

Medium to Long-range CSR and Environmental Plans

State of Progress in FY2009

In order to ensure that progress is being made in its CSR management, the Yokohama Rubber Group conducts annual evaluations of its performance based on goals set for each stakeholder group, referred to as “desired performance in 2017.” See our online edition for a more detailed account of each initiative.

	Item	Desired performance in 2017	Performance in FY2009	Progress	FY2010 target
Management and CSR management	Promotion of CSR management	Compliance with ISO 26000, strict sense of corporate ethics, and respect of international standards exists across the entire Yokohama Group	Symposium on model examples of CSR management Events for going through the CSR report were held	○	Expand CSR guidelines within the company (informational meetings, self-assessment)
	Corporate Governance/ Compliance	Survey of employees' ethical compliance awareness Completion of visualization of relevant legislation	Revised risk response system (added personal safety confirmation system and measures to counter new influenza strains) Revised ethical compliance promotion system among group companies in Japan	○	Expand ethical-enforcement framework to overseas group companies
	Development of relations of trust with stakeholders	Development of methodology for reflecting stakeholder opinion	Round-table discussion with young employees	○	Hold employee round-table discussion, develop framework for consolidating stakeholder dialogue events, and prepare to hold external stakeholder dialogue events
Environmental management	Enhanced global environmental management	Consistent, high-level environmental management implemented at all Japanese and overseas plants through the deployment of ISO 14001-based EMS	ISO 14001 certification acquired at 2 Chinese operations in April and May 2009, and at 23 Japanese and overseas operations	○	Acquire ISO 14001 certification at 2 new overseas operations At Japanese offices: create framework aimed at unified EMS by end of FY2011
	Promotion of environmental education	All staff possess qualifications within the boundaries set by a unified EMS	Trained 251 internal environmental ISO auditors	○	Foster Japanese staff and foremen who have acquired internal auditing qualifications (Train 160 internal environmental ISO auditors)
	Measures to ensure biodiversity	Implement environmental protection activities in areas around Japanese and overseas plants	Drew up a basic policy and action guidelines	○	Implement internal education/thorough understanding Commence surveys of the natural environments surrounding operations sites in Japan
Green procurement	Promotion of green procurement	Activities aimed at 100% green procurement rate	Established CSR procurement guidelines and held informational meetings with supply chain companies	○	Comply with REACH and other new regulations
Environmentally sound products	Development and popularization of environmentally sound products	Have made all products environmentally sound by FY2017	All newly developed products were environmentally sound Ratio of environmentally sound products: 83% (8% increase from previous year)	○	Continue to maintain 100% development of environmentally sound products for all new development Improve ratio of environmentally sound products
Environmentally friendly production	Reducing emissions of greenhouse gases	Revised and new target settings: 1) Short-term target (revised): 12% reduction from baseline year of average emission levels between FY2008 and FY2012 2) Medium- to long-term target (new): Attempt to achieve 25% reduction from baseline year by FY2020	21.1% reduction from baseline year (calculation: averaged coefficient from all electrical power sources)	○	Maintain 12% reduction from baseline year
	Efficient use of resources	Achievement and continuation of complete zero emissions at group plants in Japan and overseas	Achieved 100% recycling rates at all 8 Japanese plants Achieved zero emissions for the first time at an overseas plant (Thailand)	○	Expand in Japan and overseas the number of group plants that have achieved complete zero emissions
	Waste reduction	Continued reduction of total volume and basic unit volume	36% reduction over 1996 levels (Target: 35% reduction over 1996 levels)	○	Maintain achievement of the target (35% reduction over 1996 levels)
	Appropriate management of substances of concern (SOCs)	Establishment of monitoring framework in collaboration with suppliers Completion of arrangements for in-house REACH compliance (registration/ approval/notification/limitation)	Integrated management of chemical substances at overseas plants REACH registration process commenced, shifted use to authorized substances	×	Integrate management of chemical substances at overseas plants Complete REACH registration, and replace newly announced substances of very high concern
	Appropriate management of PCBs	Proper disposal completed by March 2016	Continued proper storage	○	Phased commencement of proper disposal
Employees	Creating a safe, healthy workplace	Develop corporate culture aimed at achieving “zero danger”	Plants modified to secure safety	○	Shift to safety assessment practices
	Workplaces that are home to diversity	Workplaces that allow workers of all ages, genders, and nationalities to utilize their skills and abilities	Held overseas training for new employees Established and publicized (in Japan) anti-harassment standards	○	Propose training targets for young employees based on new personnel system Continue promotion of deploying mental health counselors
Society	Responses to external complaints	Zero complaints	Four cases (target: 10 complaints or less)	○	Ten or fewer complaints
	Promotion of YOKOHAMA Forever Forest Project	Try to revitalize forests by planting a total of 500,000 trees at Japanese and overseas operations by 2017	Planted 130,000 trees at Japanese and overseas production plants	○	Expand tree-planting activities at Japanese and overseas operations Raise ready-to-plant seedlings and give to local communities
Business partners	Development of relations of trust with business partners	Promotion framework for CSR activities carried out through collaborative business with business partners	Drew up business partner guidelines and held informational meetings, and aggregated self-assessment data	○	Give feedback on self-assessment results of the business partner guidelines
Customers	Development of relations of trust with users	Enhanced framework for global services, including construction of a global training center	Raised the quality of customer satisfaction and quality assurance activities	○	Enhance global services framework

State of progress: FY2009 targets that have been attained are marked by a circle (○) and targets that had not been achieved are marked by a cross (×).

Corporate Governance

Yokohama Rubber has built a framework for corporate governance aimed at ensuring sound, fair, and transparent management based on its corporate philosophy, and the company continues working to strengthen that framework. Sound corporate governance is central to Yokohama Rubber's efforts to maximize corporate value and to earn and retain the confidence of all the company's stakeholders.

Corporate Governance Structure

The members of the Board of Directors agree on policy for maintaining the internal-control mechanisms mandated by Japan's Companies Act (policy that stipulates a framework for ensuring that their work performance complies with legislation and the company's articles of incorporation), discuss matters of importance in company management, and monitor each other's performance. The effectiveness of auditing is strengthened by five Corporate Auditors (including three external auditors) who monitor the work performance of members of the Board of Directors through the Board, and through their collaboration with an independent public accounting firm and with the Internal Audit Department, which performs internal audits of the entire Yokohama Rubber Group. The Management Council, which consists of the chairman and other selected members of the Board of Directors and other executives, reviews overall operational policy, matters crucial to work performance, and matters crucial to risk management, from the perspective of fundamental management policy. A Director Personnel/Remuneration Committee has been established to ensure fair and transparent management and treatment of directors and officers. Issues reviewed by the Committee are decided upon by the Board of Directors. The Committee adopts a performance-based remuneration system that ties a portion of their remuneration to work achievements.

Internal-control mechanisms

The Board of Directors passed a resolution in May 2006 that called for establishing the internal-control mechanisms mandated by Japan's Companies Act. While monitoring the ongoing performance of those mechanisms, the Board of Directors also passed a resolution in April 2009 that called for instituting measures to prevent corporate involvement in racketeering and other illicit activity, thus working to strengthen internal-control mechanisms. Legislation took effect in Japan in the fiscal year to March 31, 2009, that is similar to the U.S. Public Company Accounting Reform and Investor Protection Act of 2002, commonly known as the Sarbanes-Oxley Act. Yokohama Rubber has established internal-control mechanisms to help ensure compliance with this legislation and with other laws and regulations, and was confirmed through internal and external evaluations to have an effective internal-control mechanism overall. Yokohama Rubber dedicates itself to seeking further improvement and continuously maintaining effective functions in this area.

Risk-management system

Yokohama Rubber's Risk Management Committee was established to evaluate significant risks from a cross-sector perspective and determine appropriate measures for addressing those risks. It is responsible for coordinating a swift and effective response to emergencies, and constructing a robust risk management system after determining responses to potential risks. When swine influenza A (H1N1) broke out in April 2009, Yokohama Rubber immediately responded by establishing a "New Influenza Response Division," with the president serving as general manager.

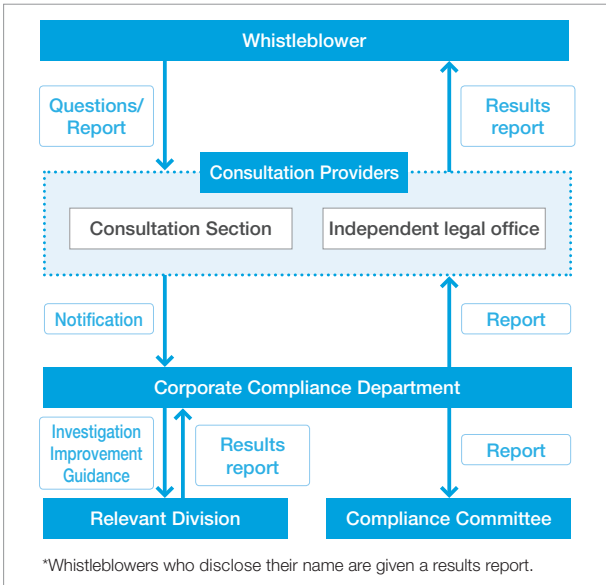
This enabled a timely risk response, and protected Yokohama Rubber's employees from a group infection crisis up until April 2010 when the first pandemic wave settled and the Response Division was disbanded. Yokohama Rubber has devised plan-do-check-act cycles for responding to foreseeable risks. Its risk-management encompasses workplace safety, earthquake preparedness, fire prevention and preparedness, ethical compliance, environmental protection, product quality, and operational continuity. The committees, divisions, and other organizational units responsible for these and other facets of risk management work out appropriate measures for addressing risk and oversee the implementation of those measures.

Ethical compliance

Basic approach
Yokohama Rubber's basic approach to ethical compliance is one in which it should not limit itself to the sole pursuit of profit, but should forge a strong identity as a deeply reliable and fair corporate citizen with a strong social ethic, while also actively working to protect the environment.

Ethical-enforcement framework
The Compliance Committee meets quarterly to review and confirm the ongoing status of education and awareness-raising activities and notable incidents regarding compliance. The president presides as chairman and the Corporate Compliance Department serves as secretariat. The Committee also regularly performs analysis of compliance risk at all Yokohama Rubber Group companies and identifies sources of risk that will require future attention. A compliance monitor is designated by the Corporate Compliance Department in each sector to improve communication about compliance and the progress of education and awareness-raising activities in the workplace. Group companies in Japan each appoint their own compliance monitors and conduct similar activities. Moreover, Yokohama Rubber is promoting similar activities at its overseas operations. In FY2009, there was no misconduct at Yokohama Rubber characterized by infringement of the Ant-monopoly Act, nor did Yokohama Rubber undergo any legal sanctions.

telephone, fax, or email. A "compliance card" containing the necessary contact information is distributed to all employees at Group companies in Japan. In FY2009, the hotline was used in a total of eight cases. Yokohama Rubber's Consultation Section is for employees who have worries or suspicions about compliance in the workplace. Consultation is available to anyone who has access to internal email at Yokohama Rubber in Japan, and is given by a legal representative of the company. FY2009 saw 14 cases of employees calling for information, advice, and other forms of guidance.



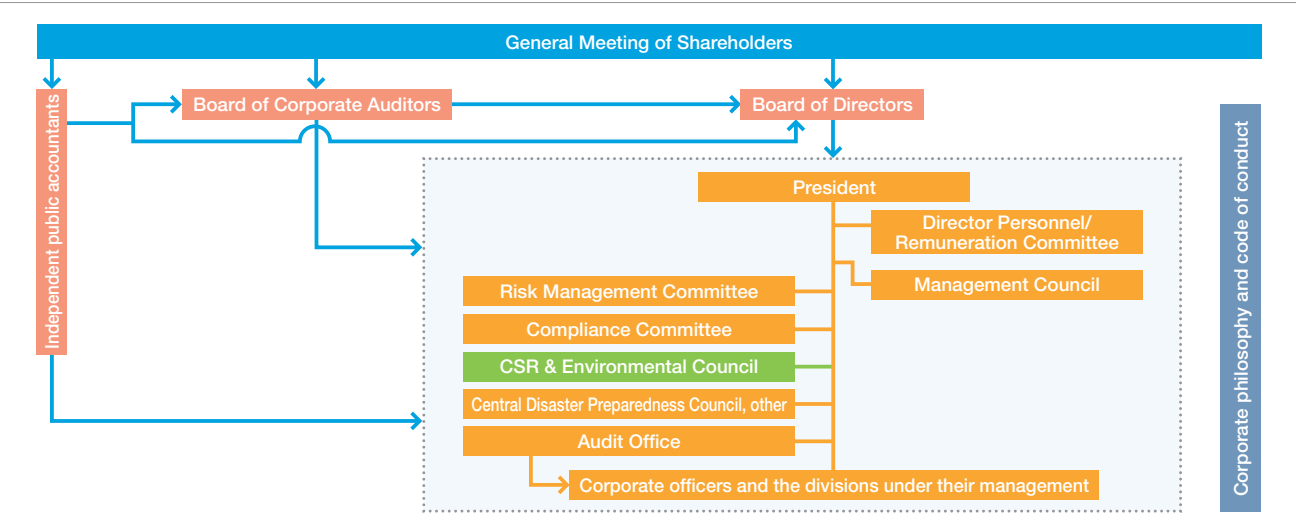
Internal channels for reporting suspected violations (Hotline)

Education and awareness-raising activities

In order to equip employees with basic knowledge about compliance, Yokohama Rubber is making efforts to improve education and awareness by combining e-learning with group training in which employees examine what aspects of their work require special caution. Education on the Anti-monopoly Act features lectures by an independent expert about specific work precautions.

Introduction to the Anti-monopoly Act	e-learning format	1,077 participants
Export Control Training	e-learning format	256 participants
Compliance Case Studies	Group format	36 participants
CISG Training	Group format	85 participants
Anti-monopoly Act Training	Group format	53 participants

Courses held in FY2009



Yokohama Rubber's Framework for Corporate Governance

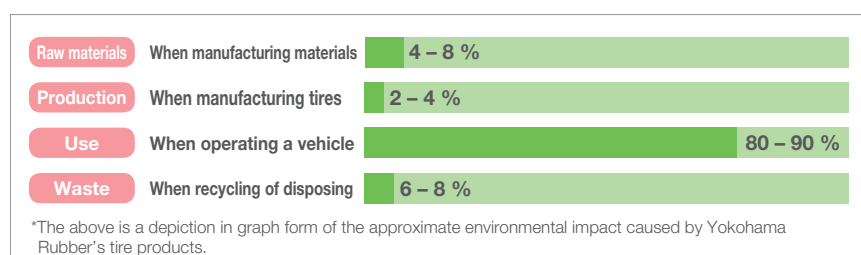
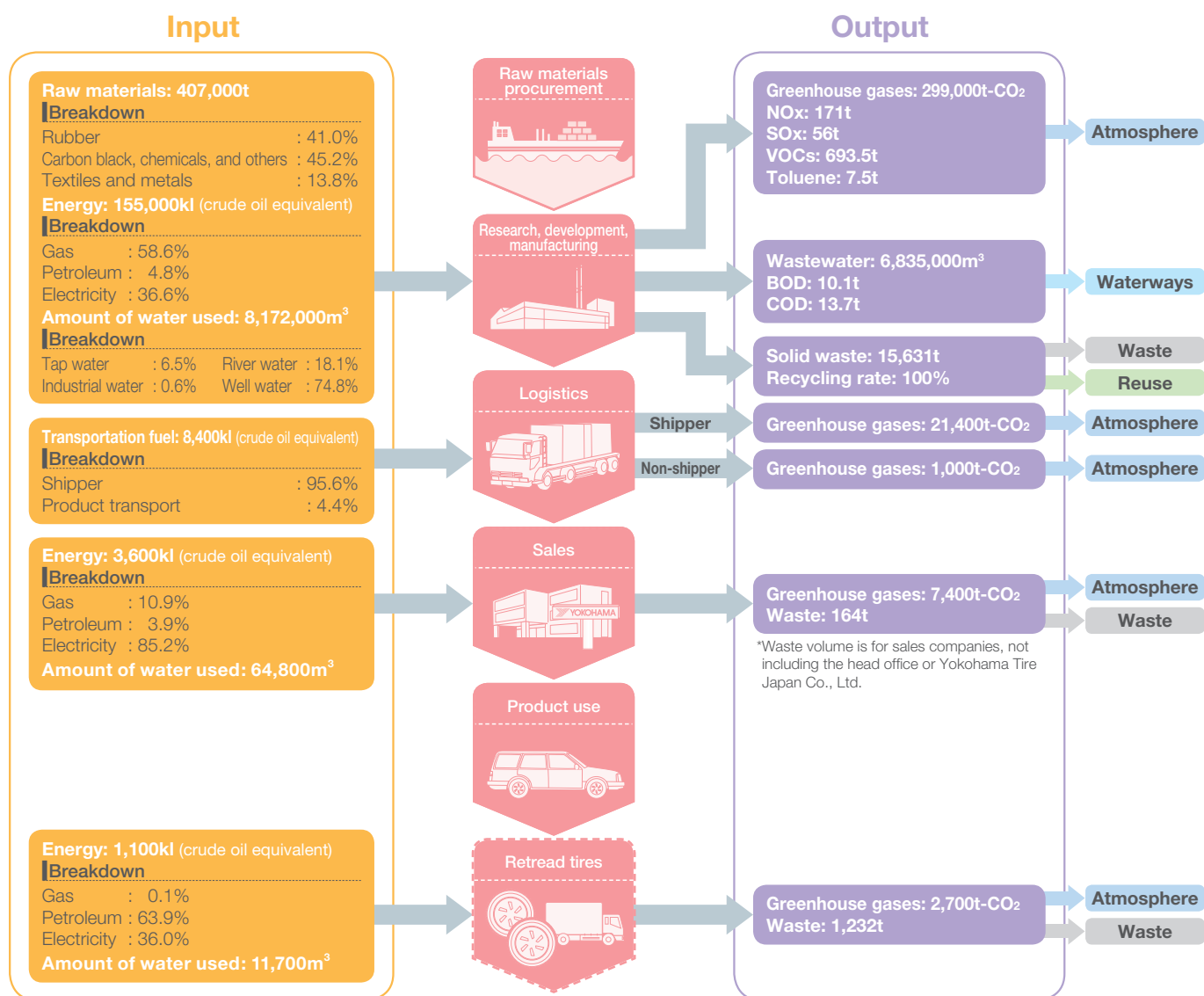
Overview of environmental impact

Here, the Yokohama Rubber Group presents an overview of the substances input and output during the manufacture of our products over the course of one year.

Given the history of global warming, resource and energy depletion and other environmental problems, Yokohama Rubber implements a range of measures to reduce our environmental impact, first by trying to understand holistically the burden we impose on the environment through our business activities, and next by working to use energy effectively for production, conserve and recycle energy, and improve the efficiency of product distribution. Also, in order to

more specifically understand the extent to which these environment and energy conscious business activities and product inputs have been effective environmentally, we adopt a Life Cycle Assessment (LCA) method to quantitatively assess our environmental impact.

*LCA: A method for evaluating environmental impact throughout the entire lifecycle of a product, starting with raw materials procurement, to manufacturing, transport, and use, and ending in disposal and recycling.



■ Environmental impact (CO₂ emission levels) at each stage in a tire's lifecycle.

*Scope of statistics

Research, development, and manufacturing:
 Yokohama Rubber's eight production and R&D sites in Japan

Sales:
 Head office and distributors in Japan

Retread tires:
 Yokohama Tire East Japan Retread Co., Ltd.,
 Sanyo Retread Co., Ltd.