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For immediate release

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## Notice regarding Introduction of Restricted Stock Compensation Plan

At the Board of Directors meeting of the Yokohama Rubber Co., Ltd. (the “Company”) held on February 19, 2018, the members of the Board reviewed the remuneration system for executives and resolved to introduce a restricted stock compensation plan (hereinafter referred to as the “Plan”). The Plan, as described below, will be proposed at the 142nd Ordinary General Meeting of Shareholders of the Company scheduled to be held on March 29, 2018 (hereinafter referred to as the “General Shareholders' Meeting”).

### 1. Purpose, etc., of the Plan’s Introduction

#### (1) Purpose of the Plan’s Introduction

The introduction of a compensation system that allots shares in the Company with restricted transfer rights (hereinafter referred to as “Restricted Shares”) to the Company's members of the Board (excluding outside members) is planned for the members of the Board to share with other shareholders the merits and risks of share price fluctuations, thereby further increasing their incentive to raise the stock price and enhance corporate value. In addition, the Plan will be implemented in light of Japan’s 2016 tax reform measures related to the timing of income tax on corporate executives, etc., and the deductibility of expenses related to the provision of services by said executives and others when said executives’ compensation for services provided to the company includes an issuance of shares that are subject to restrictions on their transfer for a certain period of time or other such conditions.

#### (2) Conditions for the Plan’s Introduction

As the Plan provides for the payment of monetary compensation receivables required for the allotment of Restricted Shares as compensation to members of the Board (excluding outside members), the Plan’s introduction is contingent upon the Company’s shareholders approving the payment of such compensation at the General Meeting of Shareholders. The Company's 137th Ordinary General Meeting of Shareholders held on March 28, 2013 approved compensation for members of the Board of the Company of up to ¥570 million per year (excluding salary for members of the Board concurrently serving as employees). At the General Shareholders' Meeting to be held on March 29, 2018, the Company plans to ask for shareholders' approval of a framework for member of the Board compensation separate from that mentioned above that will be based on a comprehensive consideration of various matters, including members of the Board’s contribution to the Company’s performance. Under this framework, the total amount of monetary compensation receivables to be paid to members of the Board (excluding outside members) via the allotment of Restricted Shares is to be set at a maximum of ¥300 million per year.

## **2. Overview of the Plan**

### **(1) Allotment and Payment for Restricted Shares**

Based on a resolution by the Board of Directors of the Company, payment of monetary compensation receivables to members of the Board (excluding outside members) will be made within the above-mentioned annual amount as compensation relating to Restricted Shares, and each member of the Board will then make an in-kind investment of all such monetary compensation receivables in return for the receipt of said shares.

The amount to be paid for Restricted Shares shall be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors on the issue or disposition thereof (or on the closing price on the immediately preceding trading day, if no trading occurred on that day), and shall be determined by the Board of Directors within a range that is not particularly advantageous to the members of the Board receiving the Restricted Shares.

The above-mentioned monetary compensation receivables will be provided on condition that the receiving member of the Board has agreed to the above-mentioned in-kind investment and has entered into a restricted share allotment agreement as specified in (3) below.

### **(2) Total Number of Restricted Shares to be Allotted**

The maximum number of Restricted Shares to be allotted to Company members of the Board (excluding outside members) in each business year shall be 500,000.

However, if the Company's common stock is subjected to a stock split (including a gratis allotment of the shares) or consolidation after the date of the resolution regarding this Plan, or if any other similar circumstances arise requiring an adjustment in the total number of Restricted Shares, said adjustment can be made as necessary within a reasonable range.

### **(3) Contents of the Restricted Share Allotment Agreement**

Upon the allotment of Restricted Shares, a restricted share allotment agreement will be concluded between the Company and members of the Board receiving the shares. The content of this agreement, as per the resolution of the Board of Directors, shall be as follows.

#### [1] Details regarding Transfer Restriction

Directors to whom Restricted Shares have been allotted may not transfer the shares to third parties, establish a pledge or a security interest on the shares, use them as an inter vivos gift, bequest them to another party or otherwise dispose of the allotted shares for a period of between five and thirty years, as specified by the Company's Board of Directors (hereinafter referred to as the "Transfer Restriction Period").

#### [2] Gratis Acquisition of Restricted Shares

The Company will be able to reacquire the Restricted Shares allotted to a member of the Board free of charge if the individual to whom the shares have been allotted resigns or retires as a member of the Board, officer or employee of the Company any time between the initial day of the Transfer Restriction Period until the day preceding the first subsequent Ordinary General Meeting of Shareholders, except when there are reasons deemed legitimate by the Board of Directors.

In addition, the Company may reacquire the allotted shares free of charge in cases where transfer restrictions have not been removed in accordance with the reasons set forth in [3] below at the expiration of the Transfer Restriction Period in [1] above.

[3] Removal of Transfer Restriction

The Company will remove restrictions on the transfer of all shares allotted to a member of the Board upon conclusion of the Transfer Restriction Period if the holder of the shares has been a member of the Board, an officer or an employee of the Company continuously from the initial day of the Transfer Restriction Period until the day of the first subsequent Ordinary General Meeting of Shareholders.

However, if a member of the Board resigns or retires as a member of the Board, officer or employee of the Company before the expiration of the Transfer Restriction Period for reasons deemed legitimate by the Board of Directors, the number of allotted shares for which transfer restrictions will be removed and the timing of the removal of the restrictions shall be reasonably adjusted as needed.

[4] Treatment of Organizational Restructurings, etc.

In cases in which the Company will cease to exist because of a merger agreement or will become a wholly owned subsidiary of another company by means of a share exchange agreement, stock transfer plan or other organizational restructuring approved at a general meeting of shareholders (or by the Board of Directors in cases where approval at a general meeting of shareholders is not required) during the Transfer Restriction Period, the Company, by a resolution of the Board of Directors, will remove the transfer restrictions on a reasonable number of allotted shares prior to the effective date of the restructuring, taking into consideration the period between the start of the Transfer Restriction Period and the date of the approval of the organizational restructuring.

In these cases, the Company shall naturally reacquire all of the allotted shares for which restrictions are not removed free of charge immediately after removal of the restrictions, pursuant to the provisions above.