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# Company Overview / CSR Management

# Company Overview / CSR Management

An introduction to the Yokohama Rubber Group and our concepts and systems for promoting CSR.

- ▶ Yokohama Rubber Group at a Glance
- ▶ Corporate Philosophy and Yokohama Rubber Group's Approach to CSR

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# Company Overview / CSR Management

## O Yokohama Rubber Group at a Glance

## Yokohama Rubber Group at a Glance (as of December 31, 2012)

Company Name	The Yokohama Rubber Co., Ltd.	
Establishment	October 13, 1917	
Paid-in Capital	JPY 38,909 million	
Net Sales	JPY 559,700 million (consoliduted)	
Fiscal Year End	December 31	
Chairman and CEO and Representative Director	Tadanobu Nagumo	
President and Representative Director	Hikomitsu Noji	
Head Office	36-11 Shimbashi 5- chome, Minato-ku, Tokyo, Japan 105-8685	

Number of Employees	19,412 (consolidated)	
Number of Shareholders	14,706	
Number of Shares Issued and Outstanding	342,598,162	
Number of Consolidated Subsidiaries	114	
Number of Affiliates Accounted for by the Equity Method	2	
Stock Exchange Listings	Tokyo, Osaka, and Nagoya	
Our Worldwide Locations	Japan, the USA, Canada, Australia, Germany, the Philippines, Vietnam, China, Thailand, Russia, etc.	
Website	http://www.yrc.co.jp/ english/	

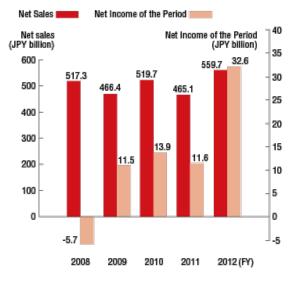
<sup>\*</sup>In order to be consistent with our overseas subsidiaries for consolidated accounting, we decided to shift our financial closing date from March 31 to December 31 as of the fiscal year of 2011.

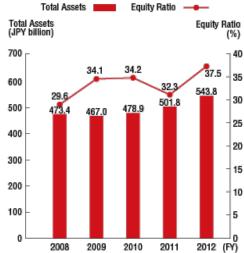
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- Yokohama Rubber Group at a Glance
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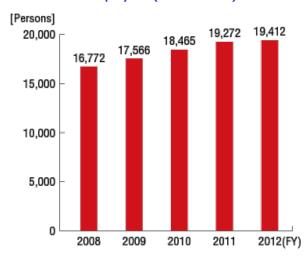
# ■ Net Sales and Net Income (consolidated)

# ■ Total Assets and Equity Ratio (consolidated)





## ■ Number of Employees (consolidated)



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## **Economic Dividends to our Stakeholders**

Dividends Amount (unit: JPY million)		Coloniation Mathead	
Stakeholders	FY2012	FY2011	Calculation Method
Partners	275,246	240,632	Cost of Sales + Sales Admin Fee (excluding labor costs)
Employees	48,706	36,729	Cost of Sales + Sales Admin Costs (labor costs)
Shareholders	4,021	3,014	Payment of dividends
Creditors	2,518	1,887	Interest expense
Government	9,175	2,806	Corporate income tax, etc.
Society	29	36	Donation (entertainment) and others
Internal	28,590	8,604	Net income less dividend payments

The table above shows the non-consolidated data of Yokohama Rubber.

#### **Financial Support Received from Government**

The total amount of the financial support for tax or subsidiary from national or municipal government in the fiscal year of 2012 was JPY 0.6 million from corporate tax relief due to donation expenses due to extraordinary amortization of assets under the regulations for peninsula development.

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#### **Mainstay Products and Group Companies by Segment**

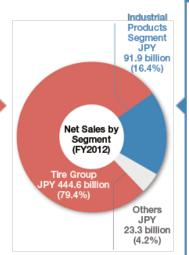
# Tire Group

#### Mainstay Products

Tires for passenger cars, trucks and buses, light trucks, mining and construction equipment and industrial vehicles, aluminum alloy wheels and automobile-related components

Subsidiaries and Affiliates 10 Manufacturing and Sales Companies including Yekohama Tire Corporation, Yekohama Tire Philippines, Inc., Hangzhou Yekohama Tire Co., Ltd., Yekohama Tire Manufacturing (Thalland), and LLC. Yekohama R.P.Z., etc.

150 Distribution Companies including Yekohama Tire Japan Co., Lid. And Yekohama Tire (Canada) inc., etc.



# Industrial Products

#### Mainstay Products

Conveyor belts, rubber plates, various hoses, marine fenders, oil spill containment beems, marine hoses rubber melded products, air springs, highway joints, rubber support, anti-seismic laminated rubber sheets for buildings, water-repellent materials, water-proof materials, sound- and vibration-proof materials, adhesives, sealants, coatings, and encapsulants

#### Subsidiaries and Affiliates

- 8 Manufacturing and Sales Companies including:
- SAS Rubber Company, YH America INC., SC Kingflex Corporation, Yokohama Rubber (Thailand) Co., Ltd., and Yokohama HAMATITE (Hangzhou) Co., Ltd., etc.
- 3 Distribution Companies including: YOKOHAMA INDUSTRIAL PRODUCTS JAPAN, Yokehama Kogyehin Co., Ltd., Europe Gmbh. etc.

#### Others

#### Mainstay Products Aerospace products, sports-related products,

information processing services, real estate and

# Subsidiaries and Affiliates

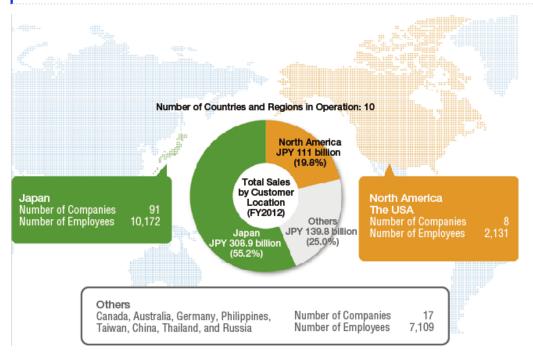
- 1 Manufacturing and
- Sales Companies including: Takasaki Kinzeku K.K.
- Yokohama Rubber Marine & Aerospace, Yokohamagemu Aerospace America, Inc. (United States), PRGR Co.,LTD, 17 Distributors including: Hamagomu Real Estate Co., Ltd., Hamagomu Real Estate Co., Ltd. Yekohamagomu Finance Co., Ltd., Hamagemu

Aicom Inc., etc.

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#### Breakdown of Operations by Region

Number of Companies: Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method



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O Corporate Philosophy and Yokohama Rubber Group's Approach to CSR

#### Corporate Philosophy and Yokohama Rubber Group's Approach to CSR

Yokohama Rubber established its corporate philosophy in 1990. It consists of the Basic Philosophy, Management Policies, Action Guidelines, and Corporate Slogan. The Basic Philosophy embodies the types of business where Yokohama Rubber commits itself in all activities. The Management Policies outline basic administrative principles for upper-level management to commitment themselves to. The Action Guidelines are the code of conduct for each employee to comply with.

In 2006, we drew up a medium-term management plan, the Grand Design 100 (GD100), and set a clear target of becoming a global company with one trillion yen in net sales by FY2017. Also, since our Basic Philosophy has been compiled based on the strong awareness of the expectations and needs arising from the international community, the plan places a strong emphasis on CSR by adopting these two basic points; to assert world-class strengths in technologies for protecting the environment, and fostering a customer-oriented corporate culture as our first priority by respecting higher standards of corporate ethics. In 2008, we reformed our corporate structure by establishing the CSR Division, followed by announcing our vision of CSR management both internally and externally. Our vision, to build a trusted identity as a contributing member of the global community, incorporates our desire to change the letter "R" in CSR to "Reliability", instead of the original "Responsibility." By doing so, we are hoping to make the concept more accessible and practical in our daily

Incidentally, Yokohama Rubber still maintains the cautionary tale by Suekichi Nakagawa, who was president at the time of the inauguration of our Yokohama Plant (located in Tsurumi-ku, Yokohama City) in 1929 as our Founding Spirit. This tale comprises the balancing of both sociality and economic efficiency; it still greatly relates to today's notion of CSR management.

#### The Founding Spirit

- 1. Production business is a social service. Its purpose is to make people's lives more convenient and enjoyable. Its aim should be to offer good, useful products at moderate prices.
- 2. There must be a basic commitment to delivering quality products unrivaled by those of competitors.
- 3. Management should adhere to the principles of fairness and consideration. The mission of a fair, honest management is to ensure capital, share the fruits of endeavor with its workers, and fulfill its responsibilities to consumers - to act, in other words, rationally.
- 4. A company should have as few employees as possible and make the best use of the productivity of machines. This is the great secret for improving efficiency.
- 5. The success or failure of a business depends on how much one is willing to study, and with how much determination, to mutually improve and grow. Accordingly, one must make a great effort.

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# Corporate Philosophy (Launched in 1990)

#### **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.
- Create a workplace that values, improves and energizes people.
   Deal fairly with society and value harmony with the environment.

#### **Action Guidelines**

— Corporate Slogan -

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

**Excellence by nature** 

#### CSR Management Vision (Launched in 2008)

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

#### CSR Action Guidelines

• Identify continually changing social trends.
 • Spot ways of contributing.
 • Act swiftly to earn affirm trust.
 • Practice CSR in one's own work.

#### **GD100 Medium-range Management Plan**

#### **GD100 Vision and Basic Policy**

To mark the Yokohama Centennial in FY2017, we will evoke a distinctive global identity in building corporate value and in building a strong market presence.

## Long-Term Financial Targets (FY2017)

Net sales: ¥1 trillion, operating income: ¥100 billion, operating return on sales: 10%

#### **Basic Policy**

Deliver the best products at competitive prices and on time.

Assert world-class strengths in technologies for protecting the environment.

Foster a customer-oriented corporate culture that honors rigorous standards

of corporate ethics.

#### GD100 and Our Approach to the Environment

#### **Basic Policy**

Following the principle of dealing fairly with society and valuing harmony with the environment, we shall assert our world-class strengths in technologies for protecting the environment.

- · Continued improvement of environmental management.
- Action to combat global warming.
- Contributing to the creation of a sustainable recycling society.

Established in 200

Established in 2006

In addition to the entire Yokohama Rubber Group including all domestic and overseas subsidiaries observing as action guidelines the 10 Principles of the United Nations Global Compact, centering on the ISO26000 seven main core subjects, in analyzing the impact on both this company and society, the "seven pillars of critical issues to be addressed by Yokohama Rubber" have been drawn up, and PDCA carried out.

# **UN Global Compact's 10 Principles**

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### Labou

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective harmaining:

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

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

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

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



#### ISO26000 Seven Core Subjects

- 1 Organizational governance
- Human rights
- 3 Labor practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

## Mid-Term Management Plan - Grand Design 100 (GD100)

Since the fiscal year of 2006, Yokohama Rubber has launched an initiative called Grand Design 100 (GD100), part of its Mid-Term Management Plan. The purpose of GD100 is to become "a Global Company with a unique presence in terms of both corporate value and market position" by 2017, the 100th anniversary of the company, by targeting JPY 1 trillion in net sales, JPY 100 billion in operating income, and an operating margin of 10%. In order to ensure steady growth, we have divided the next 12 years until the fiscal year of 2017 into four phases, defining themes, business strategies, and financial targets for each.

## Theme of Phase III: Strong and Flexible Growth

Based on the theme of strong and flexible growth for Phase III that commenced during FY 2012, we worked to further strengthen our business foundations while responding flexibly to changes in the external environment in order to establish a foothold for leaping forward from Phase IV onward. The financial targets established as three-year totals for Phase III are net sales of 1,800 billion yen, operating income of 150 billion yen, and an operating margin of 8.3%. During the final year of FY 2014, we aim for net sales of 630 billion yen, operating income of 60 billion yen, and an operating margin of 9.5%.

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#### **Environmental GD100**

We are promoting CSR and environmental management by integrating environmental aspects and social aspects into GD100.

#### GD100 basic policy on the environment

Following the principle of dealing fairly with society and valuing harmony with the environment, we shall assert our world-class strengths in technologies for protecting the environment.

- Continued improvement of environmental management.
- · Action to combat global warming.
- Contributing to the creation of a sustainable recycling society.

#### GD100 guidelines for action on the environment

For the sake of future generations and this irreplaceable planet, we shall act to protect the environment.

# Practice of global environmental management

We will adopt consistent, high-level environmental management practices at all operations worldwide.

# We will contribute to society using an approach to manufacturing

We will take action to minimize the environmental impact in all products.

We will take action to protect the environment as a duty to society by practicing top-level environmentally conscious production

All industrial waste will be recycled.

Advancement of environmental management

Global environmental management

Environmental management of a thigh-sarvised and the same level of environmental management shall be conducted in all our oversess offices.

Environmentally friendly products

We will turn all our products into environmentally friendly products

We will turn all our products into environmentally friendly ones.

Improvement of communication with society and local communities

#### **Our Stakeholders**

Following the establishment of our CSR Division in 2008, we have organized the social responsibility issues we need to address in our day-to-day and future activities, and also we have appointed our stakeholders as listed below

During our selection process, we consulted the GRI Guidelines, ISO26000, and Nippon Keidanren's Charter of Corporate Behavior, and other descriptions thereto.

#### Customers

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

#### Employees

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

#### Business Partners and Suppliers

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

#### Shareholders and Investors

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

#### Local Communities

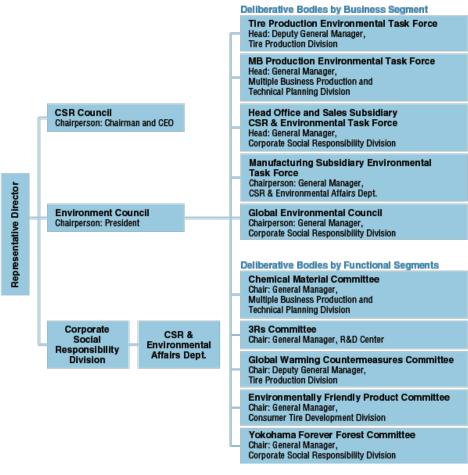
As a globally active business, we relate to local communities in a number of domains – the natural environment, law, culture, customs and the economy. We will strive to build a healthy relationship for various local communities together with our both domestic and overseas offices.

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# **CSR and Environmental Promotion Framework**

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

To pursue our effort on practicing consistent and high-level environmental management in all our operations worldwide, we also annually hold a Global Environment Council, which is a gathering by managers from all of our overseas production operations. The council for FY2012 was held on December 14 to engage in discussions focusing on environmental policies and initiatives at the overseas production operations and core distribution subsidiaries. In FY2013, the Council will also push forward such efforts to promote CSR activities and put into practice consistent and high-level environmental management.



(As of April 1, 2013)

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## CSR and Environmental Mid- to Long-Term Action Plans

Yokohama Rubber has defined seven critical issues to address based on the core subjects of ISO26000. For each subject, we will manage our PDCA cycle by defining each goal for the mid- and long-term as well as each single year.

7 Pillars of Critical Issues

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