

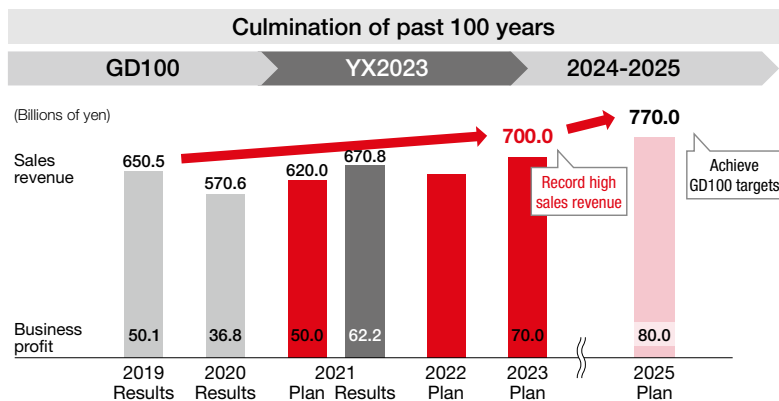
Medium-Term Management Plan— Yokohama Transformation 2023

Under the Yokohama Transformation 2023 (YX2023) Medium-Term Management Plan that runs to the fiscal year ended 2023, the Yokohama Rubber Group is tackling transformation aimed at next-generation growth. In this section we share an overview of YX2023, including a report on the progress made in fiscal 2021.



Target Pursuits: “Exploitation” & “Exploration”

The automotive industry is entering an era of great change, driven by the CASE, MaaS and DX trends. Under YX2023, we will aim for “Transformation” that targets growth into the next generation by pursuing the “Exploitation” of strengths in existing businesses as well as “Exploration” to create new value that meets the needs of this transformative era. Through this effort, we aim to achieve record highs for sales revenue of ¥700 billion and business profit of ¥70 billion in fiscal 2023. We also aim to achieve the goals originally envisioned in GD100 as the culmination of our first 100 years, specifically, sales of ¥770 billion and profit of ¥80 billion in fiscal 2025.



Financial Targets, Fiscal 2021 Results

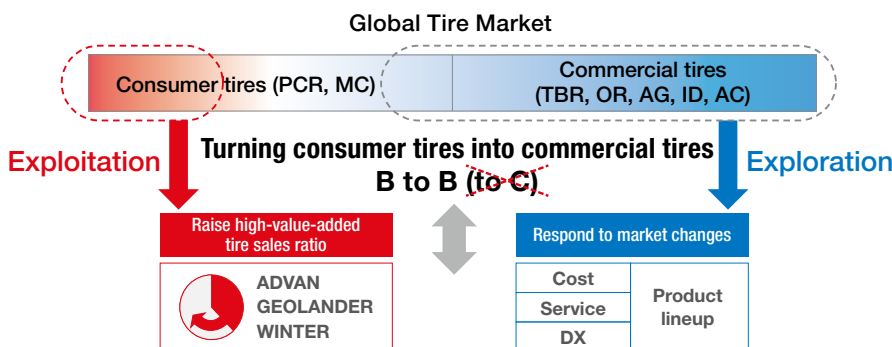
	Fiscal 2021 results	2023 targets
Sales revenue	¥670.8 billion	¥700 billion
Business profit (Business profit margin)	¥62.2 billion (9.3%)	¥70 billion (10%)
D/E ratio	0.34	0.4
ROE	13.9%	10%
ROIC	8.2%	7%
Operating cash flow	¥250 billion (3-year total)	
Capital investment	Within depreciation (excluding strategic investments)	

Progress in Fiscal 2021

Amid a tough management environment with sharply rising raw material prices and logistics costs, declining production among auto makers and the impact of the COVID-19 pandemic, as a result of responding in a timely fashion to regional demand swings, we achieved record sales and profit, with sales revenue of ¥670.8 billion, business profit of ¥62.2 billion and profit attributable to owners of parent of ¥65.5 billion.

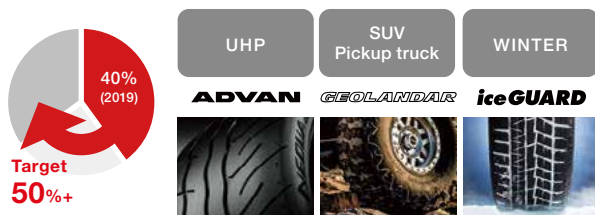
Key Viewpoint: Turning Consumer Tires into Commercial Tires

The consumer tire market centered on passenger car tires and the commercial tire market, which includes tires for trucks, buses, agricultural machinery and other commercial-use vehicles, are about equal in scale. However, we expect the CASE, MaaS and DX trends will decrease individual ownership of cars and increase the number of infrastructure-related vehicles devoted to moving people and goods, effectively turning many consumer tires into commercial tires. We plan to respond by “Exploitation” of our efforts to expand sales of our high-value-added consumer tires while “Exploration” for new opportunities created by market changes in the commercial tire business.



Consumer Tires: “Raise High-Value-Added Tire Sales Ratio”

We will focus on the three categories of ultra-high-performance tires, tires for SUVs and pickups, and winter tires, seeking to exploit sales of our ADVAN, GEOLANDAR and WINTER tire series. In doing so, we will increase the sales of ADVAN, GEOLANDAR and WINTER tires as a percentage of total sales from the current 40% to more than 50%. To do so, we have worked on the three measures shown on the right.



1. Expand OE use of ADVAN and GEOLANDAR
2. Strengthen sales in the replacement market and expand tire sizes in each brand, including winter tires
3. Strengthen sales of tires suited to local market needs, via integrated “Product & Regional Strategies”



Progress in Fiscal 2021

We have worked to expand the fitting of our tires on new premium cars, such as ADVAN for the Mercedes AMG GLB 35 4MATIC, and GEOLANDAR for the overseas specification Toyota Land Cruiser. In the replacement market, we positioned fiscal 2021 as the “YOKOHAMA Winter Offensive,” launching WINTER tires for passenger vehicles, vans, trucks and buses, primarily in Japan and Europe. As a result, high-value-added products in fiscal 2021 accounted for 41% of sales, demonstrating growth that outpaced fiscal 2019.

Commercial Tires: Respond to Market Changes and Further Strengthen the Business

In the commercial tire business, we pursued “Exploration” of the value we provide as a way to capture major market changes such as CASE, MaaS and DX, and worked on the four themes of cost, services, DX and product lineups. We have also worked to strengthen the off-highway tire (OHT) business and truck and bus tire (TBR) business.

Cost Competitiveness

To meet the expected growth in demand for lower cost tires, we are positioning Yokohama India Pvt. Ltd.'s passenger car plant as the most cost-competitive passenger car plant in the Yokohama Group, as a first step in the revision of our production network with the aim of establishing a new low-cost model in tune with the tire market of the future. We also are considering using a similar low-cost model to increase output at our truck and bus tire plant in Thailand.



India PC plant

Service

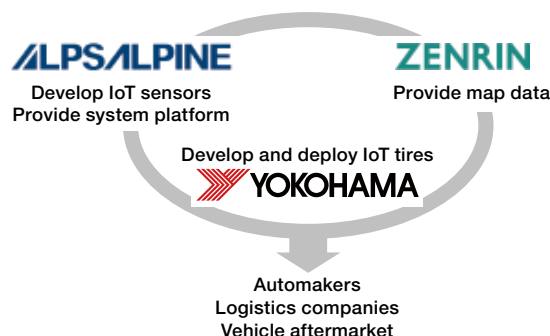
With CASE and MaaS expected to increase corporate ownership of vehicles, we believe the value demanded from tire manufacturers will expand from the tires themselves to tire-related after-sales services, including tire replacement. We already have a sales and logistics network with locations in all of Japan's 47 prefectures, and we will leverage this network to strengthen our services to corporate customers.

More specifically, we will expand our fleet of service vehicles, which we use to provide tire replacement, tire checkups and other tire management services to such corporate customers as car dealers and companies operating car-sharing businesses. Going forward, we aim to provide more flexible and mobile services.

DX: Digital Transformation

Applying digital technologies to tires to support enhanced information services is becoming an important trend. We are developing cutting-edge sensor-equipped tires and plan to add functions to the sensors to gradually increase the services and customers that can make use of these tires.

Toward that end, we are forming alliances with companies in different industries. For example, we are working with Alps Alpine and Zenrin on a trial operation of a system that links data obtained from tire sensors equipped with a road surface detection system with map information. We are considering using this system to create a new tire-related business.

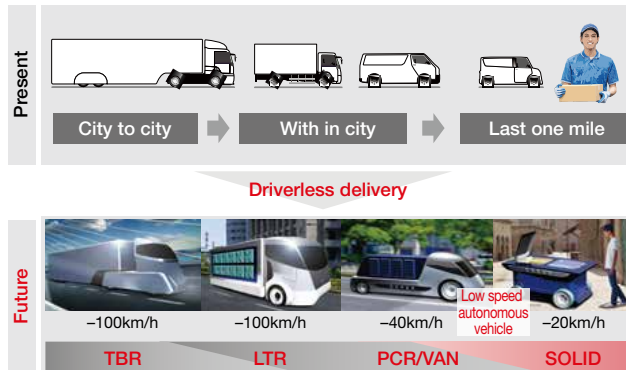


Product Lineup

Today, deliveries are made by drivers operating a range of vehicles, from large trailer trucks to small trucks and vans. However, as vehicles become electric and self-driving, the transport of goods over long and short distances as well as the last one mile to the recipient's door could well be accomplished without drivers. The diverse lineup of vehicles to reach this in the future will need different types of tires. For example, last-mile vehicles may be fitted with puncture-resistant tires.

One of our strengths is being one of the few tire manufacturers that has a full lineup of tires, from truck and bus tires to airless resilient tires, which will be required by the expected change in the types of vehicles used to distribute goods in the future. Also, we will continue to broaden our product lineup to further strengthen this competitive advantage.

Expected transformation of vehicles used in each stage of the distribution process



Progress in Fiscal 2021

As DX initiatives, we have been supporting the transportation business with TMS (Tire Management System) and validating our business model through demonstrative testing of the Tire air Pressure Remote access System (TPRS) for passenger cars. We have been collecting and analyzing data obtained through these initiatives to expand our services. On the product front, we will advance the development of sensor tires while strengthening our service network for customers who require tire services.

MB Business: “Shift Portfolio to Products with Highly Stable Earnings and Strong Growth Potential”

We will solidify the MB segment's ability to generate stable earnings by concentrating resources in its two core product areas—Hose & Couplings and Industrial Products. We will improve the Hamatite business by focusing on its core product areas. In the Aerospace Products business, we will make structural reforms targeted at bringing the business more in line with today's market.

Strengthen/expand by allocating resources to core product areas

Hose & Couplings Growth driver Increase production capacity Reorganize production sites	Industrial Products Stable earnings Maximize market share
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Business restructuring

Hamatite Transfer completed in November 2021	Aerospace Products Structural reforms
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Progress in Fiscal 2021

In the Hose & Couplings business, we will make capital investments to triple the production capacity of our plants in China. In the Industrial Products business, we have consolidated our marine hose production bases in Hiratsuka and Indonesia to strengthen and expand our business by focusing our resources. In November 2021, the Hamatite business was transferred to Sika AG and made steady progress on business restructuring.

Strengthening Management Foundations: “Human Resources Strategy” and “ESG Initiatives”

Human Resources Strategy

Personnel system reforms will strengthen management and administration at all levels, build a stronger organization and promote workstyle reforms.

ESG Initiatives

We engage in ESG initiatives under the slogan of “Caring for the Future.” In addition to eco-friendly products and carbon neutrality initiatives, we are also working on activities to support local communities, the strengthening of corporate governance and the development of comfortable workplaces.



Ultra-lightweight concept tire



Hydrogen filling hose



YOKOHAMA Forever Forest tree-planting activities

Progress in Fiscal 2021

As part of our human resources strategy, we are looking to expand the ratio of performance-linked remuneration for job-typed managers and appointed talented young human resources to managerial positions at an early stage. With the integration of the head office and Hiratsuka scheduled for completion in March 2023, we aim to achieve speedy decision making by unifying production, sales, technology and logistics sites, and also promote workstyle reforms.

As part of ESG initiatives, we established medium-to-long-term environmental targets. In terms of carbon neutrality, we will reduce CO₂ emissions by 38% compared with fiscal 2013 levels by 2030, and achieve net zero CO₂ emissions by 2050. With regard to the circular economy, we will achieve at least 30% renewable/recycled raw material usage by 2030, and aim for 100% sustainable raw materials by 2050.