



Financial Strategy and Shareholder Return Policy



We will continue to make the profitability of capital

Masahiro Yuki

Member of the Board and Officer,
In charge of Corporate Finance & Accounting Dept. and IR Dept.

Under the Medium-term Management Plan “Yokohama Transformation 2026 (YX2026),” which was launched in 2024, we will actively make strategic investments to achieve “Hockey Stick Growth.” We also aim to achieve an ROE of more than 10% by increasing profitability and improving asset efficiency. Furthermore, by further strengthening our IR activities, we will build good relationships with our investors.

Results of the Previous Medium-term Management Plan “YX2023” and Challenges Faced

The Medium-term Management Plan “YX2023” was implemented for three years from 2021 to 2023 as the “Culmination of the past 100 years.” During each fiscal year of the plan, we were able to significantly exceed our initial sales revenue and business profit targets.

Specifically, in fiscal 2023, we recorded sales revenue of ¥985.3 billion, business profit of ¥99.1 billion, and a business profit margin of 10.1%. Although we did not reach our target of ¥1 trillion in sales

revenue, the business profit margin exceeded 10% for the first time. Trelleborg Wheel Systems Holding AB (TWS), which was acquired in May 2023, recorded sales revenue of ¥103.7 billion and a business profit of ¥1.8 billion (including one-off acquisition costs). Excluding Trelleborg’s results, we achieved our 2023 financial targets (sales revenue of ¥700 billion and business profit of ¥70 billion). ROE was 9.9%, slightly below the 10% target. However, cash flow from operations

Financial Position

(Billions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Sales revenue	650.5	551.1	670.8	860.5	985.3
Business profit	50.1	35.9	62.2	70.1	99.1
Business profit margin (%)	7.7	6.5	9.3	8.1	10.1
Operating profit	58.6	36.0	83.6	68.9	100.4
Operating profit margin (%)	9.0	6.5	12.5	8.0	10.2
Profit attributable to owners of parent	42.0	26.3	65.5	45.9	67.2
Total assets	907.6	860.4	985.0	1,151.1	1,600.5
Interest-bearing debt	239.9	207.8	177.2	238.7	469.4
Total liabilities	479.9	437.5	452.0	528.0	851.7
Equity	427.7	422.9	533.0	623.1	748.8
ROE (return on equity) (%)	10.6	6.3	13.9	8.1	9.9
D/E ratio (times)	0.57	0.50	0.34	0.39	0.63
Net D/E ratio (times)	0.51	0.43	0.26	0.27	0.50
ROIC (%)	6.5	4.5	8.2	5.2	5.3

strategic investments and strive to improve to increase corporate value.

reached ¥267.2 billion (3-year cumulative), surpassing our target. As a result, we were able to more than double our market

capitalization in three years. In contrast, since the Price-to-Book Ratio (PBR) has remained at 0.7 times, we will promote initiatives to improve it.

Toward the Realization of the Medium-term Management Plan "YX2026"

In 2024, we launched YX2026 with 2026 serving as the final fiscal year of the plan. In order not to leave a negative legacy for the next generation, we will promote "exploitation" and "exploration" strategies even more than during YX2023.

We aim to achieve "Hockey Stick Growth" with our growth strategy

as our basic policy and realize it to increase corporate value.

Our financial targets for 2026 are sales revenue of ¥1.15 trillion and business profit of ¥130 billion based on the current improvements. To achieve this goal and also achieve "Hockey Stick Growth," we are implementing the following financial strategies.

Strategic Investment

To achieve our target ROE of more than 10% and increase our corporate value, we plan to make a total of ¥220 billion in strategic investments over YX2026's three-year plan period. The breakdown is ¥120 billion for production increases and product mix improvements and ¥100 billion for M&A, etc.

Specifically, in the consumer tire business, we will construct new tire plants in Mexico and Hangzhou, China, under the "1-year plant" concept. In the commercial tire OHT business, we will expand the Visakhapatnam Plant in India to increase production of tires for agricultural machinery, etc., a segment in which we hold the global top

share. In addition, for the industrial and port-use machinery tire market and the construction machinery and mining market, where growth is expected, we will consider both large and small M&A and constantly explore opportunities for growth investment.

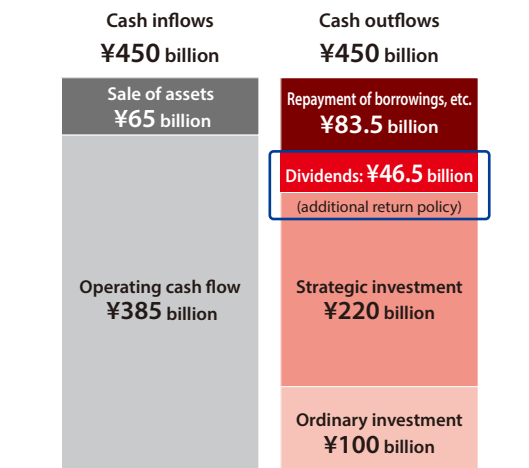
The criteria for these investments are based on the WACC, which is the cost of raising the invested capital. Within the scope of WACC, investments are carefully selected so that they can be recovered within 10 years. Hurdle rates are set for each country invested in, taking into account country risk factors, and capital efficiency is strictly checked.

Capital Allocation

In terms of capital allocation for YX2026 (three-year period), cash flow from operations is expected to be ¥385 billion, and cash inflows from sales of cross-shareholdings and fixed assets are expected to be ¥65 billion, for a total of ¥450 billion. Cash outflows are expected to be ¥220 billion for strategic investment, ¥100 billion for ordinary investment such as maintenance of plants and equipment, and ¥83.5 billion for repayment of borrowings, including the acquisition of TWS. We plan to use ¥46.5 billion for dividends, and we will consider additional shareholder returns depending on conditions.

Regarding financing, the Company has staggered repayment schedules and low-interest borrowings. For the acquisition of TWS in 2023, the Japan Bank for International Cooperation (JBIC) and 21 private banks formed a co-financing arrangement and succeeded in raising approximately ¥300 billion with long-term (10-year) and fixed low-interest rates. We are also working to diversify repayment dates by issuing bonds.

Capital Allocation





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Based on our dialogue with investors, we recognized that the cost of shareholders' equity is about 8%. We will strive to improve the return on capital by setting an ROE of over 10% as a management target, which exceeds this cost of shareholders' equity.

For YX2026, we decided not to set an ROIC target, which we had

set previously, but to integrate it with the ROE target. This is because we recognized through discussions with investors that ROE is a measure of return on capital that can directly measure investors' return on the capital they invest.

Enhancing Non-financial Capital

In the future, we will strengthen investments in non-financial capital. Specifically, in the area of human resources, we are promoting a "job-type" system that places importance on assigning the right person to the right position, regardless of age, gender, or nationality, including the professionalization of managerial positions, while providing performance-linked compensation (short-term and medium- to long-term) to executives who are evaluated based on the degree of achievement of their commitments.

M&A also creates a synergistic effect on the human resources front. Through discussions with acquired overseas subsidiaries, we realized once again that tough managers and administrators are supporting growth. In response to the challenging task of bringing new plants online within one year ("1-year plant" concept), for example,

the new tire plant in Mexico will be constructed by a team composed of employees from YOHT (India) and Japan, while the new plant in Hangzhou, China, will be developed in collaboration with our Japanese and Chinese partner companies. We intend to improve our management capabilities through investing in such human resources, including Japanese nationals, to promote global development and localization.

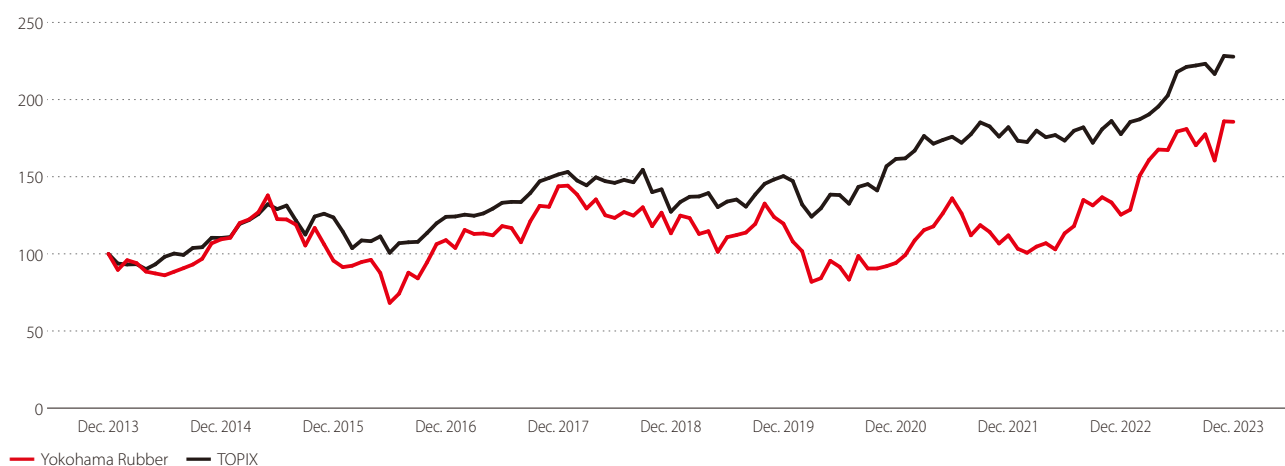
We will also accelerate investment in DX. Based on HAICoLab, our unique AI utilization framework, we will promote reforms (including work style reforms) and maximize output in all processes of product development, SCM, and customer service. We will also expand the fostering and training of DX promotion leaders who will promote these activities.

Approach to Shareholder Returns

While our policy of steadily increasing dividends will remain unchanged in the future, we will first set a dividend payout ratio of 20% in YX2026. As we plan to make ¥220 billion worth of strategic

investments over the three years of the plan, we will steadily accumulate profits and return profits to shareholders through our growth strategy.

TSR (10 years, dividends included)



Investment period	1 year	3 years		5 years		10 years	
	Cumulative / Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
Yokohama Rubber	+61.2%	+124.8%	+31.0%	+73.2%	+11.6%	+85.6%	+6.4%
TOPIX	+28.3%	+41.1%	+12.1%	+78.9%	+12.3%	+174.2%	+10.6%

* Total shareholder return (TSR): Total rate of return on investment that combines capital gains with dividends

* TSR for Yokohama Rubber is calculated based on cumulative dividends and stock price fluctuations. TSR for TOPIX is calculated with a stock price index including dividends. (Created by Yokohama Rubber using Bloomberg data and other sources.)

* TSR values are index numbers calculated by setting the market closing price as of December 31, 2013 as 100. (Holding period ends December 31, 2023)

Regarding the capital structure, the equity ratio is set at 50% as a guideline, considering the appropriate financial balance from the standpoint of return on capital, business risks, and flexible debt procurement. We will manage our balance sheet so that our equity ratio does not exceed 50% significantly, and we will consider a total return ratio of 30% over the long term.

To Increase Corporate Value

In addition to aggressively investing in the OHT business, which is a growth driver, we will maximize the ratio of high value-added products and increase earnings in the tire consumer goods business through measures to expand sales of ADVAN, GEOLANDAR, winter tires, and 18-inch and larger size tires. Additionally, with the rise of Chinese tire makers, it is essential to strengthen cost competitiveness. Based on the motto of YX2026, which is "Low cost, speedy development of quality products," we will conduct management with a greater awareness of costs than ever before.

Furthermore, we believe that improving TSR is an important management issue to increase corporate value through appropriate stock price formation. Since the end of 2019, before the COVID-19 pandemic, our corporate value has improved significantly by about 1.5 times, and our TSR during the YX2023 plan (one year and three years) was significantly higher than TOPIX. However, our PBR remains below 1x.

Reflecting on the lack of PR that investors have indicated, we will



further strengthen our engagement with shareholders and investors through YX2026. We will improve the quantity and quality of information dissemination by implementing and enhancing IR events by the CEO, COO, CFO, and officers in charge of ESG. Additionally, we will strengthen mutual communication by making the IR Department independent.

It was also indicated that the Company has a high stable shareholder ratio and low liquidity. We will thoroughly sell cross-shareholdings without exception, and as a result, hope that many people both in Japan and overseas will become shareholders of the Company.

To achieve "Hockey Stick Growth," which is a significant amount of growth, we will steadily implement our financial strategy based on dialogue with investors to achieve a higher level of corporate value.

