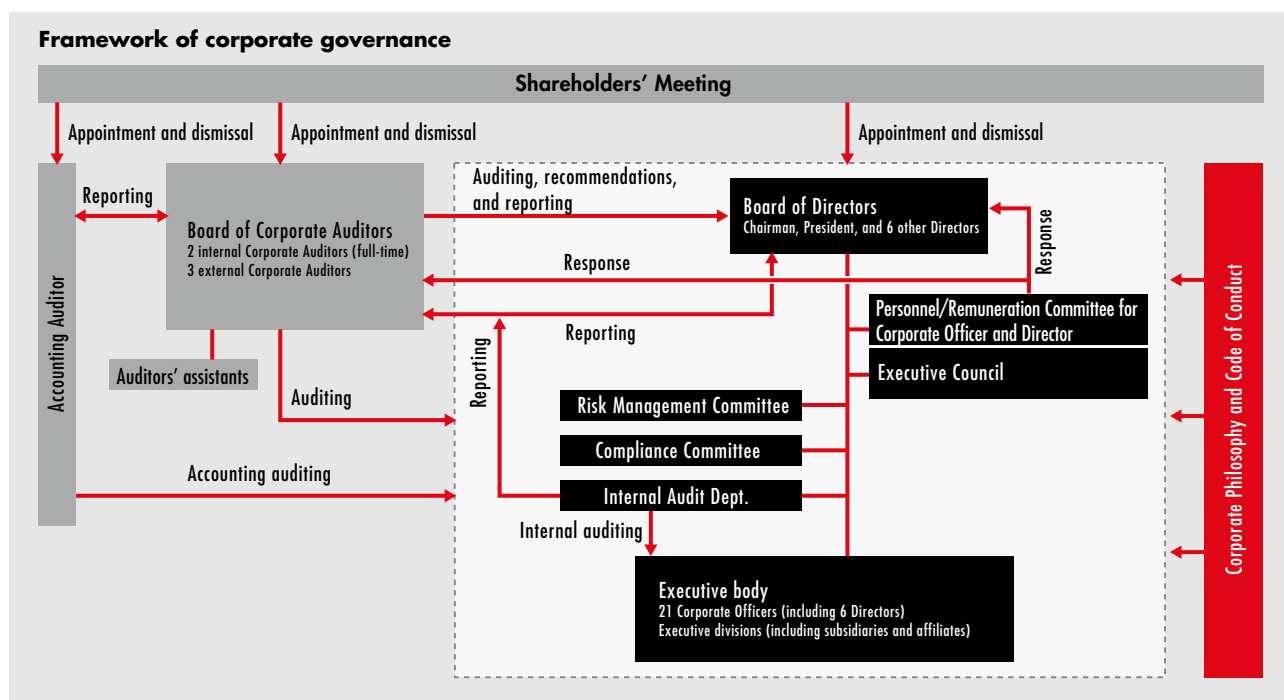


Corporate Governance

Framework for Corporate Governance

Recognizing the importance of ensuring transparency and swifter, better quality decision-making and execution if we are to respond appropriately to business and social

conditions and move toward the goals set by GD100 and raise corporate value, we have established the framework for corporate governance shown below.



Management Framework

Rigorous action is taken to clarify the roles of Directors and Corporate Officers and to speed up management decision-making and execution. The medium and long-term outlook concerning GD100 is also confirmed each year to ensure that management does not descend into short-termism. The main functions are as follows.

Board of Directors

The Board of Directors does management decision-making and audits the performance of their duties by Directors and Corporate Officers.

Executive Council

The council's main members are the Chairman, President, and Directors. Its role is to deliberate the performance of key business and important matters of risk management based on the basic management principles, and it supports the strategic functions of management.

Personnel/Remuneration Committee for Corporate Officer and Director

This committee ensures the transparency and fairness on personnel and remuneration matters for Directors and Corporate Officers.

Auditing Framework

Yokohama Rubber employs the corporate structure of a "company with a Board of Corporate Auditors." In order to strengthen auditing capabilities, the number of outside Corporate Auditors was increased by one. Of the five Auditors, therefore, three are now from outside, thus ensuring that audits are performed fairly and independently of the Board of Directors.

Accounting Auditor

The company retains Ernst & Young ShinNihon as its Accounting Auditor.

Yokohama Rubber Group Compliance

Compliance is the linchpin of corporate governance. We see compliance not simply as a matter of observing and not infringing laws, rules, and regulations but also as acting in accordance with the values and ethics required of a better corporate citizen.

Basic Stance on Compliance Activities

When the Corporate Compliance Department was set up in 2005, the main thrust of activities was to eliminate thinking and behaviors that ran contrary to compliance. Since then, however, action has further developed into activities designed to implement the "Yokohama Rubber Group Code of Conduct." We are working to further enhance and strengthen compliance arrangements, such as by reviewing actual conditions and identifying problems and challenges on the spot during the execution of operations.

Compliance Regulations

A "Yokohama Rubber Group Code of Conduct" has been established, which is to be observed and practiced by all employees of the Yokohama Rubber Group in Japan. All employees carry compliance cards, and priority is given to making decisions in accordance with the "Compliance Guidelines" when it is unclear what course of action employees should take.



Compliance card

Compliance Framework

Compliance promoters are appointed in each organization, and compliance officers in each group company, in order to organize training and education to prevent violations of compliance issues before they occur. Due to the diversification of compliance needs, ongoing education is provided concerning subjects including changes in the social environment and amendments to relevant legislation. In fiscal 2006, 12 reports were made to the Compliance Advisory Center (five from within the group and seven from outside sources), all of which were reported to the Compliance Committee and were dealt with sincerity toward the reporters.

"High ethical standards" are at the heart of GD100



Keigo Ueda

Director and Senior Managing Corporate Officer in charge of Corporate General Affairs Dept., Internal Audit Dept., General Manager of Hiratsuka Factory, General Manager of Corporate Compliance Dept., and President of Hamagomu Real Estate Co., Ltd.

The Yokohama Rubber Group sees "fostering a customer-oriented corporate culture that honors rigorous standards of corporate ethics," which is one of the basic policies of GD100, as a top priority in business. Led by the Corporate Compliance Department and some 140 compliance officers throughout the group, action has been taken to ensure compliance with laws and regulations by the group as a whole. In May 2007, however, Yokohama Rubber underwent an on-site inspection by the Japan Fair Trade Commission on suspicion of contravening the Anti-Monopoly Law in regard to the sale of marine hoses, and we apologize unreservedly for the concern and anxiety that this has caused to our stakeholders. Corporations have in recent years increasingly been required to act in a socially responsible manner around the world, and the Yokohama Rubber Group will in the future be pursuing even more rigorous compliance than in the past so as to provide socially relevant goods and services, while at the same time preventing misconduct before it arises in order to become an enterprise that earns the trust and confidence of society.

Compliance Training

Regular training courses are held continuously within the company and the group as a whole. An e-learning course launched in fiscal 2006 has been completed by around 720 employees, and a variety of other seminars and courses have been held to raise legal awareness among employees. A course on compliance with the Anti-Monopoly Law that kicked off in 2006 has been taken by a total of 1,200 employees.

Data Security

Information technology is already a key element of the social infrastructure, and is vital to business systems. Education on data protection and control is being expanded to the group as whole in order to ensure rigorous implementation of regulations concerning corporate data, customer data, and personal data protection.

Internal Control Project Now in Progress

With the entry into effect of the Corporations Law in May 2006, the Board of Directors decided on a basic policy of reaffirming and continuously improving the existing internal control system in order to further strengthen arrangements for voluntary checks on business management. In January 2007, the Internal Control Department was established and the internal control project launched as work began on strengthening internal control and ensuring the propriety of financial reporting. Combined total of 35 briefings and presentations have been held involving 700 employees from throughout the Yokohama Rubber Group.

Scope of development of internal controls

Scope of development of internal controls under the Corporations Law	Financial Instruments and Exchange Law	Provisions concerning financial reporting (J-SOX confirmation) Document, work flow, process statement, risk control matrix
		Matters other than financial reporting (confirmation documents)
		Compliance with laws and ordinances
		Risk management
		Efficiency of performance of duties

Response to Various Risks

Countermeasures are taken to deal with all kinds of risks, including accidents, disasters, product liability, material violations of laws and ordinances, and takeover bids. Regarding large-scale stock purchases that could harm Yokohama Rubber’s corporate value and the joint interests of shareholders, the Board of Directors decided in May 2007 to introduce a policy on how to respond. In addition, regular checks are made of specific risk categories and countermeasures formulated by the Risk Management Committee in order to deal more strongly with the various constantly changing risks that enterprises

face, and a group-wide review is planned as part of these activities in fiscal 2007. The Risk Management Committee also identifies risks and determines how defensive measures can be strengthened “Seismic Intensity of 6” countermeasures begun in fiscal 2002 were completed in fiscal 2006. This involved reinforcing buildings to ensure the safety of employees within them in the event of an earthquake measuring a six on the Japanese scale of seismic intensity, and entailed a total investment of ¥1.02 billion.

Incidence of Health Problems Caused by Asbestos (as of July 2007)

One former worker of the Hiratsuka Factory received an asbestos healthcare permit in March 2006, and he and a surviving relative were found to be eligible for workers’ compensation in October 2006 and May 2007 respectively. In April 2007, a worker who used to work with asbestos at Yokohama Rubber MBK (a group member based in Fukuoka City) filed a claim and underwent a medical examination. Regarding health problems caused by asbestos, appropriate steps will continue to be taken, including the conducting of regular health investigations.