

FY 2023 First-Half Financial Results

Briefing Material

August 10, 2023

The Yokohama Rubber Co., Ltd.

First-half results

<1H cumulative results>

Sales revenue: **¥443.2 bn**
(record 1H high)

Business profit: **¥25.6 bn**
(¥4.1 bn above forecast)

Net profit: **¥27.7 bn**
(up ¥4.4 bn YoY)

- ◆ **Tires**
Sales & profit up (sales volume up, lower marine freight rates, higher unrealized profit)
- ◆ **YOHT**
Sales volume down, but
Maintained high profit margin
- ◆ **Y-TWS**
Acquisition one-time costs
- ◆ **MB**
Large profit increase
(conveyor belts/marine & aerospace products)

Forecasts

<Full year>

Sales revenue: **¥1.0 trn**
Business profit: **¥84.5 bn**

- ◆ **Full-year forecast**
Unchanged

Capital efficiency

- **Growth strategy**
 - ✓ **Y-TWS**
1H profit up YoY
(excluding acquisition-related one-time costs)
- **Asset sales**
 - ✓ **Sold cross-shareholdings**
Amount sold in 1H **≈¥13.5 bn**
FY forecast **≥¥30.0 bn**
- **Capital costs**
 - ✓ **Refinance of acquisition funding**
End-June **¥314.7 bn**
(fixed rate, low-interest 10yr loan)
- ✓ **A+ credit rating reiterated**
(by JCR on June 29)

Results for FY 2023 First-Half

Profit and Loss (First-Half)



Exchange Rates	US\$ 135 yen	123 yen (previous year)	+12 yen	
	EUR 146 yen	134 yen (previous year)	+12 yen	
	RUB 1.8 yen	1.7 yen (previous year)	+0.1 yen	
TSR20*	136 cents	171 cents (previous year)	-35 cents	*SICOM TSR20 1M
WTI	75 dollars	101 dollars (previous year)	-26 dollars	

	(billion yen)								
	2023 Jan.-Jun.	2022 Jan.-Jun.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates	Previous forecast	Change for previous forecast	Change for previous forecast (%)
Sales revenue	443.2	391.5	+51.7	+13.2%	+20.6	+31.1	450.0	-6.8	-1.5%
Business profit*1 (Business profit margin)	25.6 (5.8%)	27.7 (7.1%)	-2.2 (-1.3%)	-7.8%	+5.7	-7.9	21.5 (4.8%)	+4.1 (+1.0%)	+18.9%
Operating profit (Operating profit margin)	28.2 (6.4%)	26.9 (6.9%)	+1.2 (-0.5%)	+4.6%	+5.8	-4.6	23.5 (5.2%)	+4.7 (+1.2%)	+19.9%
Profit*2	27.7	23.3	+4.4	+18.8%			17.5	+10.2	+58.2%

*1 Business profit= Sales revenue- (Cost of sales + SG&A expenses)

*2 Profit attributable to owners of parent

Business Segment (First-Half)

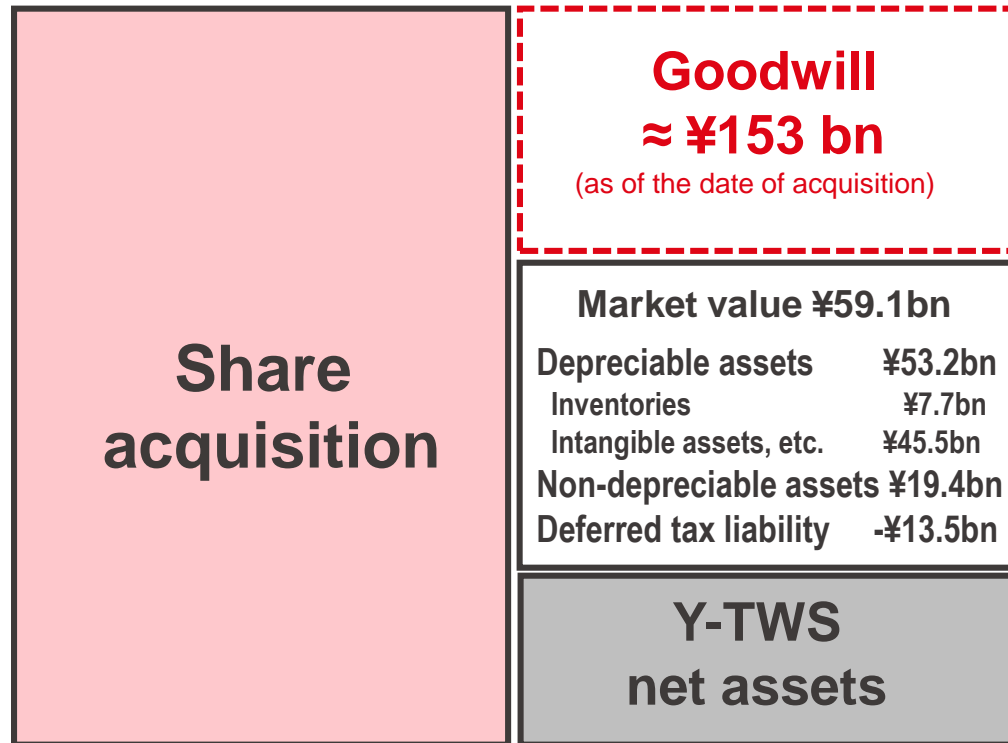


(billion yen)

	2023 Jan.-Jun.	2022 Jan.-Jun.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates	Previous forecast	Change for previous forecast	
Sales revenue	Tires total	389.5	341.2	+48.2	+14.1%	+18.6	396.0	-6.5	
	(Tires)	(291.9)	(262.1)	(+29.8)	(+11.4%)	(+12.6)	(297.0)	(-5.1)	
	(YOHT)	(67.1)	(79.1)	(-12.0)	(-15.2%)	(+6.1)	(69.0)	(-1.9)	
	(Y-TWS)	(30.5)	-	(+30.5)	-	-	(30.0)	(+0.5)	
	MB	49.0	45.1	+3.9	+8.6%	+1.9	49.0	+0	
Other	4.6	5.1	-0.5	-9.2%	+0	5.0	-0.4		
Total	443.2	391.5	+51.7	+13.2%	+20.6	+31.1	450.0	-6.8	
Business profit	Tires total	23.0	26.4	-3.4	-13.0%	+5.3	19.7	+3.3	
	(Tires)	(15.5)	(14.3)	(+1.2)	(+8.5%)	(+4.5)	(14.5)	(+1.0)	
	(YOHT)	(8.4)	(12.1)	(-3.6)	(-30.1%)	(+0.8)	(8.8)	(-0.4)	
	(Y-TWS)	(-1.0)	-	(-1.0)	-	-	(-3.6)	(+2.6)	
	MB	2.7	1.0	+1.7	+171.8%	+0.5	+1.3	2.1	+0.6
	Other	-0.2	0.3	-0.5	-	+0	-0.5	-0.3	+0.1
Intersegment eliminations	0	0	-0	-20.0%	-	-0	-	+0	
Total	25.6	27.7	-2.2	-7.8%	+5.7	-7.9	21.5	+4.1	

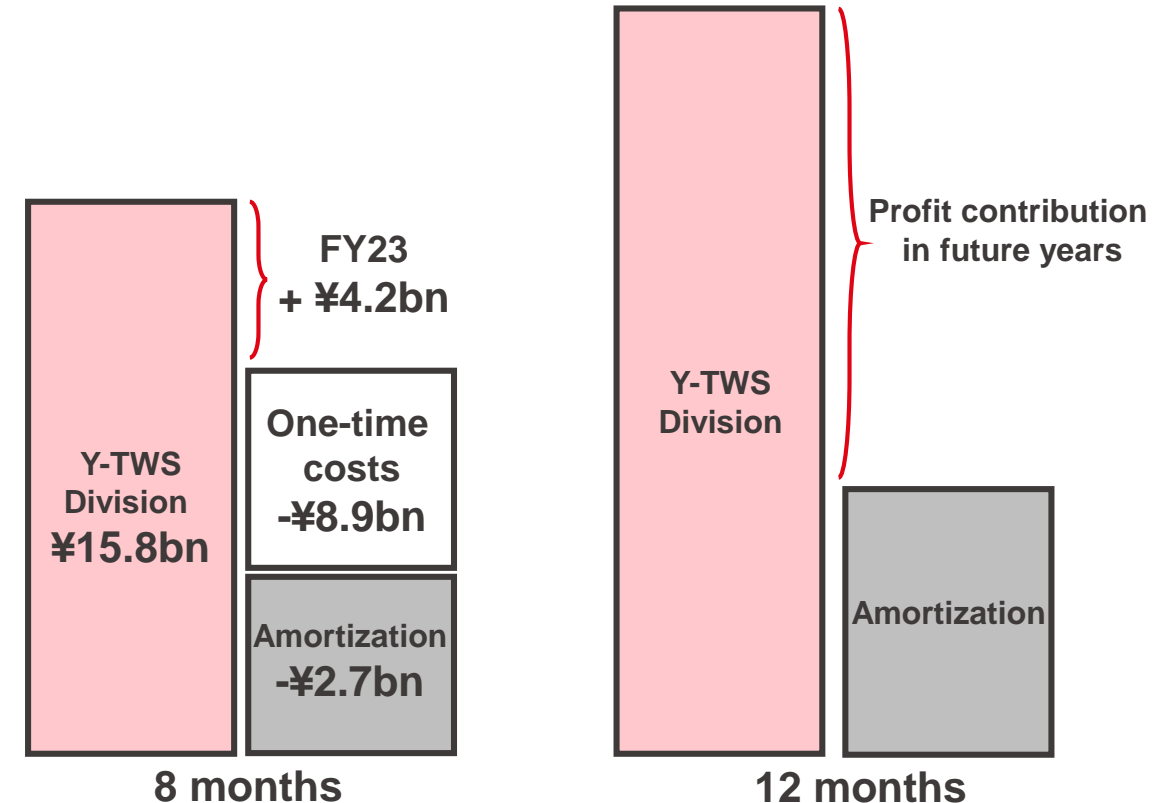
BS impact

- Fair market value of Y-TWS assets & liabilities at time of acquisition
- Net assets increased about ¥59.1bn on fair market value basis
Goodwill calculated by subtracting the market value from the acquisition price is about ¥153 bn



PL impact (image)

- FY23 consolidated results will include Y-TWS profit in the 8 months from May, partially offset by one-time expenses, such as inventory and M&A consultant costs
- In subsequent years, Y-TWS' contribution is expected to increase owing to recording of profits for 12 months and the absence of one-time costs related to the acquisition.



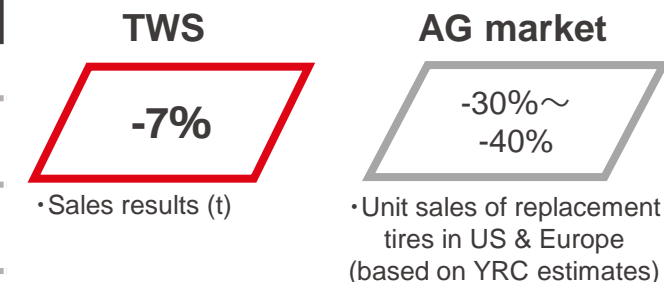
* Above amounts are based on provisional accounting and are currently under review.

Second-quarter results

	2023 May-Jun.	2022 May-Jun.	Change	Change (%)
Sales revenue	30.5	31.0	-0.5	-1.6%
Business profit (before amortization) (Business profit margin)	4.7 (15.4%)	4.3 (13.9%)	+0.4 (+1.5%)	+8.7%
One-time costs	-5.0			
Amortization	-0.7			
Business profit (after amortization)	-1.0			

(billion yen)	
Previous forecast	Change for previous forecast
30.0	+0.5
4.3 (14.5%)	+0.4 (+0.9%)
-6.9	+1.9
-1.0	+0.3
-3.6	+2.6

First-half sales



✓ One-time costs reduced ¥1.9 billion by revisions to value and allocation timeframe (increased by ¥1.9 billion per year)

2023 forecast (May-Dec.)

	2023 May-Dec.	2022 May-Dec.	Change	Change (%)
Sales revenue	110.0	117.1	-7.1	-6.0%
Business profit (before amortization) (Business profit margin)	15.8 (14.4%)	12.9 (11.0%)	+2.9 (+3.4%)	+22.8%
One-time costs	-8.9			
Amortization	-2.7			
Business profit (after amortization)	4.2			

(billion yen)	
Previous forecast	Change for previous forecast
110.0	—
13.9 (12.6%)	+2.0 (+1.8%)
-7.1	-1.9
-2.6	-0.1
4.2	—

Factor Analysis of Business Profit



2023 First half

US\$ 135 yen 123 yen(previous year) +12 yen
 EUR 146 yen 134 yen(previous year) +12 yen
 RUB 1.8 yen 1.7 yen(previous year) +0.1 yen

Exchange rate difference
+4.5

Raw material prices
-5.2

Natural rubber +1.3
 Synthetic rubber -1.4
 Compound agent -5.2
 Other +0

Sales volume
+0.5

Logistics cost, etc.
+7.2

Production costs
-6.1

Volume +1.5
 Unit price +5.7
 (Marine freight +7.1)

Prices +10.9
 MIX +1.9
 Unrealized inventories -9.3

Prices/MIX
+3.6

Fixed cost
-3.3

Exchange rate impact (\$→¥) +0.8
 Exchange rate impact (€, etc.→\$) -0.6
 Raw material prices +1.6
 Sales volume -3.0
 Logistics cost, etc. +5.3
 Production cost -2.2
 Prices/MIX -5.7
 Fixed cost +0.3

Y-TWS Division +4.7
 PPA amortization -4.6
 M&A consultant costs -1.1

One-time costs -5.0
 (PPA amortization -3.9)
 (M&A consultant costs -1.1)

YOHT
-3.6

Y-TWS
-1.0

MB
+1.7

Other
-0.5

(billion yen)

Factors that boosted business profit

Factors that reduced business profit

Business profit for previous fiscal year
27.7

Business profit for 2023
25.6

Tires total -3.4

Business profit: -2.2 billion yen

MB/Others +1.3

2022

	Exchange rate difference	Raw material prices	Sales volume	Logistics cost, etc.	Production costs	Prices/ MIX	Fixed cost	YOHT	Y-TWS	MB	Other	Total
Previous forecast	+4.5	-5.8	+0.9	+6.0	-7.5	+6.9	-4.8	-3.3	-3.6	+1.1	-0.6	-6.2
Change for previous forecast	+0	+0.6	-0.4	+1.2	+1.4	-3.3	+1.5	-0.4	+2.6	+0.6	+0.2	+4.1



Profit and Loss (Quarterly)



Exchange Rates	US\$ 132 yen	116 yen (previous year)	+16 yen
	EUR 142 yen	130 yen (previous year)	+12 yen
	RUB 1.8 yen	1.3 yen (previous year)	+0.5 yen
TSR20*	137 cents	177 cents (previous year)	-40 cents
WTI	76 dollars	94 dollars (previous year)	-18 dollars

US\$ 137 yen	130 yen (previous year)	+8 yen
EUR 150 yen	138 yen (previous year)	+11 yen
RUB 1.7 yen	2.0 yen (previous year)	-0.3 yen
135 cents	165 cents (previous year)	-31 cent
74 dollars	108 dollars (previous year)	-35 dollars

*SICOM TSR20 1M

(billion yen)

	2023 Jan.-Mar.	2022 Jan.-Mar.	Change	Exchange rate impact	Change excluding impact of exchange rate	2023 Apr.-Jun.	2022 Apr.-Jun.	Change	Exchange rate impact	Change excluding impact of exchange rate
Sales revenue	204.3	185.6	+18.7	+15.1	+3.6	238.9	205.9	+33.0	+5.4	+27.5
Business profit*1 (Business profit margin)	13.0 (6.4%)	13.7 (7.4%)	-0.7 (-1.0%)	+4.6	-5.3	12.6 (5.3%)	14.1 (6.8%)	-1.5 (-1.5%)	+1.1	-2.6
Operating profit (Operating profit margin)	13.2 (6.5%)	13.5 (7.3%)	-0.3 (-0.8%)	+4.6	-4.9	15.0 (6.3%)	13.4 (6.5%)	+1.6 (-0.2%)	+1.2	+0.3
Profit *2	9.7	10.2	-0.5			18.0	13.2	+4.8		

*1 Business profit= Sales revenue- (Cost of sales + SG&A expenses)

*2 Profit attributable to owners of parent

Business Segment (Second Quarter)



						(billion yen)	
		2023 Apr.-Jun.	2022 Apr.-Jun.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rate
Sales revenue	Tires total	209.8	178.3	+31.5	+17.7%	+4.8	+26.7
	(Tires)	(145.4)	(135.6)	(+9.8)	(+7.3%)	(+2.8)	(+7.0)
	(YOHT)	(33.9)	(42.8)	(-8.8)	(-20.7%)	(+1.9)	(-10.8)
	(Y-TWS)	(30.5)	-	(+30.5)	-	-	(+30.5)
	MB	26.5	24.7	+1.9	+7.6%	+0.7	+1.2
	Other	2.5	2.9	-0.4	-13.4%	+0	-0.4
	Total	238.9	205.9	+33.0	+16.0%	+5.4	+27.5
Business profit	Tires total	10.4	12.4	-2.0	-15.8%	+0.9	-2.9
	(Tires)	(7.2)	(5.7)	(+1.5)	(+26.9%)	(+0.7)	(+0.9)
	(YOHT)	(4.2)	(6.7)	(-2.5)	(-37.3%)	(+0.2)	(-2.7)
	(Y-TWS)	(-1.0)	-	(-1.0)	-	-	(-1.0)
	MB	2.1	1.2	+0.8	+68.1%	+0.2	+0.7
	Other	0	0.4	-0.4	-89.0%	+0	-0.4
	Intersegment eliminations	0	0	-0	-18.8%	-	-0
	Total	12.6	14.1	-1.5	-10.7%	+1.1	-2.6

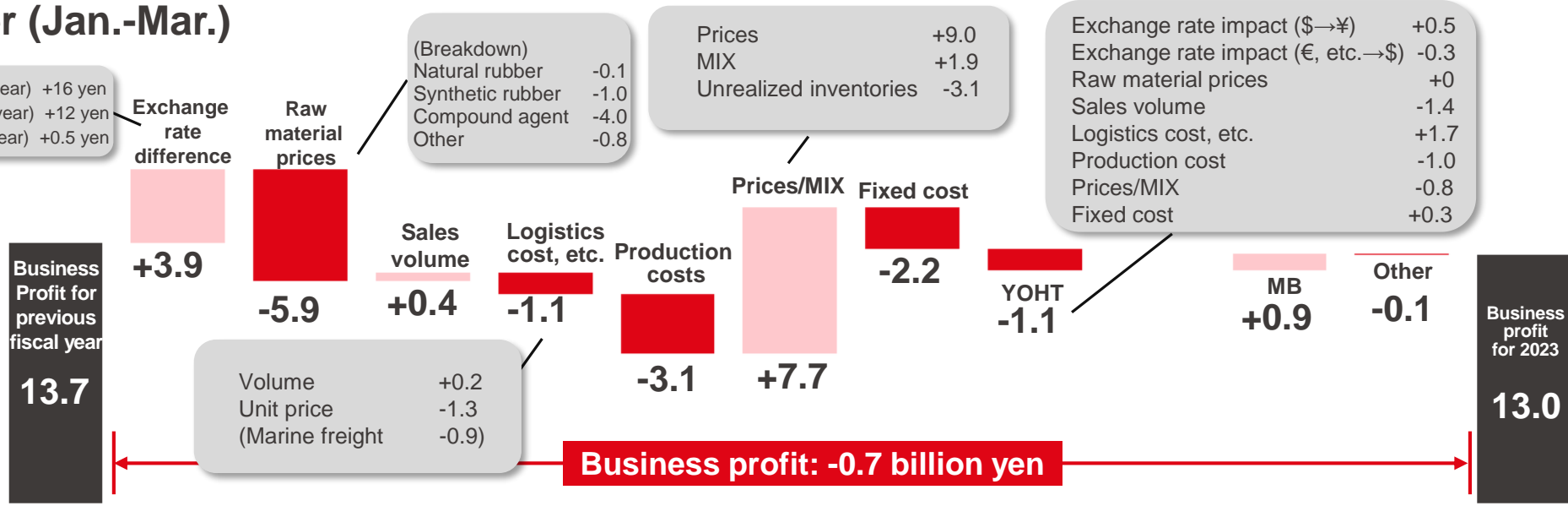
Factor Analysis of Business Profit (Quarterly)

First-Quarter (Jan.-Mar.)

(billion yen)

Factors that boosted business profit (light red)
 Factors that reduced business profit (dark red)

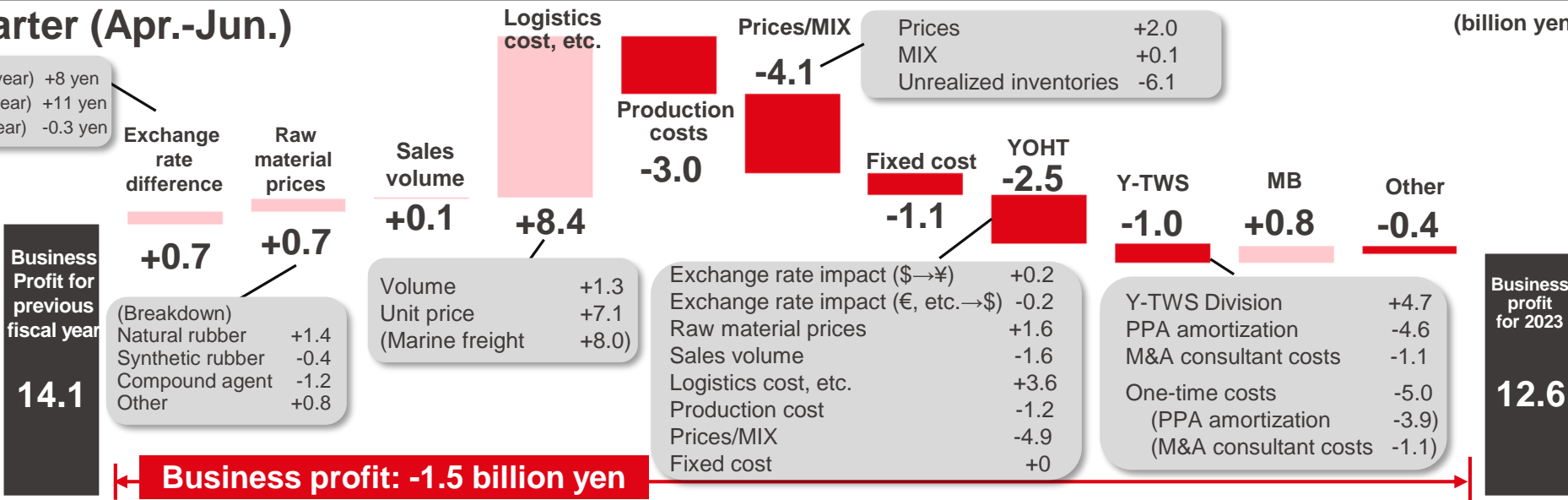
US\$ 132 yen 116 yen(previous year) +16 yen
 EUR 142 yen 130 yen(previous year) +12 yen
 RUB 1.8 yen 1.3 yen(previous year) +0.5 yen



Second-Quarter (Apr.-Jun.)

(billion yen)

US\$ 137 yen 130 yen(previous year) +8 yen
 EUR 150 yen 138 yen(previous year) +11 yen
 RUB 1.7 yen 2.0 yen(previous year) -0.3 yen



Financial Position (Comparison with the end of the previous year)



(billion yen)

	Jun. 30, 2023	Dec. 31, 2022	Change
Current assets	630.3	504.0	+126.3
Cash and cash equivalents	90.5	75.6	+14.9
Trade and other receivables	232.1	193.7	+38.3
Inventories	272.1	216.4	+55.7
Other assets	35.7	18.3	+17.4
Non-current assets	998.0	647.1	+350.9
Total assets	1628.3	1151.1	+477.2
Liabilities	906.2	528.0	+378.2
Equity	722.1	623.1	+98.9
Total liabilities and equity	1628.3	1151.1	+477.2
Interest-bearing debt*¹	551.4	238.7	+312.7
Ratio of equity attributable to owners of parent (%)	43.8%	53.4%	-9.5%
D/E ratio	0.77	0.39	+0.38
Net D/E ratio	0.65	0.27	+0.38

* Interest-bearing debt does not include lease liabilities

State of Cash Flows



(billion yen)

	2023 Jan.-Jun.	2022 Jan.-Jun.	Change
CF from operating activities	49.1	8.3	+40.9
CF from investing activities	-334.9	-24.8	-310.0
Free CF	-285.7	-16.6	-269.2
CF from financing activities	296.1	36.5	+259.6
Closing balance of cash and cash equivalents	90.5	71.8	+18.7

Earnings Forecast for FY 2023

Profit and Loss Projections (Full Year) No changes from the previous forecast



Forecasts after July 2023

Exchange Rates	US\$ 130 yen	133 yen (previous forecast)	-3 yen
	EUR 143 yen	146 yen (previous forecast)	-3 yen
	RUB 1.6 yen	1.7 yen (previous forecast)	-0.2 yen
TSR20*	130 cents	126 cents (previous forecast)	+4 cents *SICOM TSR20 1M
WTI	75 dollars	78 dollars (previous forecast)	-3 dollars

(billion yen)

	2023 forecast	2022 result	Change	Change (%)	2023 previous forecast	Change for previous forecast
Sales revenue	1000.0	860.5	+139.5	+16.2%	1000.0	-
Business profit*1 (Business profit margin)	84.5 (8.5%)	70.1 (8.1%)	+14.4 (+0.4%)	+20.6%	84.5 (8.5%)	-
Operating profit (Operating profit margin)	87.0 (8.7%)	68.9 (8.0%)	+18.1 (+0.7%)	+26.4%	87.0 (8.7%)	-
Profit*2	57.0	45.9	+11.1	+24.1%	57.0	-

*1 Business profit= Sales revenue- (Cost of sales + SG&A expenses)

*2 Profit attributable to owners of parent

Business Segment (Full Year Forecast) No changes from the previous forecast



(billion yen)

		2023 forecast	2022 result	Change	Change (%)	2023 previous forecast	Change for previous forecast
Sales revenue	Tires total	887.0	754.3	+132.7	+17.6%	887.0	-
	(Tires)	(636.0)	(598.5)	(+37.5)	(+6.3%)	(636.0)	-
	(YOHT)	(141.0)	(155.8)	(-14.8)	(-9.5%)	(141.0)	-
	(Y-TWS)	(110.0)	-	(+110.0)	-	(110.0)	-
	MB	103.5	96.2	+7.3	+7.5%	103.5	-
	Other	9.5	9.9	-0.4	-4.2%	9.5	-
	Total	1000.0	860.5	+139.5	+16.2%	1000.0	-
Business profit	Tires total	78.0	66.8	+11.2	+16.7%	78.0	-
	(Tires)	(56.1)	(44.7)	(+11.4)	(+25.4%)	(56.1)	-
	(YOHT)	(17.7)	(22.1)	(-4.4)	(-19.9%)	(17.7)	-
	(Y-TWS)	(4.2)	-	(+4.2)	-	(4.2)	-
	MB	6.2	4.0	+2.2	+56.4%	6.2	-
	Other	0.3	-0.8	+1.1	-	0.3	-
	Intersegment eliminations	-	0	-0	-	-	-
	Total	84.5	70.1	+14.4	+20.6%	84.5	-

Factor Analysis of Business Profit (Full Year)

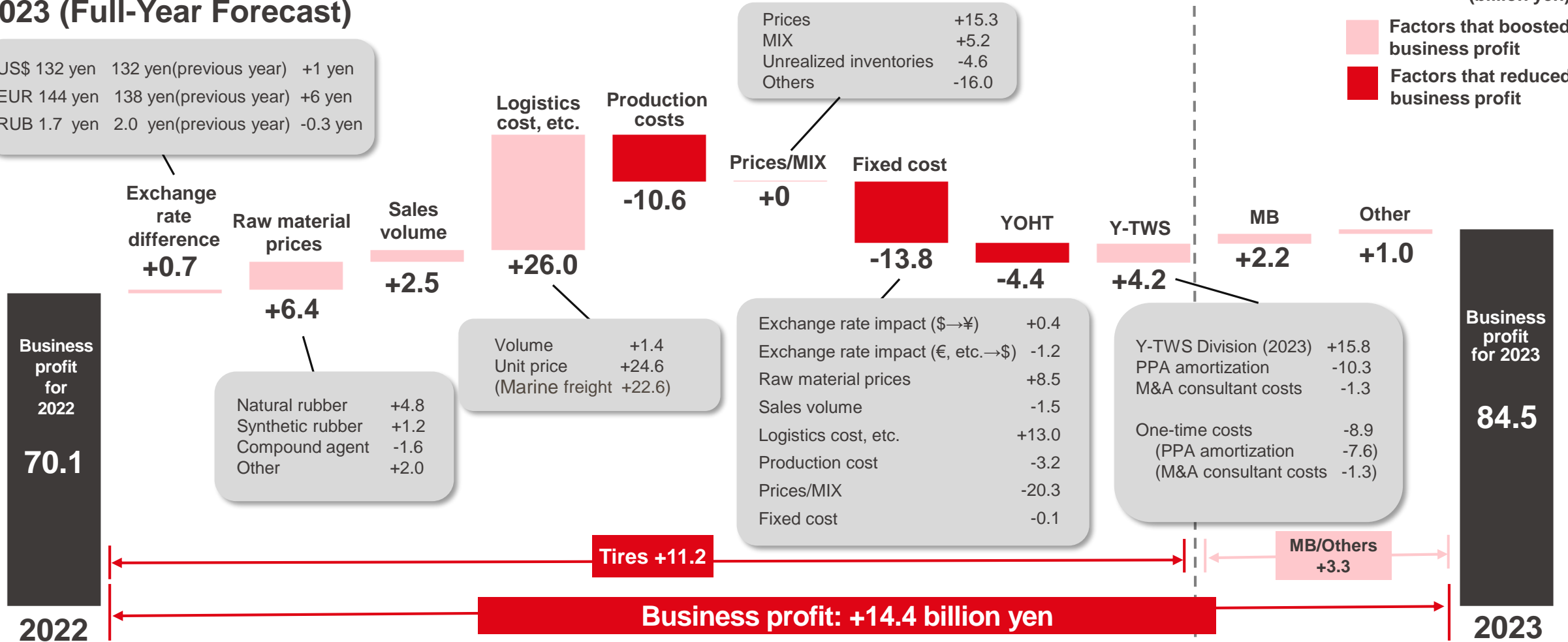


2023 (Full-Year Forecast)

US\$ 132 yen 132 yen(previous year) +1 yen
 EUR 144 yen 138 yen(previous year) +6 yen
 RUB 1.7 yen 2.0 yen(previous year) -0.3 yen

(billion yen)

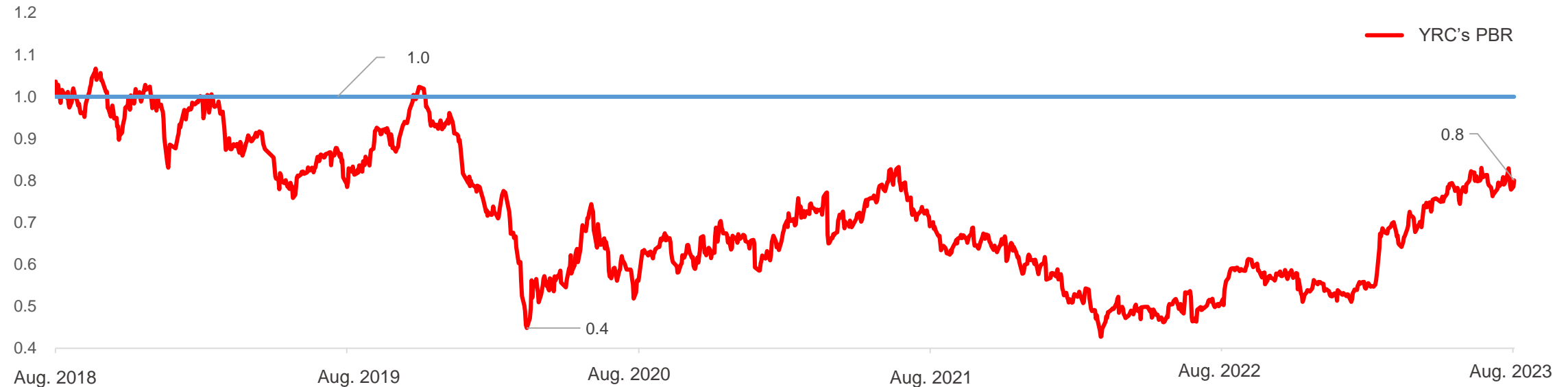
Factors that boosted business profit
 Factors that reduced business profit



	Exchange rate difference	Raw material prices	Sales volume	Logistics cost, etc.	Production costs	Prices/ MIX	Fixed cost	YOHT	Y-TWS	MB	Other	Total
Previous forecast	+0.3	+3.7	+1.7	+23.7	-11.0	+3.7	-10.7	-4.4	+4.2	+2.2	+1.0	+14.4
Change for previous forecast	+0.5	+2.8	+0.9	+2.3	+0.4	-3.7	-3.1	-	-	-	-	-

Improving capital efficiency

□ Market valuation – PBR 5-year trend



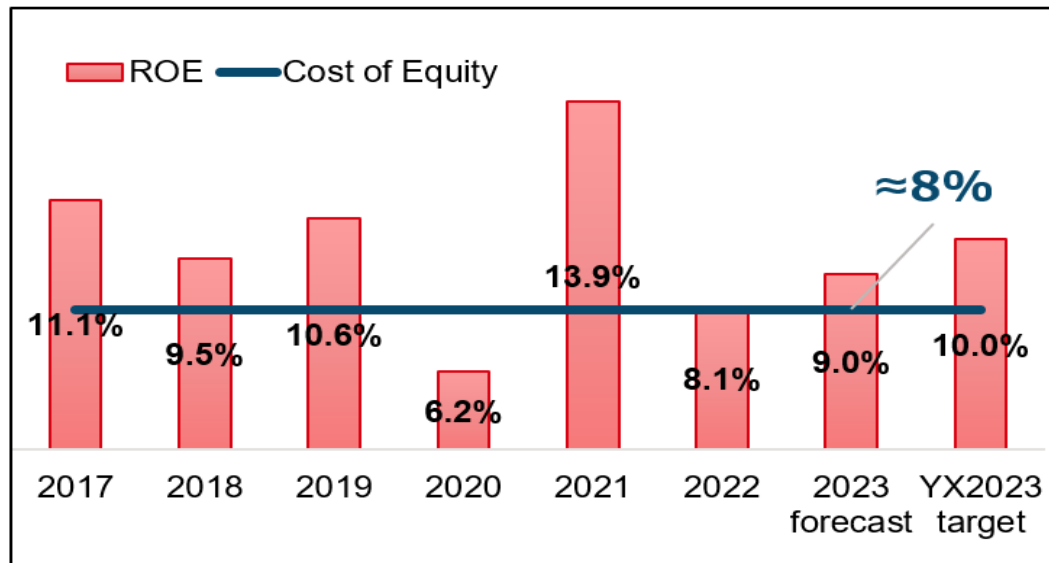
- ✓ PBR fell to 0.4x in 2020, in part reflecting COVID-19's impact. Now improved to 0.8x, but still below 1.0x.
- ✓ Feedback provided from dialogue with the capital market indicates investors think we need to provide more information about our OHT business and the overall OHT market, as the OHT business is a future growth driver
- ✓ We plan to increase dialogue with investors and improve disclosures in order to achieve a better understanding of our growth strategy and a higher market valuation

□ Return on Capital/Cost of Capital

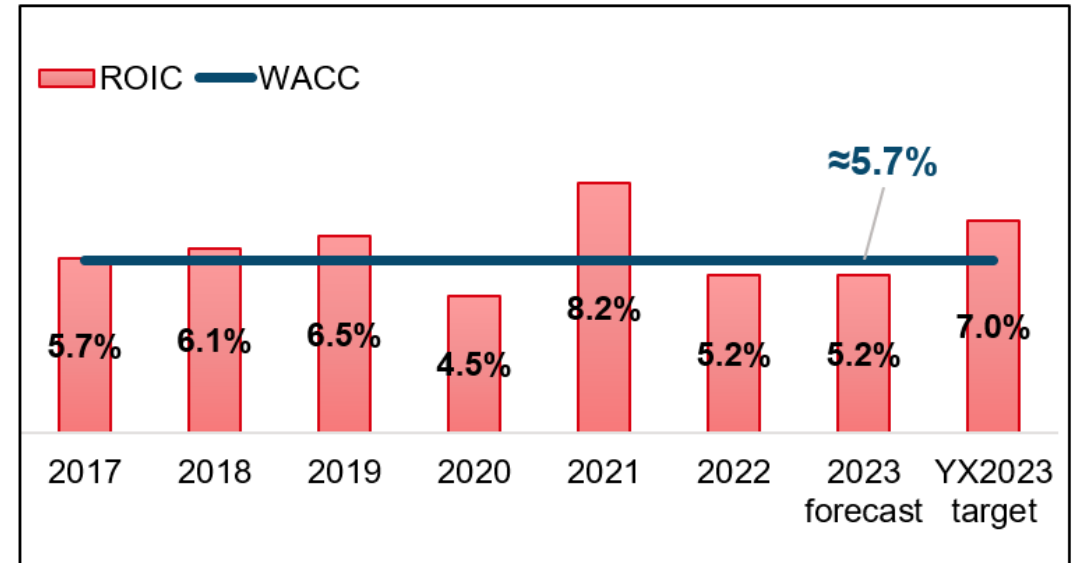
Increasing return on capital

- ✓ **Capital reduction:** Balance sheet management, including selling idle assets and reducing cash on hand, is targeted at improving capital efficiency and reducing interest-bearing debt
- ✓ **Growth investments:** Using funds generated by operating CF and sales of cross-shareholdings and other idle assets to fund investments in growth areas, such as the TWS acquisition, that will increase our earnings potential
- ✓ **Capital cost management:** Using strict criteria (discount payback period method/country-specific hurdle rates for overseas investments) to select new investments and improve return on capital

ROE & Cost of Equity



ROIC & WACC



*1. Cost of equity: Estimate based on CAPM and dialog with investors

*2. WACC : CAPM basis

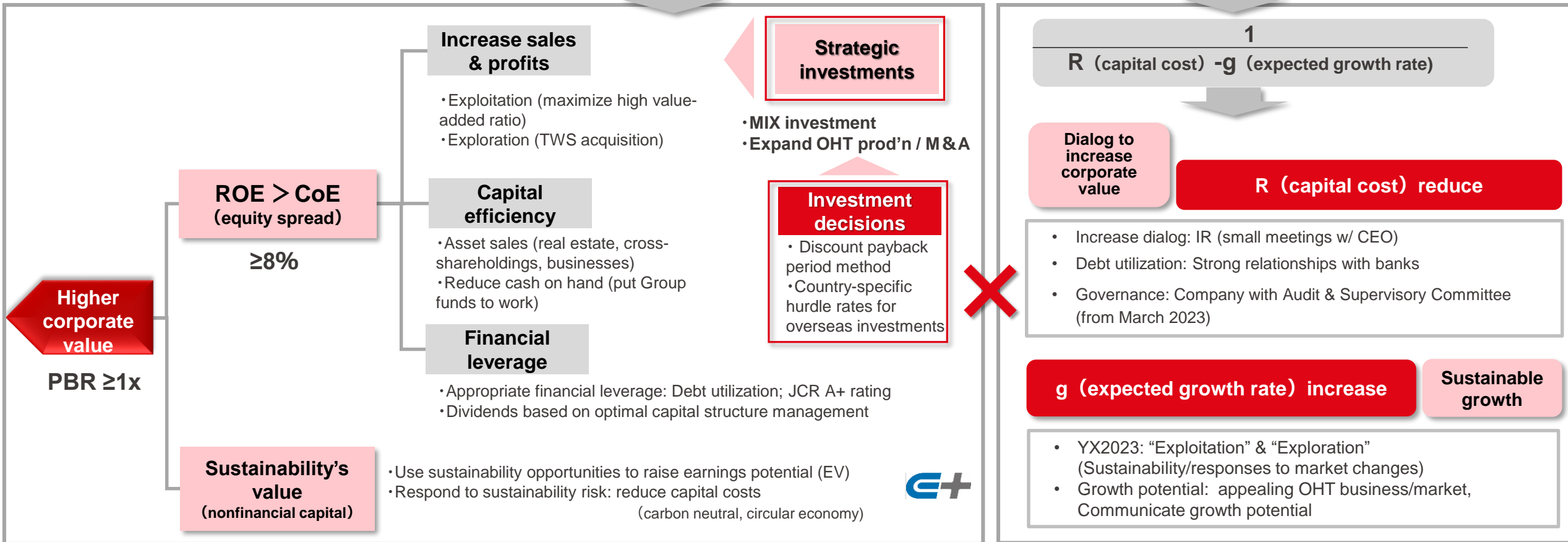
Improving Capital Efficiency ③ Increase Corporate Value



- Strategic investments that raise ROE and sustainability activities that lift sustainability value will increase corporate value
- Increasing dialog with capital markets will help reduce capital costs and raise our expected growth rate

Higher corporate value

$$\text{PBR} = \frac{P}{\text{BPS}} = \text{ROE} \times \frac{P}{\text{EPS}}$$



Cautionary Notes Regarding Forecasts

Forecasts and outlooks included in this material are based on the judgment of the Company's management using currently available information.

Actual results and earnings may differ from the forecasts and outlooks included in the material due to various risks and uncertainties.

(Reference) Tire Unit Sales YoY Growth



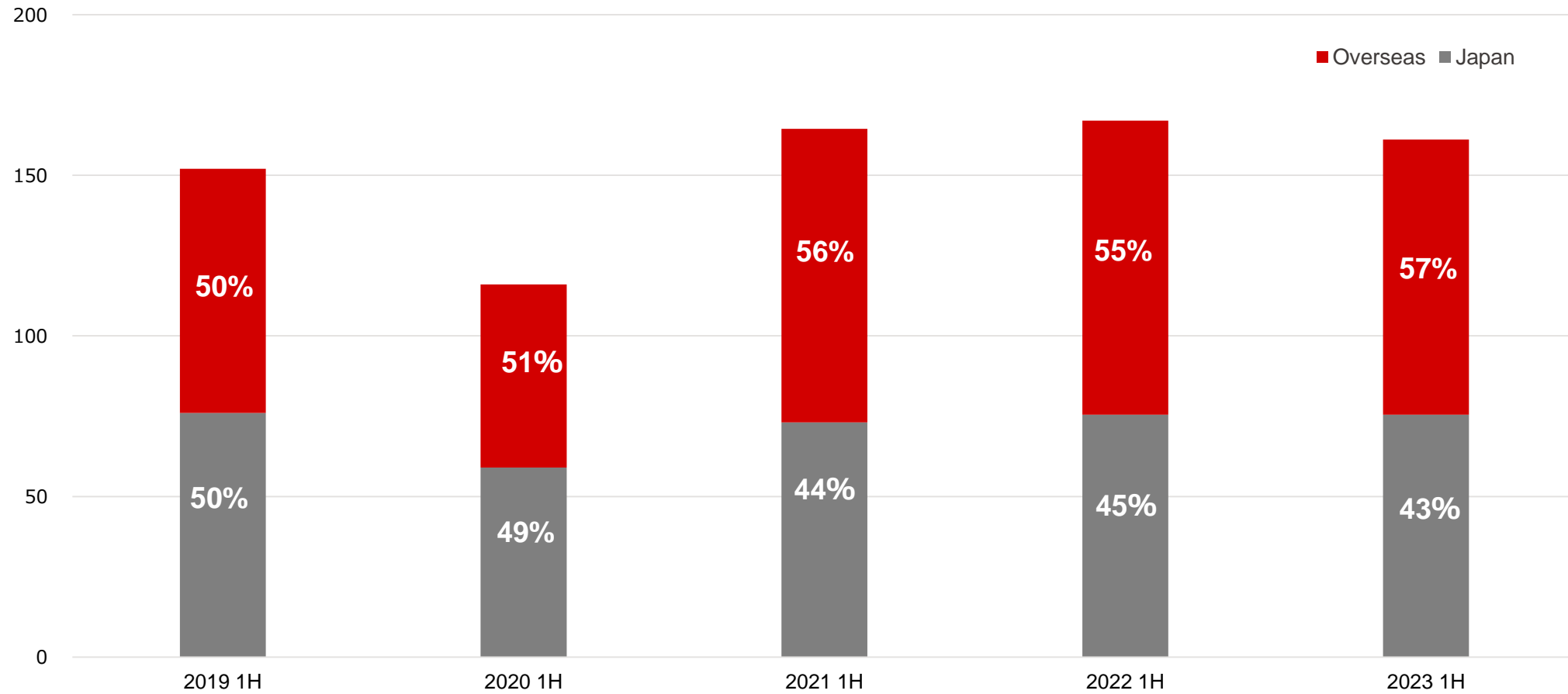
Year-on-Year Tire Sales Growth (%)

Tire Business		2022			2023		
		2Q	1H	Annual	2Q	1H	Annual forecast
Japan	OE	80%	84%	98%	117%	112%	115%
	REP	106%	115%	108%	97%	98%	100%
Overseas	OE	95%	104%	100%	91%	83%	92%
	REP	103%	102%	102%	105%	107%	104%

Year-on-Year Tire Sales Growth by region, quarterly & annual bases (%)

	2022			2023			Regional sales composition		
	2Q	1H	Annual	2Q	1H	Annual forecast	2022 full year	2023 2Q	2023 2H
Japan	96%	103%	105%	103%	102%	104%	39%	36%	37%
No. America	99%	102%	103%	102%	101%	100%	20%	21%	21%
Europe	110%	114%	101%	89%	102%	103%	6%	6%	7%
Russia	31%	63%	59%	273%	126%	-	2%	3%	3%
China	94%	100%	97%	94%	85%	96%	16%	15%	14%
Asia	137%	121%	119%	100%	106%	107%	12%	13%	12%
Others	106%	96%	101%	101%	121%	101%	5%	6%	6%
Total	99%	103%	103%	102%	101%	102%	-	-	-

(Reference) Tire Rubber Production Volumes



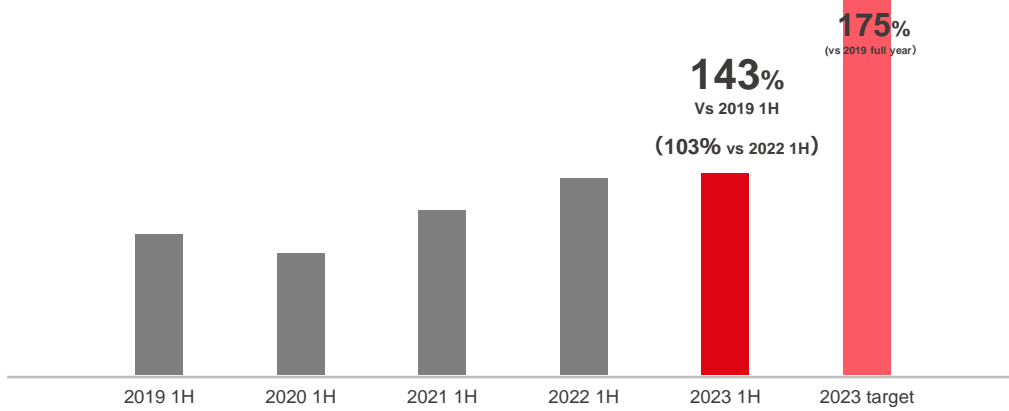
(Unit: thousand tons)

	2019 1H	2020 1H	2021 1H	2022 1H	2023 1H
Japan	76	59	73	76	75
Overseas	76	57	91	92	86
Total	153	116	165	167	161

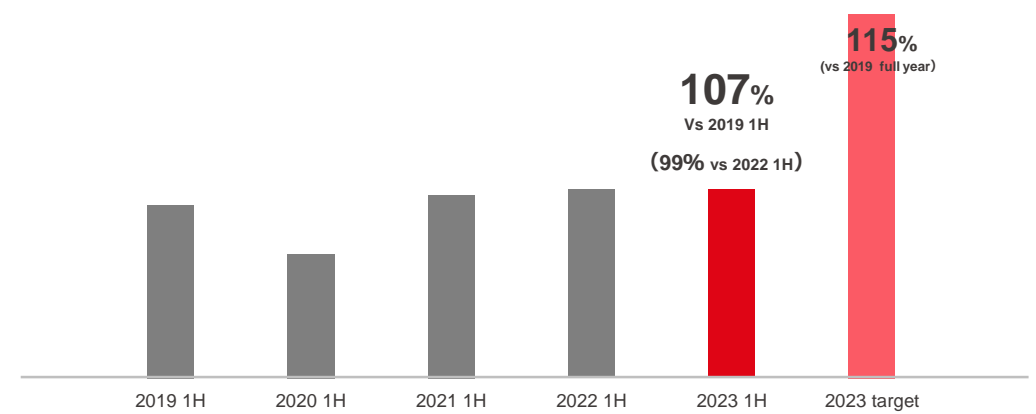
(Reference) Cumulative Unit Sales of Consumer Tire Products



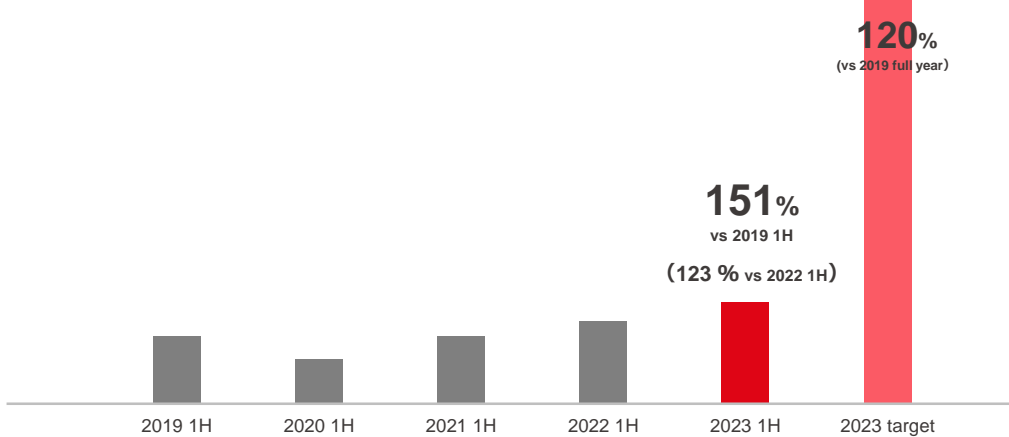
ADVAN



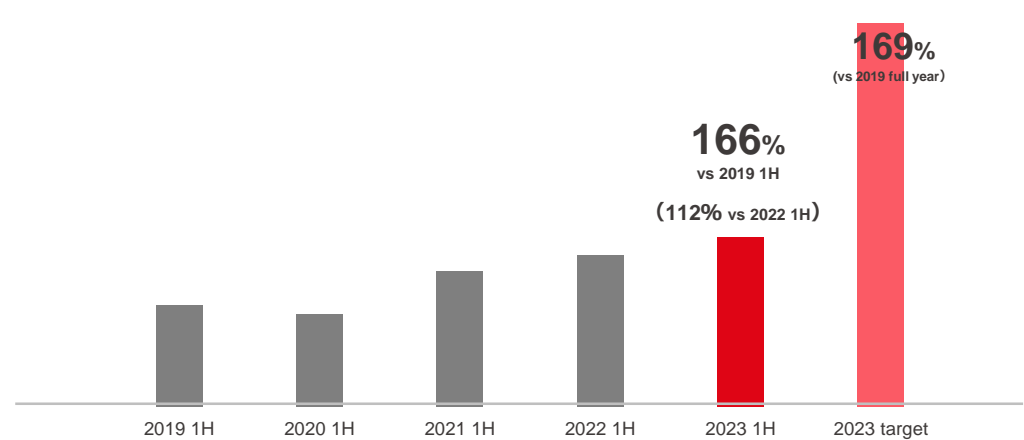
GEOLANDAR



WINTER



18-inch and larger





YOKOHAMA Transformation 2023