced engineers who have been appointed in a sales company or sales base. They work to enhance communication for human resource development and to develop activities for prompt customer service. We held 34 such lectures in FY 2013.

We have determined a quality assurance rule to clarify responsibilities and authority, from product planning to the after-sales quality assurance system, at factories in North America, Europe, China, Taiwan, and Thailand. In order to realize universal quality, the rule has been utilized as an educational tool for quality assurance for both appointed and local staff.





Community Involvement and Development

Issue

7

Stakeholder policy

With referred to such materials as the 10 principles from the UN Global Compact, the GRI Guidelines, ISO26000, and Nippon Keidanren's Charter of Corporate Code, we appointed our stakeholders as listed below.

• Customers

We will enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technologies; this basic philosophy is our declaration to put our customers first. We seek to develop a corporate culture where the customer's interests are the top priority.

• Employees

We believe that being considerate to the rights and safety of the workers and providing an environment to maximize their potential are the greatest driving forces for a corporation with sustainable growth. This is clearly stated in our management policies that reads, "create a workplace that values, improves, and energizes people".

• Business Partners

We are expanding our businesses by working together with a variety of suppliers and partners who provide us raw materials, parts, equipment, etc. By practicing fair and free trade with business partners, we will continue to build relationships of mutual sustinment and being beneficial to each other.

• Shareholders and Investors

By taking on any challenges to develop innovative technologies to generate new value, we will realize our sustainable growth and return of reasonable profits. Also, we will be happy to provide any information in an appropriate manner to meet the expectations of all of our stakeholders and investors.

• Local Society

As a globally active business member, we relate to local communities in a number of domains – the natural environment, law, culture, customs and the economy. We will strive to build a healthy relationship for various local communities together with our both domestic and overseas business locations.

Message from the General Manager, CSR and Environmental Affairs Department

We are expected to identify and deal with our challenges through communication with our stakeholders in order to balance our social responsibilities and business, and to create sustainable values as a global company. To meet these expectations, we will continue to work with local communities while establishing cooperative relationships with the local communities where we have business and with our stakeholders. We have been working to make social contributions through our core businesses including not only reconstruction support from disasters but also donations for local communities, educational support, enhancement of communication with local communities, utilization of plant tour opportunities, and promotion of planting and biodiversity conservation activities. We are striving to become a company with well-established trust from the local communities through these activities.

Mitsuo Sakurai, General Manager, CSR & Environmental Affairs Department Corporate Social Responsibility Division



Otsuchi Town Planting event

Tohoku Sales and Marketing Division, Yokohama Tire Japan

Tohoku Sales and Marketing Division, which was certified as an environmentally-responsible business in Sendai in 2008, has been conducting business and supporting activities with a strong awareness of the "importance of resources" resulting from the experience that the majority of their employees were affected by the Great East Japan Earthquake in March 2011, and that it was difficult for them to obtain daily necessities including gasoline.

We were impressed by the passion toward the reconstruction of Otsuchi town, a devastated town on the Pacific coast, and many of our staff participated in the "Heisei no mori*" planting event organized by Yokohama Rubber. In 2012, 33 staff members participated, and 55 staff members participated in 2013. 42 staff members joined the third event, held on April 19, 2014. The planting in Otsuchi town uses an eco-friendly method of planting seedlings on a bank made with recycled earthquake debris. We will continue to have an active involvement in such volunteer activities.

*Heisei: the Japanese name of the Current era, Mori: Forest



Provision of relief supplies and volunteer activities in flood damaged area

YOKOHAMA TYRE VIETNAM INC.

As a result of the October 2013 Typhoon Nari, a devastating flood occurred in Central Vietnam in November. We provided relief supplies including rice, oil, and sugar to flood victims, and cleaned affected towns in the area. 11 volunteer staff members brought aid to more than 180 households and delivered the supplies to their homes.



Third-Party Opinion

The description herein refers to the opinions based on this report, a related website (<http://www.yrc.co.jp/csr/en/>), and also interviews held with persons in charge from Yokohama Rubber's Raw Materials Procurement, Human Resources, Corporate General Affairs, and CSR departments. Suffice to say, Yokohama Rubber's various approaches to CSR are steadily progressing under the PDCA management cycle, especially with regard to its mitigation of environmental impacts.

■ Truly Commendable Areas

— Regarding corporate governance and CSR implementation system (<http://www.yrc.co.jp/csr/en/outline/group.html>), while I commend Yokohama Rubber for establishing interim targets up to 2017 and promoting initiatives using key performance indicators (KPI) based on the core subjects of ISO26000, going forward I hope the Company will develop a system that focuses on its position in world markets in 2017, its 100th anniversary, and beyond, and in particular, continue to use targets and measures created using a bottom-up approach at its domestic and overseas sites in order to incorporate many different values globally in its management decisions and practices. In terms of its reporting and communication structure, I would like the Company to provide more detailed introductions of the initiatives being carried out by Yokohama Group companies in Japan and abroad. I also hope that the Company will promote stakeholder engagement further as required by ISO26000, setting up opportunities for continuous dialogue with NPOs in important operating regions similar to those on biodiversity already begun at the Mie Plant.

— Regarding conservation of biological diversity (<http://www.yrc.co.jp/csr/en/report2014/environment/biodiversity.html>), I commend the Company for carrying out initiatives to foster a correct understanding of the positive and negative impacts it has on ecosystems, including by hosting employee-led workshops and briefings for the local community as well as conducting activities that conserve biological and ecosystem diversity autonomously across a wide area, at seven factories in Japan, including the Mie Plant, based on the preliminary studies implemented at 30 of the Company's business locations both in Japan and overseas in fiscal 2010. I hope that the Company will expand this same initiative gradually to its overseas business locations.

— Regarding the Yokohama Forever Forest Project (<http://www.yrc.co.jp/csr/mori/index.html> (Japanese language only)), in only six years since the project was launched, Yokohama Rubber's domestic and overseas sites have planted more than 320,000 trees with sufficient consideration towards the conservation and improvement of biodiversity. They nurtured the seedlings on their own, and not only were 73% supplied within the Yokohama Rubber Group in fiscal 2013, but also in Japan they have been providing a cumulative total of more than 161,000 seedlings so far to municipal governments and other companies. In particular, I commend the Company for playing a leading role in the "Green Coastal Levee that Protects Lives" project planned for those areas affected by the Great East Japan Earthquake. I also truly commend this world-leading initiative for contributing to society to preserve and improve forest ecosystems and greenery. Going forward, I hope that the Yokohama Forever Forest Project website will evolve into a portal that also introduces many examples of similar initiatives taking place at other companies.

■ While Approving of Progress, Areas that May Required Further Improvement

— Regarding its quality assurance implementation system (<http://www.yrc.co.jp/csr/report2014/customer/index.html>), while I commend Yokohama Rubber for expanding its involvement in product planning and development stages, I hope that it will incorporate the minimization of impacts on customers as part of its management indicators and further advance quantitative and effective measures.

— Regarding the reduction of environmental impacts (http://www.yrc.co.jp/csr/en/report2014/environment/production_2.html), I praise the company for the progress it has made. This includes reducing the environmental impacts of products, including increasing the use of powdered recycled rubber by some 16% compared to last year, achieving the interim targets for lowering waste emissions and GHG emissions,

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The International Institute for Human, Organization and the Earth is a non-profit organization established in 1994 for the democratic and balanced development of all the lives on the earth. Although it mainly provides management support for citizens' groups and welfare workers, the group is also heavily involved in providing CSR support to major companies.
<http://blog.canpan.info/iihoe/> (Japanese language only)



establishing a long-term target for reducing GHG emissions, and its progress overseas where it is holding area-specific environmental management meetings in China. Going forward, I strongly encourage the Company to thoroughly shed light on its challenges and methods, such as transitioning to the non-fixation of energy usage adjustable to the fluctuation of production volume (Just-In-Time for Energy), and also to share the same support system among divisions and overseas sites.

— As for CSR at suppliers (<http://www.yrc.co.jp/csr/en/report2014/partner/partner1.html>), I commend the Company for holding CSR workshops in key global locations and establishing a commendation system based on purchasing rules. In order to more effectively improve initiatives being undertaken by suppliers, I strongly encourage the Company to establish a support system with suppliers for sharing and problem solving actual cases and further understanding initiatives in greater detail, based on global trends in the sector.

— Regarding improvement of workplaces to retain employees (<http://www.yrc.co.jp/csr/en/report2014/employee/employee4.html>), I commend the fact that 3.47% of Yokohama Rubber employees took advantage of the systems for paid vacation, leave of absence or shorter work hours in order to care for a child or family member in need. Going forward, I strongly urge the Company to establish an environment where employees can continue to work, while also taking leave, such as by hosting workshops that introduce examples of people that have taken nursing care leave. In terms of mental health care, while commending the Company for conducting stress screening on all of its employees, going forward I hope the Company will promote even more effective measures aimed at preventative care, such as establishing a hotline where employees can discuss personal problems. I also praise the Company for making progress with the reemployment of retired workers and I expect the Company to encourage the participation and involvement of reemployed workers in their local communities.

— As for the enhancement of a human resource portfolio required as a global corporation over the midterm, I think it is good that the Company has begun strengthening personnel development efforts across the Group for managerial level employees. Meanwhile, going forward, I strongly encourage the Company to accelerate its development of the next generation of executives at both its head office and overseas sites based on a long-term goal and strategy given where the market and the company will be in 10 years time.

— As for employment of persons with disabilities (<http://www.yrc.co.jp/csr/en/report2014/employee/employee5.html>), I commend the Company for achieving the statutory employment rate of persons with disabilities. I ask that the company to continue to work proactively toward implementing measures to ensure that employees with disabilities are retained over the long term.

■ Areas that Require Further Efforts

— As for employee safety (<http://www.yrc.co.jp/csr/en/report2014/employee/employee2.html>), I find it very regrettable that a serious accident happened at the Company and that there were problems with its initial response and reporting. Moving forward, I urge the company to not only look back on past accidents on the calendar, but also to incorporate safety improvements and remedies for facility specifications and to issue a report about the progress of evaluations and improvements to ensure the greater effectiveness of safety measures.

▶ Response to Third-Party Opinion

While we have received certain positive feedback regarding our CSR initiatives, we take suggestions and recommendations very seriously, as something to be improved upon in continuing to meet the expectations of our stakeholders.

First, safe workplaces represent the very foundation of our business activities and as such we are working diligently to develop an environment where workers can engage in manufacturing in safety and with peace of mind. On top of this, in order to pursue sustainable business activities in Japan and overseas in a stable manner, we will carry out biological diversity conservation studies and develop an employee-friendly

workplace environment where employees can contribute their skills and abilities, through reviews of our nursing care system and employment system for people with disabilities, to accommodate the need of employees in an aging society. To that end, we will continue to hold discussions and dialogue with our stakeholders in the future.

Director and Managing Corporate Officer,
Head of the Corporate Social Responsibility Division, in charge of the Sports Business Div.,
and Yokohama Motorsports International Co., Ltd.

Fumio Morita



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Change for the future.
Change by Japan.



Yokohama Rubber is a signatory to the United Nations Global Compact.
Yokohama Rubber is participating in Challenge 25, a program initiated by the Japanese Ministry of the Environment to help prevent global warming.

