Financial Strategy and Shareholder Return Policy



Enhancing Corporate Value by Converting Growth Investments into Earnings and Deepening Engagement with Capital Markets

Under YX2026, we have built up our portfolio of businesses through strategic investment, and are now steadily converting the results of these investments into sustainable earnings. We will also pursue improved capital efficiency and enhanced shareholder returns. Through these efforts, we aim to ensure our corporate value is appropriately recognized through deeper engagement with capital markets.

Masahiro Yuki

Member of the Board and Officer in charge of the Corporate Finance & Accounting and IR departments

Progress of the Medium-Term Management Plan "YX2026"

In fiscal 2025, sales revenue, business profit, and profit attributable to owners of parent all reached record highs, marking the fifth consecutive year of record sales revenue and profit. Sales revenue reached ¥1,235.0 billion, business profit totaled ¥166.6 billion, the business profit margin rose to 13.5%, and ROE also reached 11.0%, enabling us to achieve the final-year targets of the Medium-Term Management Plan "YX2026" one year ahead of schedule.

Since the period covered by our previous Medium-term Management Plan, YX2023, we have pursued the twin initiatives of Exploitation: strengthening the competitiveness of our existing businesses, and Exploration: cultivating new growth areas. Central to this strategy has been the transformation of our overall tire business portfolio through the expansion of our off-highway tire (OHT) business. We have expanded into markets with characteristics distinct from those of passenger car tires, including agricultural machinery tires and tires for mining and construction vehicles. In doing so we have expanded our presence in high-growth, high-profitability categories, while also establishing a sustainable growth platform by building a product lineup capable of serving as the "Best Alternative" to the leading Tier 1 makers.

In fiscal 2024 and fiscal 2025, demand for agricultural machinery tires weakened, placing the OHT business—which has been our growth driver—under temporary pressure. Even under these conditions, however, our existing passenger car tire and truck and bus tire businesses, together with our Multiple Business (MB), continued to steadily expand their earnings, enabling the Group to achieve record-high profits once again. There are periods when the OHT business drives growth, and others when our existing businesses become powerful earnings drivers. We believe this demonstrates the effectiveness of the diversity of our business portfolio.

We recognize that our current performance marks the stage at which the benefits of the strategic investments we have made over the years are beginning to be more fully reflected in earnings. Although we expect the OHT market to eventually recover, the OHT business is not simply waiting for market conditions to improve. It is already developing the capability to increase earnings through its own initiatives, and on this basis, we are confident that the business will continue its growth trajectory.

Building a Financial Foundation Focused on Increased Profitability and Capital Efficiency

We believe we have significant opportunities to further increase profitability. In our existing tire business, we now have a clear path toward increasing to more than 50% the sales ratio of our high-value-added products, ADVAN, GEOLANDAR, and winter tires (AGW), with particular focus on large rim diameter tires. At the same time, in the standard tire segment, we are utilizing new production facilities in locations such as China, Mexico, and India to transition toward a highly efficient, low-cost production system. We intend to further increase profitability by both increasing the weighting of high-value-added products and lowering production costs.

In the OHT business, generating integration synergies among Yokohama ATG, Yokohama TWS, and Goodyear's OTR business remains a major priority. We will generate integration synergies across sales, production, procurement, and other functions to further increase earnings. At the same time, another key priority is building a robust business foundation capable of generating stable profits even in markets subject to significant fluctuations in demand.

We are also advancing our "Drastic reduction of product costs" initiatives. These initiatives extend beyond constructing new plants and optimizing our production network. We are also continuously reviewing our cost structure through day-to-day operations, including raw material and processing cost reductions and productivity improvements at existing plants. We expect these initiatives to continue generating tangible results in fiscal 2026 and through the following three years.

With respect to our financial foundation, we are working to maximize corporate value by maintaining an appropriate balance between growth investments and shareholder returns while maintaining financial soundness. To optimize capital efficiency, with due consideration for cost of equity, we aim to maintain an equity ratio at a level not significantly exceeding 50%. As of the end of fiscal 2025, our equity ratio stood at 51.6%, achieving a capital structure in line with this target. Our debt-to-equity ratio also remained at 0.52, a sound level enabling us to maintain a strong balance sheet capable of withstanding changes in the external environment. We will continue to appropriately manage our cost of capital while establishing an optimal financial foundation that enables us to achieve both agile growth investments and meaningful shareholder returns.

We are also working to improve the quality of our balance sheet. We continue to review cross-shareholdings and real estate holdings from the standpoint of capital efficiency. With regard to cross-shareholdings, we have proceeded with divestment while giving due consideration to our relationships with business partners, and have now completed the disposal of most of our major cross-shareholdings. By improving asset efficiency and reallocating capital to businesses offering higher growth potential and profitability, we will continue working to enhance corporate value.

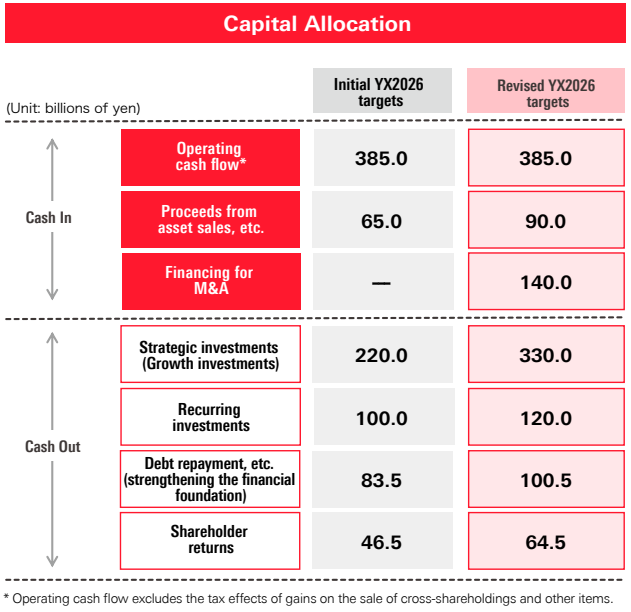
Financial Strategy and Shareholder Return Policy

Financial Standing

(billions of yen)

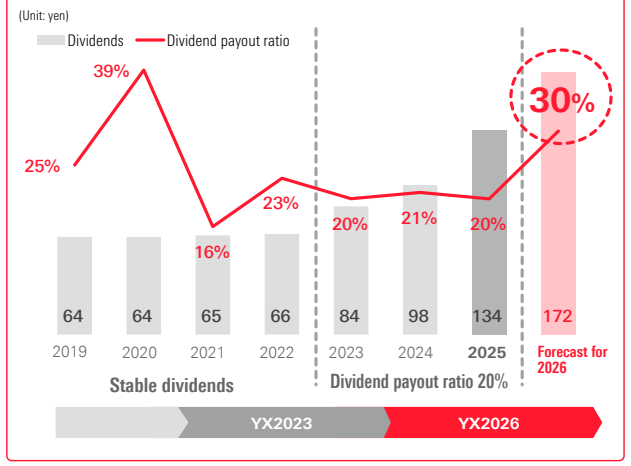
	FY2021	FY2022	FY2023	FY2024	FY2025
Sales revenue	670.8	860.5	985.3	1,094.7	1,235.0
Tires (excl. OHT)	470.2	598.5	639.0	689.5	750.1
OHT	107.3	155.8	235.8	291.4	371.1
Business profit	62.2	70.1	99.1	134.4	166.6
Tires (excl. OHT)	42.7	44.7	72.6	99.7	123.7
OHT	14.7	22.1	19.4	27.5	31.3
Business profit margin (%)	9.3	8.1	10.1	12.3	13.5
Tires (excl. OHT)	9.1	7.5	11.4	14.5	16.5
OHT	13.7	14.2	8.2	9.4	8.4
Operating profit	83.6	68.9	100.4	119.2	152.9
Operating profit margin (%)	12.5	8.0	10.2	10.9	12.4
Profit attributable to owners of parent	65.5	45.9	67.2	74.9	105.4
Total assets	985.0	1,151.1	1,600.5	1,735.5	1,998.4
Interest-bearing debt	177.2	238.7	469.4	438.0	535.8
Total liabilities	452.0	528.0	851.7	831.5	958.1
Total equity (net assets)	533.0	623.1	748.8	904.0	1,040.2
Return on equity (%)	13.9	8.1	9.9	9.2	11.0
D/E ratio (times)	0.34	0.39	0.63	0.49	0.52
Net D/E ratio (times)	0.26	0.27	0.50	0.34	0.42

Capital Allocation



* Operating cash flow excludes the tax effects of gains on the sale of cross-shareholdings and other items.

Dividend per Share and Dividend Payout Ratio



Capital Allocation Policy

Our approach to capital allocation is to achieve an optimal balance among growth investments, recurring investments, the maintenance of financial soundness, and shareholder returns. To date, we have proactively pursued strategic investments that support future growth, including OHT business acquisitions and the construction of new production plants. As this phase of major investments is drawing to a close, we are now entering a stage in which we will steadily realize returns from the business foundation we have built.

Growth investments and shareholder returns are the two pillars of enhancing corporate value. Supported by our robust financial foundation, we will continue to make proactive growth investments funded by cash flow generated from our businesses while also delivering enhanced returns to our shareholders.

Through fiscal 2022, our shareholder return policy emphasized stable dividends regardless of the external business environment. Beginning in fiscal 2023, we adopted and have consistently implemented a policy targeting a dividend payout ratio of 20%. For fiscal 2026, the final year covered by the current medium-term management plan, YX2026, we are taking this policy one step further by targeting a dividend payout ratio of 30% and a total payout ratio of at least 30%. Based on this policy, we plan to pay an annual dividend of ¥172 per share for fiscal 2026, an increase of ¥38 per share over the previous fiscal year. This would mark the sixth consecutive year of dividend increases. We will continue to pursue attractive shareholder returns based on sustained profit growth through a combination of dividends and agile share repurchases.

Financial Strategy and Shareholder Return Policy

Our View on Cost of Capital and Increasing ROE

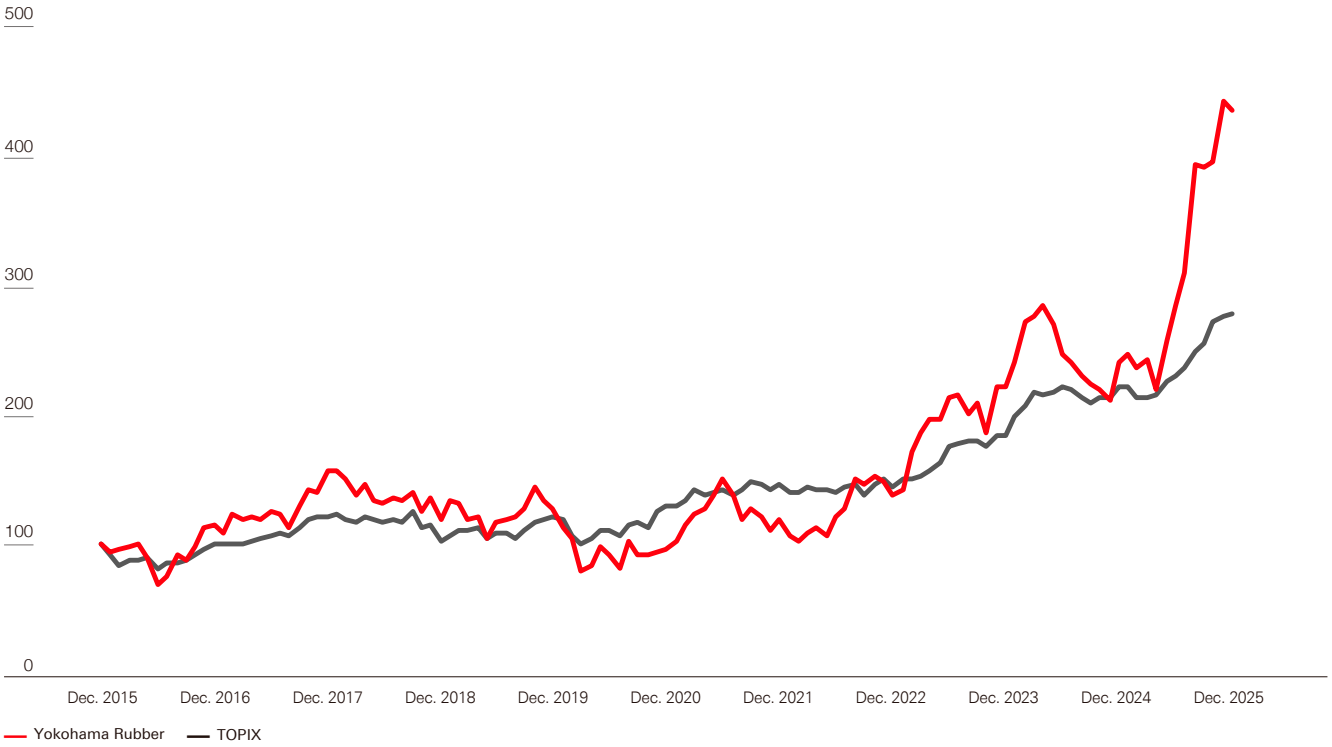
ROE reached 11.0% in fiscal 2025. For fiscal 2026, we are targeting an ROE of more than 10%, and in the period covered by our next medium-term management plan, we intend to sustain even higher levels.

Based on dialogue with investors and prevailing market conditions, we currently estimate our cost of capital to be approximately 9% to 10%. Until last year, we had estimated our cost of capital to be approximately 8%. However, in light of changes in market conditions and investors' return expectations, we recognize that investors now expect a higher required rate of return from the Company. Achieving an ROE of more than 10% is not simply a numerical target. It is the level we must attain in order to consistently generate returns that exceed our cost of capital. As the tire business accounts for more than 90% of our operations, we do not calculate the cost of capital by business segment. Instead, we use the Group's overall cost of capital as our principal reference.

Our objective is not to increase ROE temporarily. Rather, by continuing to execute our growth strategy, improving profitability, and continuing capital allocation with a strong focus on capital efficiency, we aim to generate returns that consistently exceed our cost of capital. In doing so, we will fulfill our responsibility as a steward of shareholders' capital and enhance corporate value over the longer term.



TSR (10 years, including dividends)



Investment period	1 year	3 years		5 years		10 years	
	Cumulative/ Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
Yokohama Rubber	+81.7%	+216.9%	+46.9%	+353.8%	+35.3%	+336.4%	+15.9%
TOPIX	+22.5%	+93.8%	+24.7%	+113.2%	+16.3%	+178.6%	+10.8%

* TSR: total shareholder return. Total investment return ratio combining capital gains and dividends
* TSR is calculated for Yokohama Rubber based on cumulative dividends and share price fluctuations, and for TOPIX, based on the total return index (prepared by the Company using Bloomberg data, etc.)
* TSR values in the graph are indexed based on the closing price at the end of December 2015 as 100 (holding period through the end of December 2025)

Financial Strategy and Shareholder Return Policy

Key Challenges in Enhancing Market Valuation

We recognize that there is still room to improve our market valuation. Within the industry, we continue to deliver strong growth, and while our share price and valuation have increased, we believe they do not yet sufficiently reflect our true capabilities or future growth potential.

One reason, we believe, is that our strategy and growth potential have not yet been fully communicated to the market.

In fact, when we meet with overseas investors, we often hear comments such as, "We didn't realize there was a company with this kind of growth profile," or "This is a remarkably distinctive strategy." While such feedback gives us confidence, it also highlights the fact that we are still not sufficiently well-known by the investment community. It is particularly notable that, although overseas sales account for 74% of our sales revenue, overseas investors hold only 21% of our shares. This is below the average of 32% for companies listed on the Tokyo Stock Exchange Prime Market. We therefore believe there remains significant potential to increase overseas investor ownership of our shares. We will further expand our engagement with investors both in Japan and overseas through overseas roadshows, more proactive dialogue with investors and analysts, and participation in investment conferences.

We believe the purpose of enhancing our ongoing dialogue with capital markets is to foster a deeper understanding of our growth strategy, our roadmap for increasing profitability, and our policies on capital allocation and shareholder returns, thereby further strengthening confidence in the Company. It is therefore my view that one of my most important responsibilities as the officer in charge of Corporate Finance & Accounting and IR departments is to ensure that the market appropriately recognizes the corporate value of Yokohama Rubber.

The targets set forth in YX2026 are not our destination—they are simply milestones along our path. Building on the optimal financial foundation we have established, we will continue to pursue disciplined growth investment. We will continue to take an integrated and robust approach to increasing earnings, improving capital efficiency, enhancing shareholder returns, and deepening our dialogue with the capital markets—including on sustainability initiatives—to ensure that stakeholders gain an even deeper understanding of the Yokohama Rubber Group's corporate value.



