A stylized illustration of a landscape. The sky is a solid light orange color. In the upper right, a red airplane is flying. In the lower left, a red ship is on the water. In the lower center, a red car is driving on a grey road that curves to the right. The road has white dashed lines. In the background, there are grey hills and a small grey building with a chimney. The overall style is flat and graphic.

Caring for the Future

Yokohama Rubber CSR Report 2019

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Editorial Policy

With the aim of realizing our corporate vision – “to build a trusted identity as a contributing member of the global community” – the Yokohama Rubber Group has been rolling out a series of corporate activities that are deeply rooted in the individual regions where we operate throughout the world, under our Grand Design 2020 (GD2020) medium-term management plan. To this end, we are working to address social issues on the basis of our CSR slogan – “Caring for the Future” – and in line with the five key aspects of Corporate Governance, Products, the Earth, People and Community.

This Report was created to share the Yokohama Rubber Group’s policies, approach to CSR, orientation, specific measures, performance, and how they relate to the U.N. Sustainable Development Goals (SDGs), with each of the Group’s stakeholders in a concise and clear manner.

To help ensure the peace of mind of all of our stakeholders – including customers, suppliers, local communities, and the global environment as a whole – we provide more details about our environmental, social and corporate governance (ESG) initiatives, in which, in our business management, we strive to ensure fairness and harmony between our high-quality *monozukuri* manufacturing operations and the needs of the environment and society on our CSR website (which follows the GRI standards) and in our Securities Report and Annual Report; we suggest that you read these other materials in combination with this Report.

 <p>CSR Report Provides a concise, clear introduction to our company’s CSR.</p>	 <p>CSR Website Provides more detailed information about our CSR initiatives (https://www.yokohama.com/global/csr/)</p>
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Period covered by the Report: January 1, 2018 to December 31, 2018

(Information includes some activities which were conducted in and after January 2019)

Date of publication: October 2019 (the Report is issued annually)

— Basic Philosophy —

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

— Management Policies —

- Take on the challenge of new technologies to produce new value.
- Develop proprietary business fields to expand the scope of business.
- Create a workplace that values, improves and energizes people.
- Deal fairly with society and value harmony with the environment.

— Action Guidelines —

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

— Corporate Slogan —

Excellence by nature

— CSR Slogan —

Caring for the Future





Message from the President

Realizing “Business Creation” and “Business Maintenance” simultaneously, and contributing to the creation of a new-generation society

Masataka Yamaishi

President and Representative
Member of the Board

Implementing our Grand Design 2020 (GD2020) medium-term management plan

In fiscal 2018, the Yokohama Rubber Group launched our Grand Design 2020 (GD2020) three-year medium-term management plan. GD2020 is intended to strengthen our managerial foundations through appropriate growth strategies for each individual business, in preparation for achieving even faster growth during the rapidly approaching 2020s.

When thinking about management strategy, one cannot ignore CSR. We will be working proactively to implement CSR initiatives based around our CSR slogan: “Caring for the Future.”

At Yokohama Rubber, we aim to contribute to the enrichment of society and of the planet as a whole through the Yokohama Rubber Group’s business activities by working closely together with all of our stakeholders, including our business partners and local communities. To this end, we are working to win stakeholders’ unwavering trust by implementing measures in relation to social justice, new value creation and business expansion, ensuring that our operations are in harmony with the global environment, building a corporate environment in which employees encourage each other to grow and develop, and in which individuals are valued, and the further strengthening of our already close ties with local communities.

The changing social environment and the steps we need to take

In recent years, the social environment has been changing throughout the world, and there has been a dramatic transformation of the environment in which our company operates. Today, more than ever, there is a need for action directed at the realization of a sustainable society.

The international community has adopted the Sustainable Development Goals (SDGs), a set of 17 Goals and 169 Targets that the world as a whole will be working together to achieve by 2030, as an initiative for realizing a sustainable world. Yokohama Rubber is also participating in the United Nations Global Compact (GC), and we are implementing various measures in relation to the GC through our business activities together with different

stakeholders. As an example of one of these activities, in 2018 Yokohama Rubber formulated a Procurement Policy for the Sustainable Natural Rubber in collaboration with the World Business Council for Sustainable Development (WBCSD). By sharing this policy with the entire supply chain, including natural rubber plantations and suppliers, we are working towards the realization of a society with sustainable natural rubber.

In addition, besides our continued provision of environmentally-friendly products to support the next-generation mobility society and its infrastructure, we are also continuing to provide support for NPOs and for areas that have been affected by natural disasters through the volunteering activities of our employees and through the YOKOHAMA Magokoro Fund, social contribution fund. Through the links that we have built with so many different people, and through the various measures that we are implementing, we aim to ensure that the individual companies and factories of the Yokohama Rubber Group come to be viewed as indispensable by their local communities.

Working together with Yokohama Rubber Group employees

Safety, Compliance and Quality are the key management fundamentals that underpin our business activities. In fiscal 2018, Yokohama Rubber once again experienced a number of occupational accidents and small-scale fires. Although the number of such accidents has been reduced over the past three years, we have not yet succeeded in reducing the incidence to zero. I have issued a number of messages to employees on this subject, and have engaged in dialog with the managers of individual units regarding safety issues on numerous occasions. I hope that, by getting every individual employee to take safety seriously as something that affects them personally, we can work together to realize the goal of completely eliminating occupational accidents.

On taking up the position of President, I gave an address on the subject of "Business Creation and Business Maintenance." "Business Creation" and "Business Maintenance" are both equally important, and unless we promote both of them simultaneously we cannot



The 14th company-wide safety and disaster prevention meeting (December 2018)

expect our company to survive in the marketplace. Internal improvements (Business Maintenance) and growth strategies (Business Creation) are linked to the addressing of problems relating to the sustainability of society, the environment, and the business enterprise itself. In order to continue to implement measures aimed at the realization of the post-carbon society and the achievement of the SDGs, it is vitally important that we continue to challenge ourselves on an ongoing basis by identifying areas for improvement in our work and in our daily lives, recognizing that we need to treat these issues as matters of personal concern, and working together with those around us to address them. As a company, we can take this to an even higher level by effectively utilizing the know-how that we have accumulated over the years to build workplaces characterized by enhanced mutual respect and by diversified human talent helping one another to maximize their potential. We can then go on to build new business models that contribute towards improving next-generation lifestyles, business, and the social environment as a whole.

Relationship between SDGs and Caring for the Future

Caring for the Future
Make life more fulfilling for people everywhere.

Corporate Governance



Lay a solid foundation for supporting sustainable business activity in accordance with international norms. Conduct activities that contribute to governance, compliance, and business continuity.



Products



Deliver products and services that help people enjoy fulfilling lives with peace of mind.



The Earth



Address environmental concerns through our operations and help leave a sound natural environment to future generations.



People



Nurture values accommodating diversity in the workplace and in the community at large.



Community

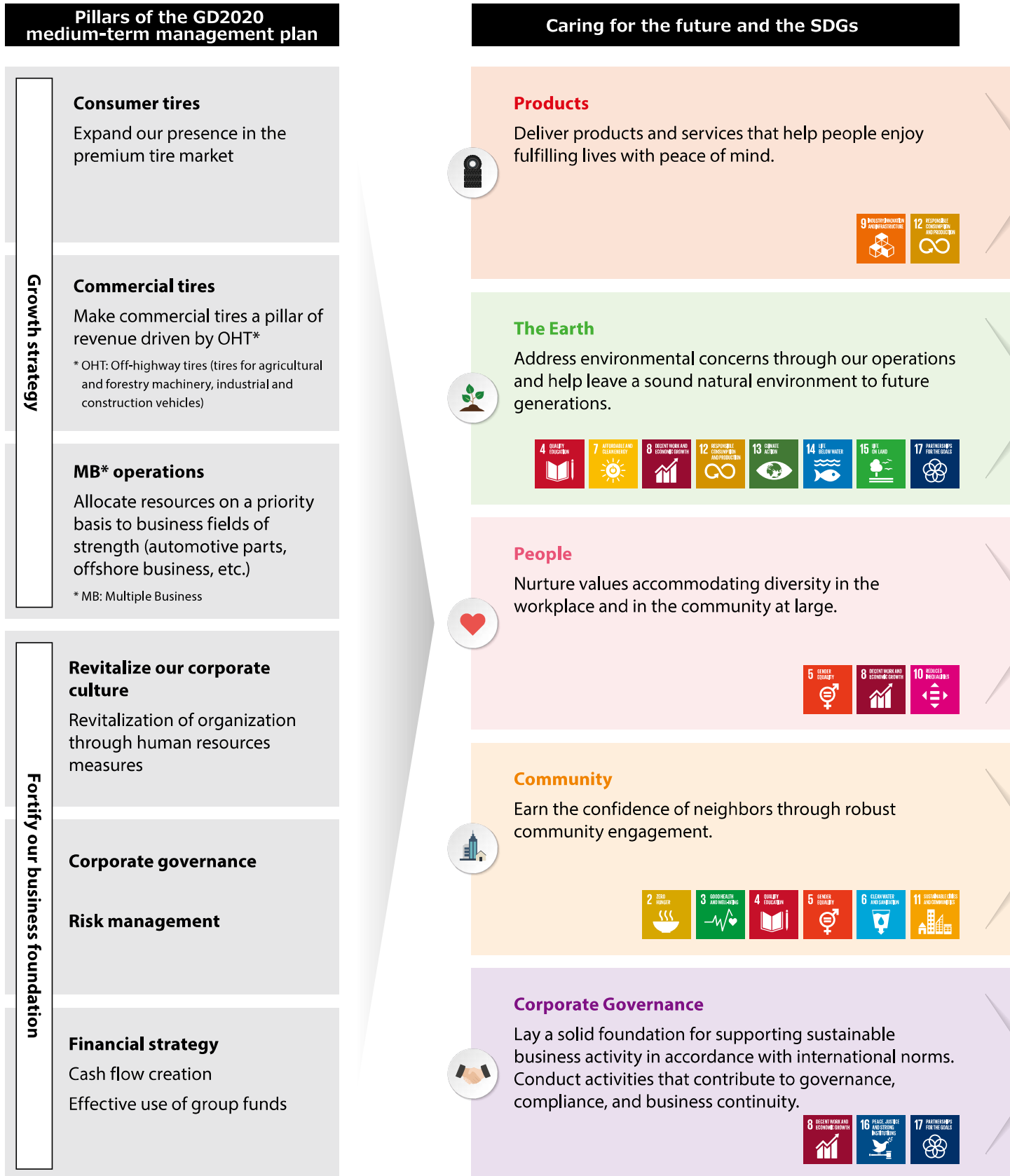


Earn the confidence of neighbors through robust community engagement.



CSR Management Aimed at Realizing a Sustainable Society

The Company is engaged in CSR management that promotes business expansion and CSR in an integrated manner in addition to a medium to long-term perspective for achieving a sustainable society. In addition, by linking the CSR Slogan "Caring for the Future" and the SDGs, we will clarify the purpose and significance of contributing to society through our business and work to increase social value and corporate value.



Initiatives through related businesses	Economic value	FY2020 target
<ul style="list-style-type: none"> ● Tires with high safety, quality, and environmental performance ● Tires for agriculture and forestry machinery that contributes to sustainable production in the agriculture and forestry industry ● Tires for industrial and construction vehicles that support social infrastructure ● MB products that contribute to greenhouse gas reductions 	<p>Sales target</p> <p>Consumer tires Commercial tires MB operations and other</p> <p>We set targets for each operating division and aim to achieve sales targets.</p>	<p>Sales revenue: 700 billion yen</p> <p>Operating income: 70 billion yen</p> <p>Operating margin: 10%</p>
<ul style="list-style-type: none"> ● Business activities that reduce our environmental impact and conserve biodiversity ● Sustainable natural rubber procurement ● Yokohama Forever Forest activities 	<p>Conserving resources and improving high-efficiency productivity</p> <p>Employing, securing, and using outstanding human resources for the provision of reassuring and comfortable products and services</p> <p>Improvement in reputation in Japan and overseas</p>	<p>D/E ratio: 0.6 times</p> <p>ROE: 10%</p> <p>Operating cash flow: 200 billion yen</p> <p>*3-year cumulative</p>
<ul style="list-style-type: none"> ● Occupational health and safety and disaster prevention activities ● Improvements in human resources development and productivity ● Respect for diversity, promotion of active participation of women ● Respect for human rights at suppliers 	<p>Improvement in the appeal of investment (Dividends, stock price, ESG investment)</p>	
<ul style="list-style-type: none"> ● Support for healthcare, education, etc. in local communities ● Support during disasters ● Creation of employment in regions where our business is developed 		
<ul style="list-style-type: none"> ● Strengthening corporate governance ● Organizational management and minimization of risks ● Compliance 		



Creating the foundations for global management



Strengthening the corporate governance structure

Achievement of an optimal corporate governance structure

To fortify our business foundation, we are implementing various measures for strengthening of our financial position including reduction of interest-bearing debt and asset reduction, revitalization of corporate culture, risk management, etc.

Strengthen global governance

- Positioning our regional management companies as holding companies (strengthening governance at our overseas subsidiaries)
- Appointing internal auditors at the regional management companies (strengthening audit structure on subsidiaries)
- Setting up whistleblower hotlines worldwide to help detect problems early and to prevent small problems from escalating

Board of Directors system reforms

- Introduction of a compensation plan with restricted stock
- Increase in number of Outside Directors and decrease in number of Internal Directors

In an aim for the efficient operation of the Board of Directors and in an effort to ensure transparency of management and further strengthen corporate governance, we have assigned four Outside Directors and reduced the total number of Members of the Board from ten to nine members. In addition, nomination and remuneration matters related to officers are discussed by the Officer Nomination and Remuneration Committee and then decided on by the Board of Directors to ensure transparency and fairness. There have been three committee members (of which, two are Outside Directors) since April 2019.

Company Auditors attend important meetings and committees including the Executive Committee in order to gain an understanding on the status of operational execution. In addition, the Audit Office serves as an independent organization that conducts internal audits on each business and checks that operations are being conducted appropriately.

The audit structure consists of audits by Company Auditors who audit the performance of duties by Members of the Board of Directors, accounting audits by the Financial Auditor, and operational audits and accounting audits on executive departments and Group companies by audit departments. These bodies conduct

mutually independent activities and Company Auditors acquire information from Financial Auditor and audit departments as appropriate in an effort to strengthen the audit function.



A Risk Management Committee chaired by the Head of Corporate Administration Division has been established to strengthen the defense system in response to the various risks facing the company, and risks that can have a significant impact on management are managed throughout the organization, and appropriately evaluated and responded to. In addition, the status of activities of each meeting body is reported to the Executive Committee as appropriate and reported to the Board of Directors if deemed necessary.

Number of times held in fiscal 2018

Corporate Compliance Committee	4 times
Risk Management Committee	4 times
Personal Information Protection Management Committee	6 times
Export Control Committee	2 times
Information Security Committee	2 times

TOPIC

Implementation of compliance education aimed at the introduction of whistleblower hotlines



Compliance education was held at Yokohama Tire Philippines three times from October 25 to 26, 2018. It was participated in by a total of 334 people including 40 management executives and employees from all departments. Training materials were prepared in English and Tagalog (local language) in an effort to spread awareness on matters including the importance of compliance, compliance with competition law, and the whistleblower framework so that acts such as bribery do not occur.

Reports are made every month to the Corporate Compliance Department on the status of survey and response if there were internal notifications or reports. In fiscal 2019, we will endeavor to establish the structure to introduce whistleblower hotlines.

Number of compliance reports **112 reports (fiscal 2018, consolidated)**

Strengthening the compliance structure

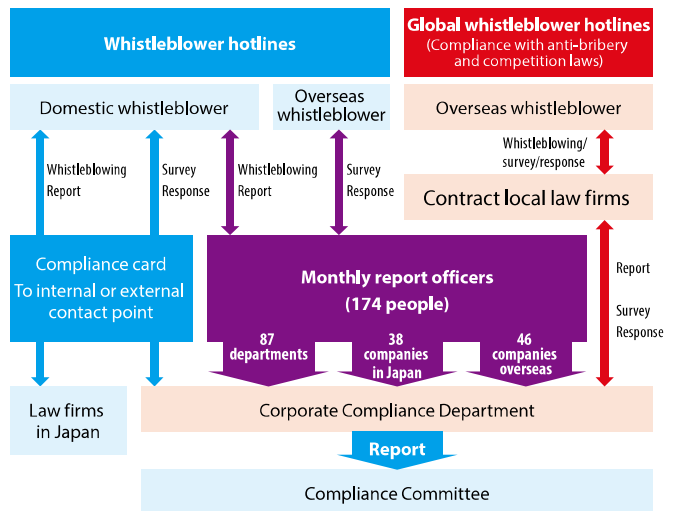
The Corporate Compliance Hotline is a system that also supports anonymous reports in accordance with the Whistleblower Protection Act. The telephone number and email address for contact points are stated on the compliance card that is distributed to all members (officers, employees, part-time employees, non-regular employees, dispatch employees, and employees of contractors) working at the Group's business locations. There are two types of contact points (internal and external) for hotlines, and external law firms have been assigned to external contact points to ensure independence. The General Counseling Room is a system that members can consult with about anything when there are doubts concerning compliance.

Number of whistleblowing reports and consultations (consolidated)

	FY2016	FY2017	FY2018
Corporate Compliance Hotline	47	56	58
General Counseling Room	40	61	54
Total	87	117	112

174 compliance officers have been assigned to Group companies in Japan and overseas. At overseas subsidiaries, the Global whistleblower hotlines have been established to enable the company's Corporate Compliance Department to gain a direct understanding of competition law violations and acts of bribery through an external contact point. In February 2018, the hotlines were first introduced at regional management companies and tire sales companies in China. Since then, we have made preparations for introduction of the hotlines in the Philippines and Thailand. In 2020, we will expand the hotlines to other regions in an aim to strengthen the governance structure on a global level.

Whistleblower hotline and monthly report system



Feedback from a monthly report officer

I am responsible for nine companies in Europe. Although, a Permanent Compliance Committee has not been established, we set up a temporary one if necessary and respond to each reported matter individually.

YEU is planning to introduce the Whistle Blower system including tutorial section to its European subsidiaries within 2020.



Annette Mayer
(Yokohama Europe GmbH; YEU)



Special tires for agricultural and forestry machinery that contribute towards realizing sustainable production in the agriculture and forestry sector



Contributing to the sustainable use of forest resources through tires that do not hinder trees from regenerating

Alliance ELIT tires – Committed to supporting sustainable forestry

As a result of the intensive utilization of global forest resources, over the period 1990 – 2015 the world lost an area of forest equivalent to 129 million hectares. In selling our products to customers in the forestry sector, we hope that logging activity will be balanced by the planting of new trees, so as to help bring about growth in overall forest resources.

However, when forestry machinery is driven into the forest, the weight of the machinery compresses the soil, eliminating the gaps between the particles of soil. When new tree seedlings are planted in this compacted soil, their root systems cannot spread out, which makes it difficult for the trees to grow properly. With the number of new trees growing failing to balance out the number of trees harvested, the forest may gradually disappear. Responding to this problem, since 2012 the Alliance Group has been working on the development of a new type of tire that enables forestry vehicles to keep moving even when the tire is at low pressure, thereby preventing the soil from becoming compacted. Alliance's new product – the Alliance 344 Forestar ELIT – was launched in the Scandinavian market in September 2018. We call the technology used in this tire ELIT (Engineered Low Inflation Tire) technology.

In forestry work-sites, the trees tend to be scattered around on land that often has an uneven gradient and may be boggy and wet. This makes it very important that forestry machinery can be operated safely. At the same time, if the downward pressure from the tires on the ground is reduced, this can have a negative impact on driving stability and on fuel economy.

Over the period 1990 – 2015, the world lost an area of forest equivalent to 129 million hectares



Conventional forestry machinery tires

Highly-compacted soil



With no gaps between the particles of soil, the roots cannot spread out, and the trees and other plants cannot grow

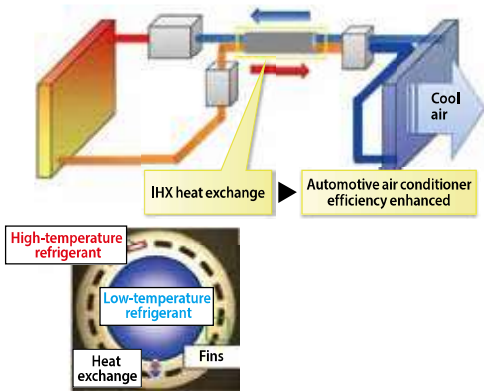
The newly-developed Alliance 344 Forestar ELIT tire

Lightly-compacted soil



The roots can spread out, so trees and other plants can grow well

TOPIC IHX (Internal Heat Exchanger) development



The IHX forms part of the tubing that delivers refrigerant within a car air conditioning system.

By using coaxial tubing, the IHX is able to utilize the temperature difference between high-temperature refrigerant in one tube and low-temperature refrigerant in the other tube to perform heat exchange, thereby improving the cooling performance of the air conditioning system as a whole. Conventional car air conditioning refrigerants are being replaced by new types of refrigerant to help combat global warming, but the cooling performance of the new refrigerants is disappointing; IHX technology can help to mitigate this problem. The coaxial IHX developed by Yokohama Industries Americas, Inc. is designed so that the refrigerant can flow unobstructed even when the tubing is bent, providing maximum flexibility for tubing layout in confined engine compartments. This IHX system has already been adopted for commercial use in North America, and Yokohama Industries Americas is working on the development of a new version with an even more advanced specification.

IHX adoption improves cooling performance by **10 – 15%**

Four engineers were selected from each of the Alliance Group's production facilities and entrusted with the task of strengthening the tires' internal steel belts and adjusting the tires' structural design and tread to reduce the risk of tire slippage. After repeated experimentation, the team succeeded in expanding the tread contact area by 26%, thereby ensuring stable running performance through enhanced grip and traction able to cope with high vehicle weight, and also improving fuel economy by 7%. The self-cleaning design for keeping dirt off the tire also attracted positive comment; many forestry industry professionals commented that this new tire constituted a real "premium tire."



Comments from the ELIT Project product development team

The background to this project was the need to reduce soil compaction in forested areas. There had always been concern that timber procurement was leading to reduction in forest size.

At the same time, it was important that any changes should not have a negative impact on machinery operators' comfort or ease of operation. The biggest problem was thus to meet the various requirements to maintain traction, operator safety, etc. while reducing the downward pressure exerted by the tires on the ground. We succeeded in developing technology that allowed the tires to work at an air pressure of 2.5 bar instead of 4.5 bar (representing a roughly 40% decrease in pressure) without negatively impacting the tire's load-bearing ability.

We introduced various new design features; in particular, we made substantial changes to bead shape, so as to reduce the stress on the sidewall and prevent slippage. After more than five years of tread contact area and compressive force evaluation using vigorous dynamic bending, we were able to develop tires with optimal structure.

Our aim is for these new tires to be used by as many forestry industry professionals as possible, so that the tires can contribute towards the future growth of the forestry sector by preventing soil compaction and maintaining the fertility of the soil.



Vered Bluvshstein
Design Development Manager



Lior Vilkomirsky
Technology Manager



Jojan V. Louis
Product Manager



Formulation of Yokohama Rubber's Procurement Policy for the Sustainable Natural Rubber



Measures aimed at realizing stable, sustainable procurement of natural rubber

Working to make natural rubber a sustainable resource

Being able to procure natural rubber in a stable, sustainable manner is vitally important in order for Yokohama Rubber to be able to continue supplying our tires and other products to customers over the long term. In recent years, there has been a steady rise in demand for natural rubber – which is the main raw material used in tire manufacturing – because of the increasing global population and developments in the mobility sector. At the same time, there are growing concerns about illegal logging, land grabbing and human rights abuse, as well as about the negative impact that forest destruction and illegal logging have on biodiversity.

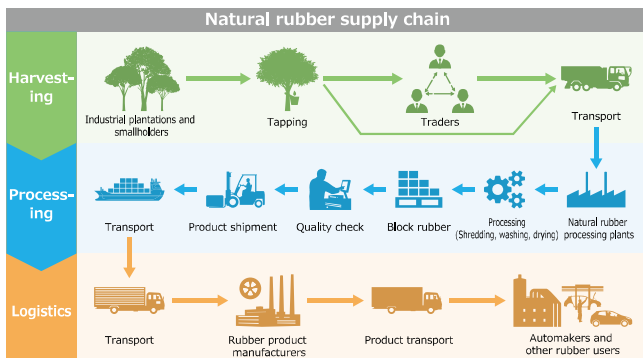
Recognizing our corporate social responsibility as a tire and rubber manufacturer, in 2017 Yokohama Rubber announced its support for the goals of the Sustainable Natural Rubber Initiative (SNR-i) advocated by the International Rubber Study Group (IRSG), and began participating in SNR-i activities. Yokohama Rubber is also a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR), initiated by the Tire Industry Project (TIP) of the World Business Council for Sustainable Development (WBCSD), and in October 2018 Yokohama Rubber formulated its own Procurement Policy for the Sustainable Natural Rubber.

Yokohama Rubber will share this policy across the entire supply chain with the aim of achieving sustainable natural rubber.

Formulation of Yokohama Rubber's Procurement Policy for the Sustainable Natural Rubber

The Procurement Policy for the Sustainable Natural Rubber specifies matters relating to the establishment of traceability and matters relating to human rights, labor, environmental protection etc., including both items to be undertaken by the Yokohama Rubber Group and items that suppliers will be requested to perform. The Yokohama Rubber Group is also undertaking a number of independent initiatives in this area, including an agro-forestry initiative by Yokohama Rubber subsidiary Y. T. Rubber Co., Ltd. (YTRC) to foster the adoption of sustainable agro-forestry techniques by farmers living in the vicinity of YTRC facilities, and projects utilizing the knowhow that Yokohama Rubber has accumulated through the implementation of the Yokohama Forever Forest initiative.

(<https://www.y-yokohama.com/global/csr/report/partner/>)



The natural rubber supply chain

Overview of the Procurement Policy for Sustainable Natural Rubber
Enhancing traceability

- Prohibition of child labor and forced labor
- Protection of high carbon stock (HCS) areas (eliminating forest destruction)
- No development of peatlands
- Consideration for biodiversity
- Abiding by the principle of free, prior and informed consent (FPIC) in regard to land rights

TOPIC

Adoption of solar power generation (Yokohama Tire Philippines, Inc.)



The adoption of low-carbon energy sources is vitally important as a response to climate change. In the first half of fiscal 2019, Yokohama Tire Philippines, Inc. began adoption of a photovoltaic (PV) solar power generation system, utilizing the Joint Crediting Mechanism (JCM).

4,000kW (4MW) class solar panels have been installed on the roofs of Yokohama Tire Philippines' facility, in the locations that receive the most hours of sunshine, covering a total area of around 40,000m². It is anticipated that, once the solar panels are fully operational, they will provide energy savings equivalent to a reduction in CO₂ emissions of around 2.8kt per year, reducing the Philippines factory's annual CO₂ emissions by approximately 3.5%.

Realizing a reduction in CO₂ emissions of around 3.5% once the solar panels are fully operational

Yokohama Rubber's future initiatives

The Yokohama Rubber Group has launched a number of innovative activities aimed at realizing the sustainability of natural rubber. In Thailand, which is a major producing country of natural rubber, we have been undertaking joint research on natural rubber with several local universities since 2013, and we have also held Suppliers' Day meetings with natural rubber suppliers.

Y. T. Rubber Co., Ltd. (YTRC), a natural rubber processing plant operator which is a member of the Yokohama Rubber Group, has

adopted a cyclic water purification system that recycles the water used in the plant, and is making a concerted effort to safeguard the natural environment and maintain the trust of local residents.

In the future, we will be implementing activities based on the Procurement Policy for the Sustainable Natural Rubber together with all of our partners in the supply chain, aiming to take "Promoting CSR activities throughout the supply chain," which we have positioned as a key CSR issue, up to an even higher level.

Expectations from an international environmental NGO



©WWF Myanmar

The world is still losing natural forests at a rate of 7.6 million hectares per year. One of the reasons for this situation is the expansion of agricultural and forestry production; the unsustainable use of forest resources results in damage to ecosystems and social conflict, and exacerbates the problem of climate change.

Increasingly, companies involved in the procurement of raw materials that derive from natural resources are expected to verify the impact on the environment and on society, and to aim for more sustainable production and

utilization. Natural rubber is no exception; there is a movement towards improving traceability of raw materials, and to minimize, as far as possible, the negative impact of plantation development and management. Particularly important developments in this regard include the establishment of the Global Platform for Sustainable Natural Rubber (GPSNR) in October 2018, and the formulation by many companies – including Yokohama Rubber – of their own procurement policies.

WWF believes that the first step towards implementing sustainable procurement is the formulation of a clear procurement policy, and that this has an important role to play not only in procurement-related decision-making, but also in regard to engagement with suppliers, investors, NGOs and other stakeholders. However, the pursuit of sustainable procurement is no easy task, and takes time to achieve. Having formulated its own procurement policy, Yokohama Rubber could be said to be on the start-line; in the future, WWF hope that Yokohama Rubber will continue to make steady progress in implementing this policy through collaboration with its own supply chain and with the GPSNR, etc.



Ms. Chiaki Furusawa,
Forests Programme,
WWF Japan



People

Creating workplaces where employees can work with safety and peace of mind, with thorough disaster-preparedness measures



Aiming to build workplaces that prioritize employee safety and peace of mind

Creating workplaces where smiles spread

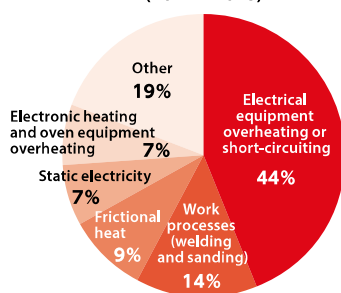
The facilities of the companies that make up the Yokohama Rubber Group have employees of many different nationalities working there. Our goal is to provide workplaces in which employees with a wide range of family structures and home environments can work with safety and peace of mind, while respecting one another's diversity and maintaining harmony with the local community.

Working to strengthen disaster-preparedness measures

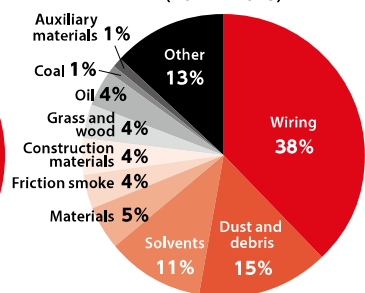
Following the fire that occurred at our Philippines plant in 2017, the Yokohama Rubber Group immediately launched a general fire risk inspection of all our production facilities. The inspection results showed that potential ignition sources, which could lead to fires, included overheating or short-circuiting of electrical wiring, as well as sparks created during welding or other work that involves the use of flame; flammable substances were found to include organic solvents, rubber waste, dust and debris, etc. The inspection results also provided a reminder of the importance of inspection and cleaning of areas that may appear clean on the outside, such as the inside of distribution boards and the inside of dust collector ducts, etc.

When a fire occurs, besides threatening the safety of company employees, it can also cause worry and inconvenience to employees' family members, suppliers and customers. Besides focusing on safety, every individual employee also needs to pay more attention to the "3Ss" – "Sorting, Straightening, and Systematic cleaning" (*seiri, seiton, seiso*) – in order to eliminate small fire risk. Yokohama Rubber's corporate headquarters has formulated global fire prevention guidelines which are applicable to all Group companies, and fire prevention auditing is being performed at all production facilities based on these guidelines. In fiscal 2018, large-scale natural disasters occurred in countries throughout the world, partly as a result of climate change, and several Yokohama Rubber facilities were affected. With the aim of transforming our facilities into "fire prevention bases" where protecting the lives of every employee is the key priority, we are working to strengthen our disaster preparedness by working actively to identify latent risks and making necessary improvements in response.

Details of the heat sources involved in incipient fires and fires at Yokohama Rubber Group facilities (2014 – 2018)



Details of the flammable materials involved in incipient fires and fires at Yokohama Rubber Group facilities (2014 – 2018)



Fire-extinguishing training

TOPIC

Aiming to make Yokohama Rubber a company where people can continue to work over the long term



Women's health seminar for female employees

So as to provide support to help employees achieve the right balance between work and their personal lives, Yokohama Rubber is building a working environment that will give employees greater peace of mind and encourage them to stay with the company over the long term. In 2016, we established the Women's Participation and Advancement Taskforce. Besides promoting women's participation in the workplace, we are also implementing various measures aimed at providing the support needed for employees to balance work with childcare or senior care responsibilities, providing support for female employees' career development, and strengthening management of diversified human talent. In fiscal 2018, we held various seminars on balancing work responsibilities with childcare or senior care responsibilities. We are also implementing system reforms aimed at making Yokohama Rubber a company that respects different working styles, and which encourages employees to want to stay over the long term. We have introduced a Working from Home System, and also a system whereby employees can take annual leave in hourly units; in addition, our Career Return System has been expanded to cover former employees who left the company because of childcare or nursing care responsibilities and now wish to return.

9 seminars held (with a total of 295 participants)

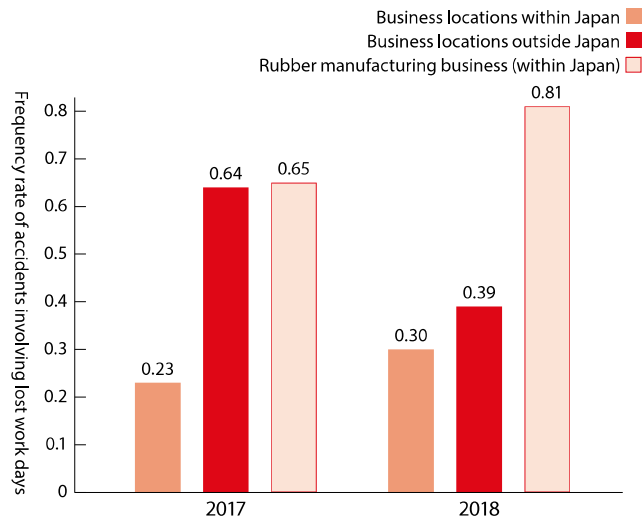
Working to strengthen safety measures

The Yokohama Rubber Group now has more production located outside Japan than within Japan, and the share of total sales accounted for by overseas sales is increasing (in fiscal 2018, overseas sales accounted for 58% of the Group's total sales).

Implementing the "3Ss" – "Sorting, Straightening, and Systematic cleaning" (*seiri, seiton, seiso*) – measures and executing improvement strategies can reduce the incidence of occupational accidents. At our overseas facilities, focusing on equipment safety has led to a decrease in the number of serious accidents relating to production equipment. In fiscal 2018, there was a significant improvement in the frequency rate of accidents involving lost work days; the figures for overseas facilities represented a particularly marked improvement compared to the previous year. With regard to departments not directly involved in production operations, anticipating the types of risk that employees are exposed to when commuting or at work, we are working to enhance safety awareness by means such as having employees recite the company's Safety Chant every day. At the same time, although we endeavor to ensure that, when problems do occur, employees follow the "Stop – Notify – Wait" protocol properly, nevertheless, unsafe behavior by employees has become more noticeable recently. In response to cases of employees handling equipment in

an unsafe way because of carelessness, or acting unsafely because of overconfidence, we are undertaking analysis and implementing counter-measures with an emphasis on human behavior.

Change in the frequency rate of accidents involving lost work days



Holding of the 1st Global Safety Managers Meeting

Yokohama Rubber's first Global Safety Managers Meeting was held in November 2018, bringing together 16 safety managers from 9 different countries. The managers gave presentations on the safety activities being implemented in Yokohama Rubber Group facilities in their respective countries, and each presentation was followed by a lively question-and-answer session. Following the meeting, the participants were divided into groups and taken to visit Yokohama Rubber factories in Japan. Even for facilities using basically the same equipment, there are some facilities that experienced accidents and others that did not. To find and eliminate the causes of this disparity, we will make use of these meetings for productive mutual discussion on the measures that can be taken in response in relation to equipment and safety training, and we will disseminate the information obtained in this way as widely as possible.



Participants in the Global Safety Managers Meeting



Striving to achieve harmonious coexistence and shared prosperity with the local community

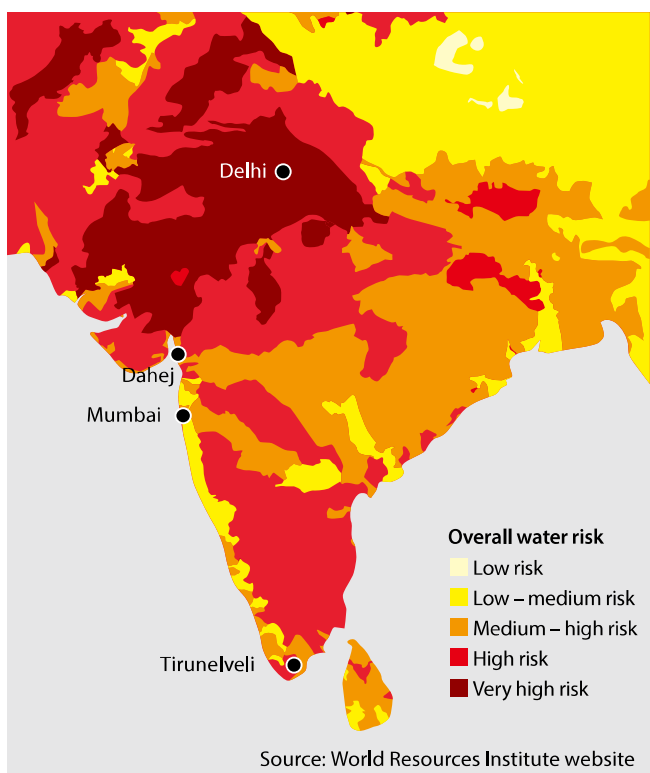


Helping to address social problems in India

Working to ensure the maintenance of sustainable water resources

The Yokohama Rubber Group has several production and sales facilities in India. Within India, the maintenance of adequate water resources to meet both daily living needs and production requirements is currently a major problem, and will continue to be a problem in the future. As the population has increased, water shortages have become an increasingly serious issue, and inability to ensure access to safe, clean drinking water has led to many deaths. At the same time, climate change has resulted in more frequent droughts, and underground water sources are being depleted.

According to data published by the World Resources Institute (WRI) (Fig. 1), the areas where Yokohama Rubber facilities in India are located – including Mumbai, Delhi, Dahej and Tirunelveli – are all areas that have a worsening problem with water resources. Our factory operations in India have adopted water recycling systems that enable the same water to be used repeatedly, reducing waste water discharge to zero. To make it possible for local communities to have access to good-quality water, the Alliance Tire Group collects rainwater and manages its water quality, before making it available for use by nearby villages. This measure is expected to provide the following benefits: (1) The moisture content of the soil will be increased, which helps to safeguard underground water resources. (2) Farmers will be able to implement appropriate crop planting and crop management, leading to increased crop yields. (3) It will be possible to keep the local ecosystem in balance.



(Fig. 1) Level of water risk severity, based on World Resources Institute (WRI) data



The launch of the rainwater utilization project

The Yokohama Rubber Group has been participating in the Mission Mangroves program launched by NPO United Way of Mumbai. In the past, there were extensive mangrove forests growing along Mumbai's coastline. However, as a result of tree-felling relating to urban development, these mangrove forests are now on the verge of disappearing. In order to restore the mangrove forests to their former condition, various organizations have been collaborating with 3,700 farms located near the coast,

TOPIC

Mutual support activities involving close inter-factory collaboration, in response to torrential rains and flooding in Western Japan



In late June and early July 2018, Western Japan was affected by unprecedentedly heavy torrential rains, which had a severe impact on business activities.

The Onomichi Plant was forced to temporarily suspend operations due to flooding. However, thanks to rapid delivery of emergency materials from the stockpiles of other Yokohama Rubber facilities, we were able to distribute emergency supplies not only to our employees but also to people in the local community and to our suppliers located in the area.

Utilization of the volunteer support system

30 projects, with **101** employees participating (Yokohama Rubber Co., Ltd.)

Volunteering activity

400 projects, with **11,304** employees participating (Yokohama Rubber Group)

dividing this area up into management zones and implementing mangrove tree-planting activities four times a year, with 14 volunteers from the Yokohama Rubber Group taking part each time. They also attend mangrove awareness seminars held at local universities, combining learning with practical activities.



Employees taking part in the Mission Mangroves program

Providing support for the education of children in the local community

Alliance Tire Group K.K. has positioned environmental protection and education as the core aspects of its social contribution activities. The Group's Dahej Plant in Gujarat State has been providing educational support for five primary schools in villages located near the Plant over a period of three years. The Plant has provided school supplies and uniforms, and has helped the schools to secure teaching staff and to establish a digital learning environment. To improve the teaching skills of the schools' teaching staff, workshops on teaching methods are held. So far, this program has contributed towards providing learning opportunities for 130 children.



Educational support project for primary schools



Comments from employees affected by the heavy torrential rains that Western Japan experienced in 2018

The Onomichi Plant, which was flooded

The flooding that resulted from the recent torrential rains caused damage to the homes and cars of Plant employees.

We experienced just how destructive nature can be, but at the same time we also benefited from the kind-hearted support provided by other Yokohama Group employees, for which we are very grateful. I would like to take this opportunity to express my sincere thanks for their assistance.



Masahiro Iida
Plant Manager, Onomichi Plant

The Mie Plant, which provided support

As soon as we learnt, through inter-plant communication, that the Onomichi Plant had been forced to suspend operations because of flooding, I discussed the situation with our plant's safety managers and others, and decided to provide support for the Onomichi Plant immediately. This prompt action is attributable to the awareness that is fully shared among our own employees of the need to help others when they are in difficulty.



Takehisa Morimoto
Plant Manager, Mie Plant

Communication with Experts

Initiatives to foster diversified work styles

Interviews were held with all female employees and managers who supervise female employees at Yokohama Rubber. As a result, we understood that there are needs to support different ways of approaching work and workstyles, and accordingly we set the basic policy of "Aiming to be a company that welcomes diverse workstyles, with an employee-friendly working environment that will encourage employees to serve long term" and developed measures to implement this policy. Going forward, we aim to create a more employee-friendly working environment by strengthening management capabilities and creating a culture that supports the active participation of not only women, but each and every employee with a diverse set of values so that they can perform to the best of their ability. During fiscal 2018, we invited experts to conduct 9 seminars for female employees and management on the priority areas of childcare, nursing care, and women's career continuity that were participated in by 295 people.

In addition, a questionnaire aimed at gaining an understanding of the current status of nursing care was conducted with all of our approximately 5,500 employees, and a response was received from 91%.

We understood that there were various needs including responding to concerns toward nursing care and providing an understanding of institutions. We also directly asked about actual experiences and request for nursing care from willing participants, and summarized the issues related to nursing care.

A nursing care seminar for managers was held for the purpose of providing suggestions for consultations from subordinates who are faced with nursing care and preventing resignations due to nursing care. A contact point on childcare and nursing care was set up in 2019.

Nursing care questionnaire

- There is a possibility of nursing care in the next 5 years (60%)
- I feel uncertain toward nursing care (90%)
- I'm not sure whether I can continue working during nursing care (80%)
- The thing employees felt most uncertain about was "Don't know about public institutions"
- The most desired work style was "Balance between work and nursing care"

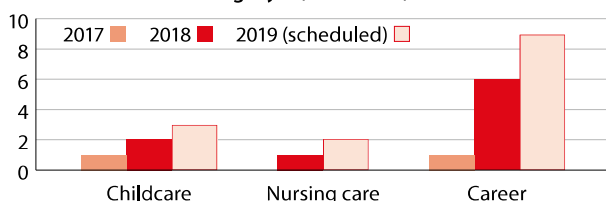
Holding Seminars with External Experts

Ms. Sook Ja Park who is engaged in employee awareness reform and work style reform for employees was invited to hold an unconscious bias seminar for managers. Participants learned about the unconscious biases everyone has and strengthened their management and risk management skills. In addition, the original supportive boss lecturer Mr. Takayuki Kawashima was invited to hold a seminar on improving development capabilities for diverse subordinates, and participants learned about the importance of effective communication with subordinates and building strong organizations to improve the results achieved by organizations. For female employees, in addition to seminars for learning about a career balance from a long-term perspective, a seminar for employees returning from maternity and childcare leave, an encourage for women seminar on finding a happy career and role while understanding the changes in the times, and a women's health seminars aimed at having a long and healthy career were held to improve motivation.

Seminars held, applicable employees are in the parentheses

Childcare	<ul style="list-style-type: none"> • Working mother information exchange meeting (women) • Seminar for employees returning from childcare leave seminar (balance with childcare)
Nursing care	<ul style="list-style-type: none"> • Nursing care seminar for managers (2 times) (managers)
Career	<ul style="list-style-type: none"> • Unconscious bias seminar (managers) • Seminar on improving development capabilities for diverse subordinates (managers) • Encourage seminar for women (women) • Women's health seminar (women)

Seminars on diverse working style (times held)



Seminar on improving development capabilities for diverse subordinates

Overseas office observation by Ms. Joanna Sook Ja Park

This year marks the 13th year since the establishment of Yokohama Tyre Vietnam Inc., and it has 6 Japanese employees including the president among a total of 612 employees. Many of its executives are local staff members. Although the majority of production site staff are men and the percentage of women in production site jobs is 13%, women account for 22% of management positions. Women account for 40% of division manager positions, and women are remarkably active in leadership positions. A meeting participated in by management and all union members is held once per month to

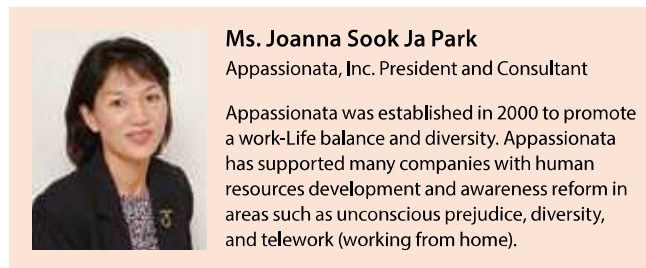
hear opinions, requests, and complaints on work safety and the work environment, and a healthy relationship has been maintained as a result. Ms. Park expressed the hope that these initiatives are conducted in an ongoing manner for improvements of the workplace.



Plant observation

Third-party Opinion

This opinion has been written based on the contents of this report, interviews held with people at Yokohama Rubber, and field observation.



Corporate governance: I commend the increase in the number of nonexecutive officers as a part of officer structure reform year by year. On the other hand, I look forward to communication on the check function including evaluations of the effectiveness of the Board of Directors.

Compliance: I commend efforts to strengthen global governance including the start of the introduction of whistleblowing systems at overseas business locations. In addition, I look forward to the further implementation of education for compliance officers and risk assessment in order to build a solid compliance structure.

Contribution to resolution of social issues through SDGs: I commend initiatives in response to social issues including the development of agricultural and forestry tires, the pursuit of safety in driving during rainy weather, and the sustainable procurement of natural rubber. In addition, in response to investment in the sustainability of companies (ESG investments), I hope that Yokohama Rubber presents its long-term vision, for example, the vision aimed for in fiscal 2030, and reports the progress as financial and non-financial information through a variety of forms of media.

Work style initiatives: An employee awareness survey and interviews with all female employees were conducted in Japan, and various measures were adopted in fiscal 2018 at a fast pace in response to childcare, nursing care, and careers for which there were strong needs based on the results of the survey and interviews. The satisfaction of participants in the education and training that was held was at least 90%, and I commend the quality that has been secured. What should be focused on in particular is the field survey and interviews with all employees. The careful analysis, careful identification of current challenges, and holding of seminars led to an improved awareness of nursing care.

Participation of diverse human resources: Yokohama Peer Support Co., Ltd. that promotes the employment of people with

disabilities has fulfilled the social responsibility of the Yokohama Rubber Group as a specified subsidiary while providing work according to the characteristics of individuals and improved the working environment through regular individual interviews. I hope that a safe and cheerful working environment is maintained going forward, including response to the aging of the population.

At the Nagano Plant where hydraulic hoses are assembled, there is a variety of people working including re-employed people, contract employees, people with disabilities, and foreigners, and because the product handled are relatively light, the plant has the highest percentage of female workers. As there are some processes that are conducted only by part-time employees, I commend the progress that has been made with improvements in operational efficiency. On the other hand, I hope that diverse employees including women and foreigners are assigned work that comes with responsibilities.

Activities for employees: In addition to events to deepen communication and friendships among employees including dinner parties and commemorative gift ceremonies that are held at all offices, events such as family day and children's day that value families and children as well as employee trips are held on a regular basis, and I commend how this contributes to improvements in employee satisfaction and retention rates.

In addition, emergency response drills in the light of the fire at the plant in the Philippines and study meetings on compliance, the environment, safety, and quality are regularly held, and I commend these efforts to raise awareness and train employees on the environment, safety, and compliance. I hope that efforts to promote disaster prevention systems, workplace safety and health, and healthy lifestyles will continue to go forward.

Coexistence with local communities: The Nagano Plant is engaged in river cleaning and forest conservation activities as part of its CSR activities, and is also active in the fire brigade. Production bases also contribute to environmental preservation and raising an awareness of the environment among children through regional tree planting activities, as well as various traffic safety awareness PR activities. Other efforts include campaigns for distributing safety stickers to drivers, lessons and games that teach traffic rules to children, and the provision of opportunities for guardians to learn about the necessity of tire replacement and how to conduct periodic inspections.

I hope that Yokohama continues to create workplaces where all employees can work safely and with a peace of mind while contributing to the local community.

Response to Third-Party Opinion

Thank you for taking a careful look at our working sites and departments. We will carefully consider your feedback and use it for making improvements.

The most important thing for us to do to ensure that we can implement business activities without delay in accordance with the GD2020 medium-term management plan is to create workplaces that enable the diverse human resources of the Group to feel secure and perform to the best of their abilities. Therefore, we will further promote the creation of workplace environments that allow employees to work in a safe and healthy manner, including safety and disaster prevention. Meanwhile, we will listen to the opinions of employees and family members as well as experts and provide information frequently as we create systems that allow employees to continue working over the long term without resigning due to family circumstances. Understanding the relationship between the SDGs and our business is essential for achieving the CSR slogan of "Caring

for the Future". The SDGs aim for an era that is good not only for the three parties of sellers, buyers, and society, but also good for the future and for the Earth. We will ensure that each and every employee understands this, and strengthen efforts that include the provision of environmentally friendly products and coexistence with local communities. Moreover, we will disclose information on the vision we aim for in the future and the progress being made on that path in order to gain the trust of shareholders. Further, we will contribute to the resolution of social issues by carrying out business operations hand-in-hand with business partners and stakeholders from the local community.

Shigetoshi Kondo
Officer, Head of Corporate Social Responsibility Division

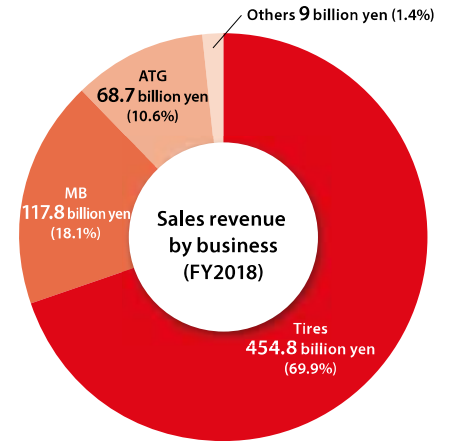


Business and Main Products of Yokohama Rubber

The Yokohama Rubber Group aims to achieve its basic philosophy “to enrich people’s lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products.” We will communicate joy to our stakeholders and gain their trust through business growth strategies that evoke a distinctive identity unique to Yokohama Rubber.

The strategies and initiatives in each field are as follows

- Consumer Tires** Through quality and performance to “Help consumers get more out of motoring lifestyles” with a focus on premium car tires, winter tires, and hobby tires, we deliver safer and more enjoyable driving.
- Commercial Tires** We have expanded off-highway tires and truck and bus tires to contribute to the sustainability of industries and improvements in mass transport efficiency.
- MB Operations** We aim to establish a firm position in the automotive components business and marine products business that will lead to the next generation by exploiting compounding and compositing technologies that we are strong in.



Tires

[Principal products] Production and sales of tires for passenger cars and light trucks; for trucks and buses; for construction and mining equipment; and for motor sports and tire tubes, aluminum alloy wheels, and other peripheral products

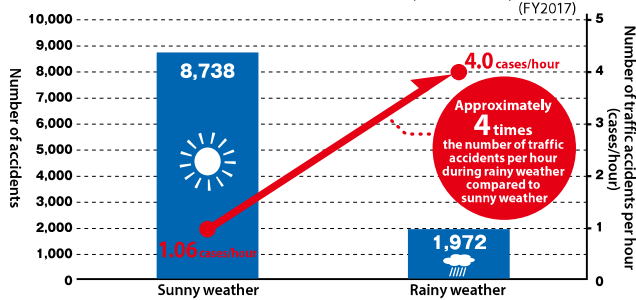


► BluEarth– GT AE51 tire for passenger cars

We have integrated high handling stability and fuel efficiency using the foundation design for the global tire brand BluEarth that is based on the theme of “tires that are friendly to the environment, people, and society” through further improvements in environmental performance.

Something we have focused on in particular is safe driving during rainy weather. The amount of rainfall in Japan is approximately 2 times the global average. It has been said that there are approximately 4 times the traffic accidents on rainy days compared to sunny days. We became the first in the industry to get the highest grade of “a” in wet grip performance for sizes over 300 in Japan in the tire labeling system. Yokohama Rubber offers safer driving through tires that won’t slip even on wet road surfaces.

Comparison of number of accidents in sunny and rainy weather (FY2017)



There is so much of a difference between “a” and “c” wet performance

Difference in braking distance depending on the grade
*Speed is 100 km/h



► 710R all-season tires for trucks and buses

Abrasion resistance and wear resistance have been significantly improved compared to before, the tires excel in rain and snow performance, and transport economics have been enhanced. In addition, grip strength when empty and drainage performance have been improved to eliminate the anxiety of drivers toward slips when starting during wet conditions.



► iceGUARD studless iG60 Z · P · S runflat tires

We launched an additional runflat model of studless tire (with Z.P.S. mark).

These tires have achieved a lighter weight while strengthening the side wall of the tire so that the vehicle can be supported even when there is no air.

The tires offer safer driving during high speed driving and on snowy roads.



► AICHI E-Cushion tires for industrial vehicles

Aichi Tire Industry Co., Ltd. manufactures and sells tires for industrial vehicles.

These tires achieve both abrasion resistance and comfortable ride, contributing to economy and the reduction of operator’s fatigue.



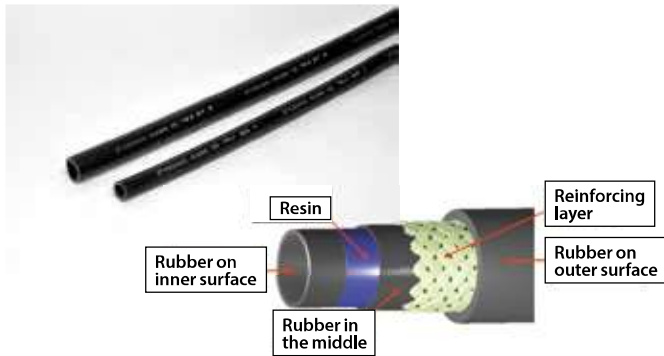
MB (Multiple Business)

[Principal products] Production and sales of hoses, couplings, conveyor belts, fenders, adhesives, sealants, and other products for industrial, maritime and aerospace fields.



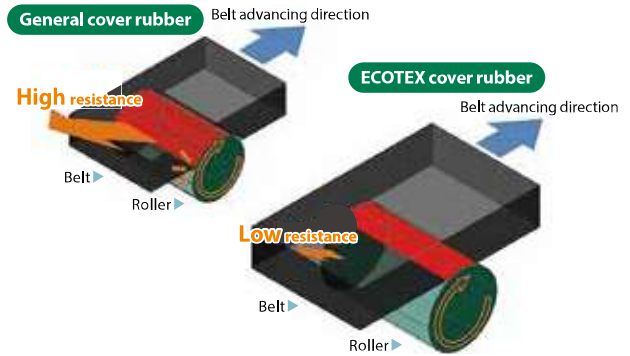
► Car air conditioner hoses that support next-generation coolant

Although HFC-134a coolant that is currently the mainstream for car air conditioning has a high global warming potential (GWP) of 1,430, the new HFO-1234yf coolant has an extremely low GWP of 4, so replacement can be expected. However, because this new coolant is corrosive, we have improved our hoses in response. Rubber on the inner surface prevents corrosion of the resin layer and coolant leakage.



► ECOTEX energy-saving conveyor belt

ECOTEX was used in the longest conveyor line in Japan in recognition of its energy savings and high durability. The viscoelasticity of the bottom facing cover rubber that comes into contact with the roller has been optimized to reduce the resistance when going over the roller and contribute to a reduction in conveyor power consumption. A significant reduction in power consumption of at least 50% compared to before has been achieved.



ATG (Alliance Tire Group K.K.)

[Principal products] Production and sales of tires for agricultural, industrial, construction, and forestry machinery



► FarmPRO Radial 80 tires for agricultural and forestry machinery

Alliance Tire Group K.K. has provided tires for agricultural machinery such as tractors and forestry machinery under brands including the Alliance brand for over 60 years.

FarmPRO Radial 80 is engineered with a multi angle lug design with steep angles at the center that enables a smooth ride along with self-cleaning characteristics. The shallow angle at shoulder provides superior traction.



► 317 MPT tire for construction and industrial vehicles

This new product has been introduced and well received after being designed and developed in response to feedback from customers.

The 317 MPT tire has been designed for construction and industrial vehicle application that require high traction, and excels in high-speed driving and driving force. The tire has a strong nylon carcass construction to achieve the best performance during bad weather no matter what road conditions are like.



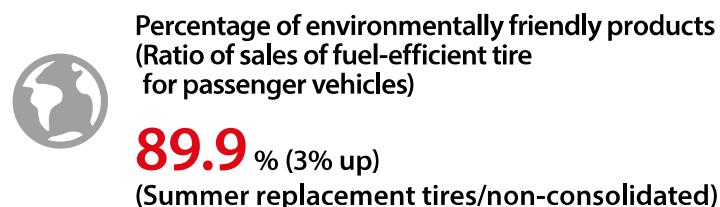
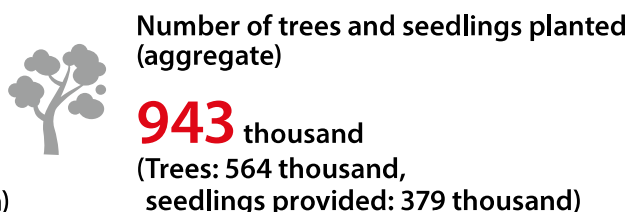
Yokohama Rubber Group at a Glance (Consolidated as of December 31, 2018)



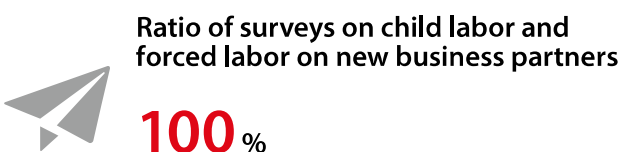
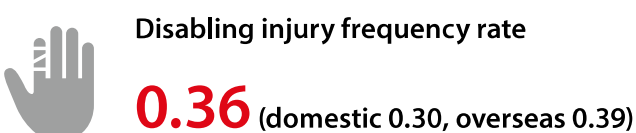
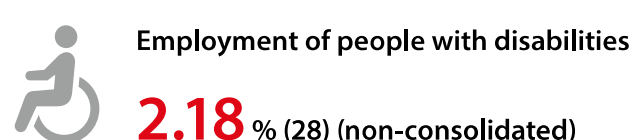
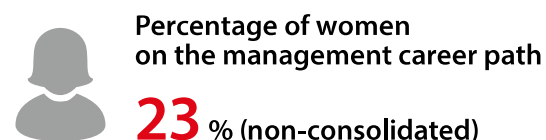
Non-financial indicators

The Earth

CO₂ emissions and year-to-year comparison*

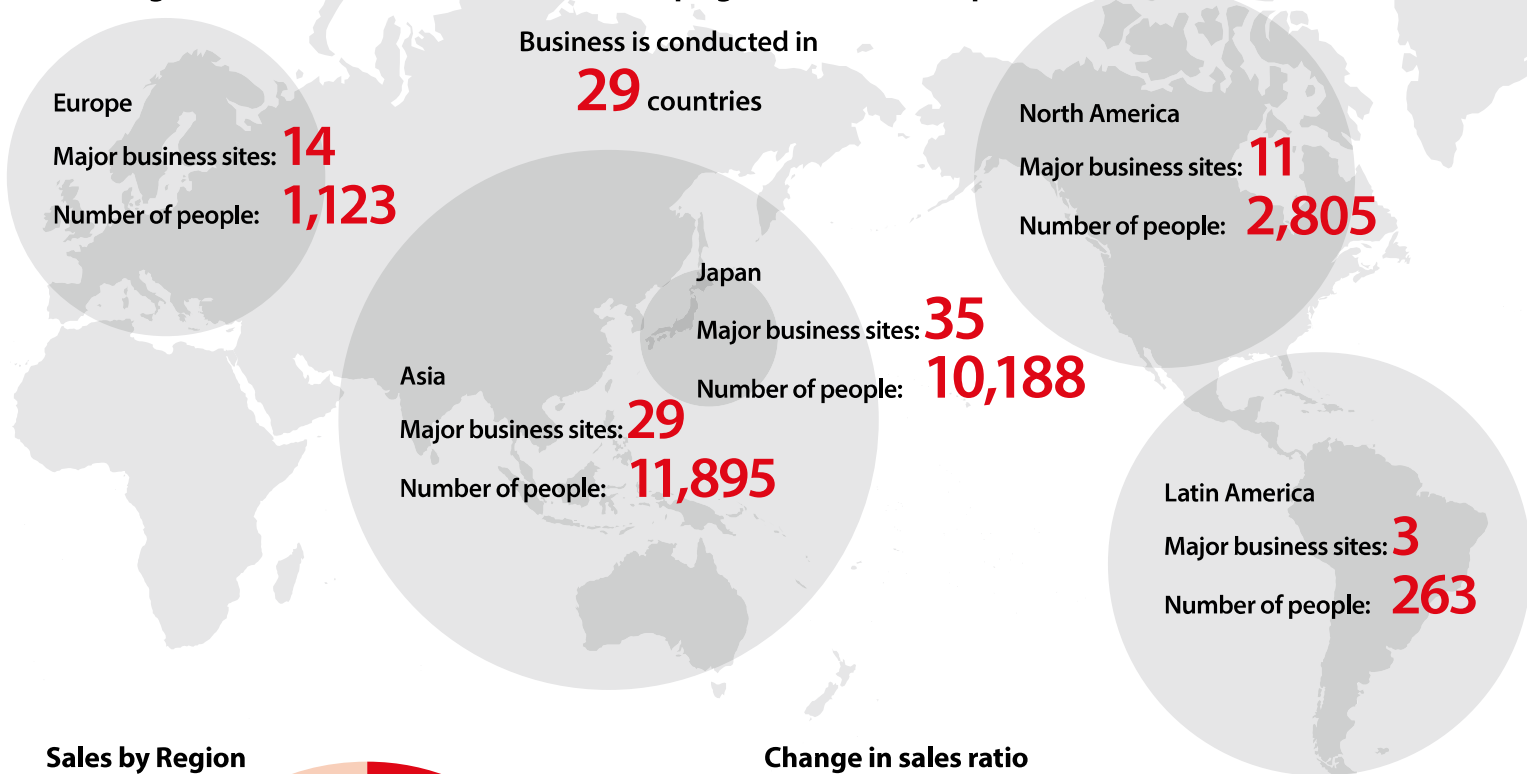


Society

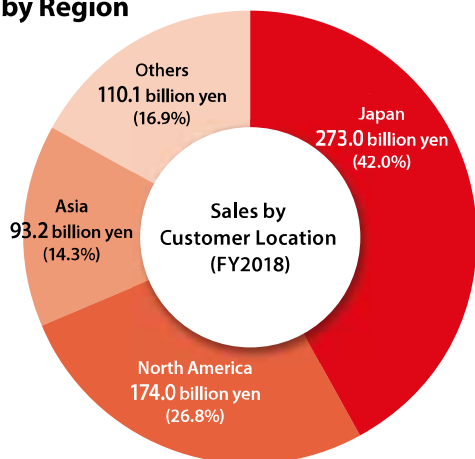


*1: Scope 1 is CO₂ emissions from the use of fuel, Scope 2 is CO₂ emissions from the use of electricity. Scope 3 is CO₂ emissions throughout the value chain from procurement to product use and disposal.

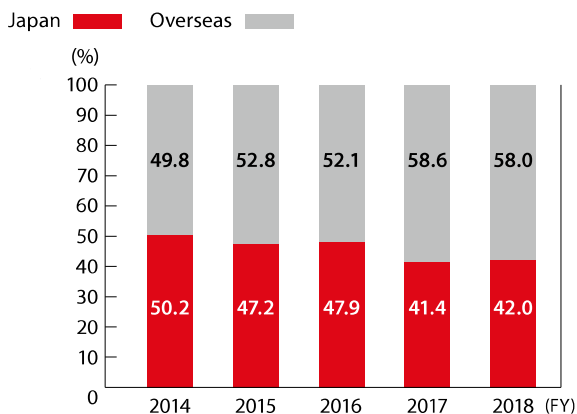
Main Regions Where Yokohama Rubber Is Developing Its International Operations



Sales by Region

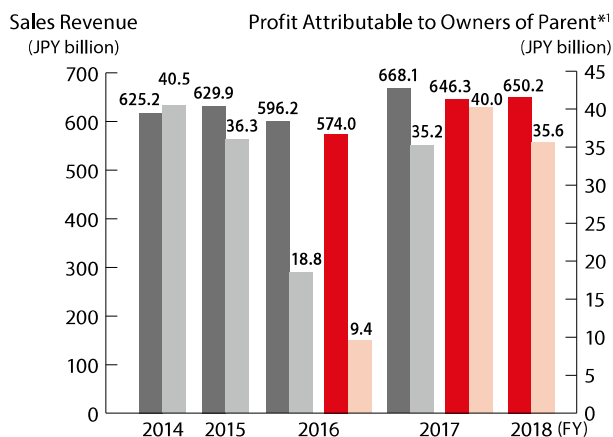


Change in sales ratio



Net Sales (consolidated) and Profit Attributable to Owners of Parent

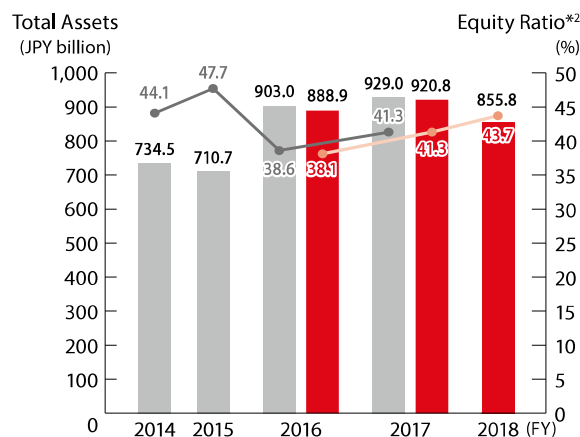
Net Sales (Japanese Standards) ■
 Sales Revenue (IFRS) ■
 Profit Attributable to Owners of Parent (Japanese Standards) ■
 Profit Attributable to Owners of Parent (IFRS) ■



*1: Profit Attributable to Owners of Parent under IFRS

Total Assets and Equity Ratio (consolidated)

Total Assets (Japanese Standards) ■
 Total Assets (IFRS) ■
 Equity Ratio (Japanese Standards) —●—
 Ratio of Equity Attributable to Owners of Parent (IFRS) —●—



*2: Ratio of Equity Attributable to Owners of Parent under IFRS

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Keeping a positive contribution to both tire safety and local communities

Since 2015, when the partnership with Chelsea Football Club began, the club's social responsibility programme, the Chelsea Foundation, has been supporting Yokohama and their CSR initiatives across the globe. The Chelsea Foundation uses the power of football and sport to motivate, educate and inspire. One of the Foundation's core activities is hosting football-coaching events for young people in their communities.

During the 2017 -2018 season, the Chelsea Foundation continued to support Yokohama's community activities using its International Development coaches to provide soccer schools for local children in locations near the tyre company's facilities around the world, including Qatar, Italy, Russia, U.S.A., Vietnam and Japan. Hundreds of children have participated in activities, such as soccer schools and classroom workshops, and all have benefitted from the opportunity to learn both footballing skills as well as other important positive life lessons. The Yokohama x Chelsea Foundation activities also provide significant local media exposure, helping to raise YOKOHAMA's brand awareness in key markets.

YOKOHAMA together with the Chelsea Foundation continues to support the club's first community development project in the US, New York's FC Harlem. The initiative is offering opportunities for young people with low economic means to access soccer in a safe environment.

In the U.K., YOKOHAMA has also continued to collaborate with Chelsea to remind fans of the importance of vehicle safety inspections. In partnership with the UK road safety charity 'Tyre Safe', advertising on match days at Stamford Bridge highlights to the public the need for regular tyre safety checks. YOKOHAMA will continue to collaborate with Chelsea FC in the future, endeavoring to make a positive contribution to both tire safety and local communities.



Soccer schools
(Left) Ho Chi Minh City, Vietnam
(Right) Harlem, New York, U.S.A.



Yokohama Rubber is a signatory to the United Nations Global Compact.
Yokohama Rubber is an advocate of Fun to Share, a climate change program working to realize a low-carbon society.
Yokohama Rubber Group is an official partner of Chelsea F.C.