

# FY2023 First-Half Results Briefing

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Yokohama Transformation 2023 Progress & Full-Year Outlook

I am Yokohama Rubber President Masataka Yamaishi.

I will be explaining the progress of our medium-term management plan Yokohama Transformation 2023 during the first half and the initiatives we will be implementing in the second half.



**YOKOHAMA Transformation 2023**

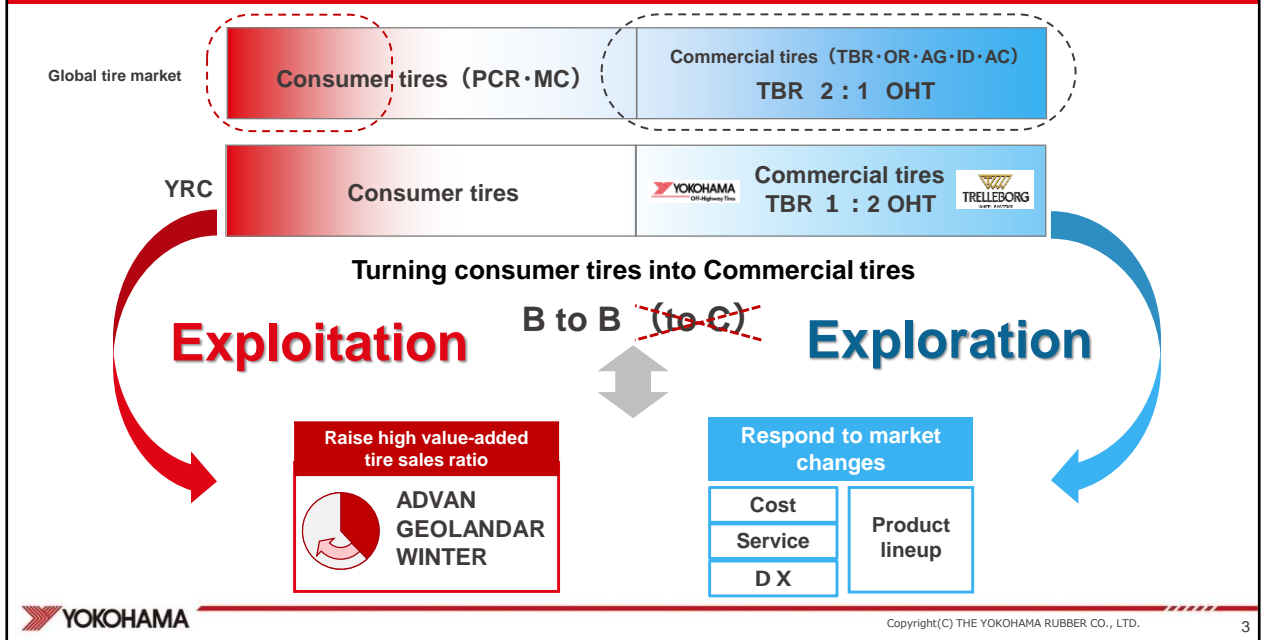
**Exploitation × Exploration = Transformation**

We first announced our YX2023 medium-term management plan back in 2021.

As this slide shows, we use YX2023 as the short name of our medium-term plan, which is a three-year plan covering the three years from 2021 to 2023. The “Y” of course stands for “YOKOHAMA” and the “X” is short for “Transformation,” as we plan to pursue “Exploitation” and “Exploration” to achieve the transformation of the YOKOHAMA Group.

During YX2023, we are “exploiting” the core strengths of existing businesses while simultaneously “exploring” new growth opportunities that will respond to the dynamic once-in-a-hundred years transformation taking place in the tire market. Through this two-dimensional approach, we aim to achieve record sales and profits.

## Tire Strategy: Impact of CASE/MaaS on Tire Business



I will now explain our vision of the future tire market, as depicted in this slide.

The tire market essentially includes two distinct markets—the consumer tire market centering on passenger cars and the commercial market, which includes tires for trucks, buses, agricultural machinery, and other commercial-use vehicles. These two sub-markets currently are similar in scale, each accounting for about 50% of the overall tire market. However, the trends toward CASE, MaaS and DX, an abbreviation for digital transformation, are changing the market landscape. We expect individual ownership of cars to decrease and infrastructure-related vehicles devoted to moving people and goods to increase. In short, we expect the main customers for tires to shift from individuals to companies, which will result in today’s consumer tires increasingly becoming commercial tires.

Yokohama Rubber is responding to this transformation of the tire market by promoting strategies based on the two approaches mentioned earlier, “Exploitation” and “Exploration.”

Our strategy for consumer tires centers on maximizing the sales ratio of our high value-added tires by increasing sales of our ADVAN, GEOLANDAR and WINTER tires. This approach amounts to the exploitation of our current core strengths in ultra-high performance tires, tires for SUVs and pickup trucks, and winter tires.

Meanwhile, in the commercial tire market, we are exploring new opportunities created by changes in the market. Our efforts are guided by four main themes—cost competitiveness, service, DX, and expansion of our product lineup. Our acquisition of Trelleborg Wheel Systems (TWS) this past May has enabled us to achieve a more well-balanced composition of consumer and commercial tires in our tire business. It also has changed our commercial tire business composition to a 2:1 ratio of OHT over TBR, a more profitable composition than seen in the overall global market for commercial tires.

## FY2023 1H Results



billion yen	2023 1H result	2023 May forecast	Change from forecast	Change from forecast (%)	2022 1H result	YoY change	YoY change (%)
Sales revenue	443.2	450.0	-6.8	-1.5%	391.5	+51.7	+13.2%
Business profit	25.6	21.5	+4.1	+18.9%	27.7	-2.2	-7.8%
Business profit margin	5.8%	4.8%	+1.0%	-	7.1%	-1.3%	-
Operating profit	28.2	23.5	+4.7	+19.9%	26.9	+1.2	+4.6%
Profit	27.7	17.5	+10.2	+58.2%	23.3	+4.4	+18.8%
D/E Ratio	0.77	-	-	-	0.38	+0.40	-



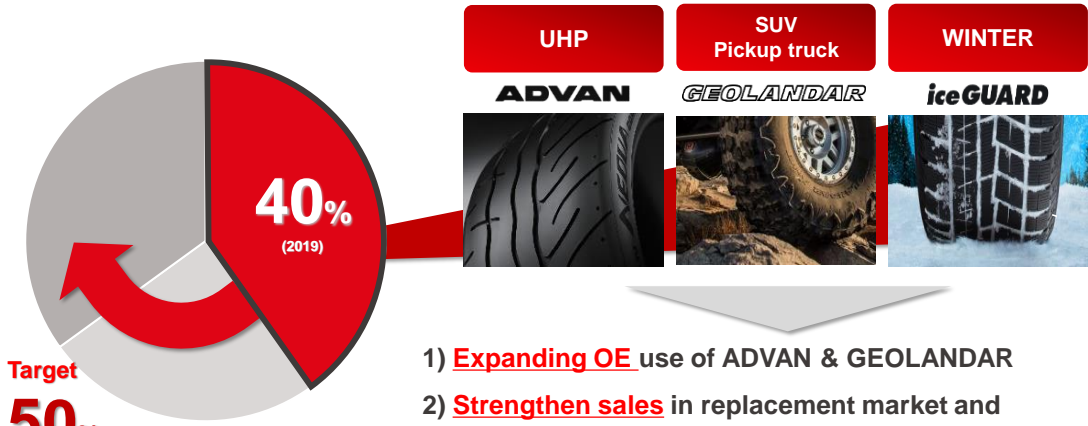
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In FY2023 first half, we again faced a challenging business environment that included soaring raw material prices, rising energy costs, and a general deterioration in business sentiment. However, we overcame these challenges by improving our product mix, raising prices, and making a concerted effort to expand sales. As a result, we achieved first-half sales revenue of ¥443.2 billion, business profit of ¥25.6 billion, operating profit of ¥28.2 billion and increased our net profit 18.8% YoY to ¥27.7 billion.

Moreover, I am pleased to report that business profit and net profit exceeded our May forecasts by 18.9% and 58.2%, respectively.

## Consumer Tires: Raise High Value-Added Tire Sales Ratio



Target  
**50%+**

- 1) **Expanding OE** use of ADVAN & GEOLANDAR
- 2) **Strengthen sales** in replacement market and **Expand size lineups** including for WINTER tires
- 3) Strengthen sales of tires **suited to local market needs**

Next, I will present the progress made with our medium-term management plan, starting with consumer tires.

During YX2023, we aim to expand the sales ratio of high value-added tires from 40% in FY2019 to more than 50% by increasing sales of our ADVAN, GEOLANDAR, and WINTER tires.

This effort includes expanding OE use of ADVAN and GEOLANDAR brand tires, strengthening sales in the replacement market, expanding our size lineups, including for WINTER tires, and strengthening sales of tires suited to each local market's needs.

# Consumer Tires: Key Achievements in FY2023 1H



## OE on Premium Cars & EVs



LEXUS RZ BEV  
ADVAN V61



Toyota Alphard & Vellfire  
ADVAN V03



Toyota GR Corolla  
ADVAN APEX V601



MAZDA CX-90  
ADVAN V61 & GEOLANDAR X-CV



Toyota Prius PHEV  
BluEarth



China's FAW Toyota bZ3 BEV  
BluEarth

## Strengthening Sales to Replacement Market

2023 "Mud Match" sales campaign



## Motorsports Activities



SUPER GT 3<sup>rd</sup> round  
1<sup>st</sup> place in GT500 class



Nürburgring Endurance Series  
Overall winners in 2<sup>nd</sup> & 4<sup>th</sup> rounds



Pikes Peak Hill Climb  
2<sup>nd</sup> straight overall championship and  
1<sup>st</sup> place in 5 of 6 divisions



King of the Hammers  
1<sup>st</sup> place finish at  
US off-road race



As shown on the left side of this slide, we succeeded in winning new contracts for OE sales of our tires on several premium cars.

For example, our ADVAN tires are now coming factory-equipped on the LEXUS RZ as well as Toyota Motor's Alphard and Vellfire. Mazda is fitting its new CX-90 with our GEOLANDAR X-CV tires. We are also making advances in the EV segment, where our tires are now coming factory-equipped on Toyota's Prius PHEV and the bZ3 BEV by China's FAW Toyota.

Our 2023 "Mud Match" themed sales campaign is expanding our sales in the replacement tire market, especially sales of our GEOLANDAR brand tires.

Our motorsports activities continue to produce excellent results. In the third round of this year's SUPER GT, the WedsSport ADVAN GR Supra won its team's first GT500 class race in seven years. In addition, cars running on our ADVAN tires captured overall championships in Rounds 2 and 4 of this year's Nürburgring Endurance Series in Germany. At this year's Pikes Peak International Hill Climb in the United States, a car equipped with ADVAN tires won its second straight overall championship. This year, the supplied ADVAN tires included sustainable materials, demonstrating Yokohama Rubber's advanced technologies' ability to create tires using sustainable materials that deliver excellent driving performance. And last but not least, a GEOLANDAR-equipped machine won the King of the Hammers off-road race in the United States.

# Consumer Tires: Raising High Value-Added Tire Sales Ratio

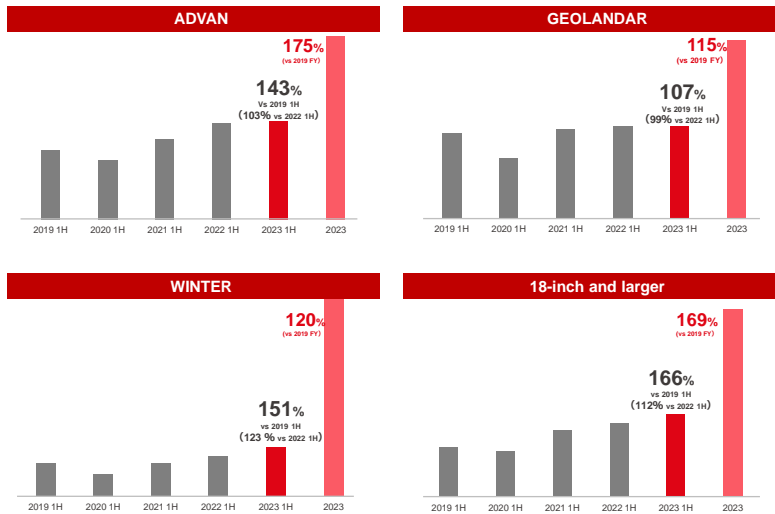


## Expanding GEOLANDAR Size Lineup

Expanding OE & REP lineups  
(Launching new tires + expanding available sizes)

Unit of new sizes	2022 1H result	2022 full year result	2023 1H result
ADVAN	126	195	40
<b>GEOLANDAR</b>	13	39	<b>61</b>
WINTER	1	109	0
AGW total	140	343	101

## Sales of ADVAN, WINTER & 18-inch and larger tires up YoY



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This slide shows the sales results for our high value-added ADVAN, GEOLANDAR, WINTER tires, and large tires with 18-inch or larger wheel diameters.

First-half sales of our ADVAN, WINTER and 18-inch and larger tires all exceeded the previous year's levels.

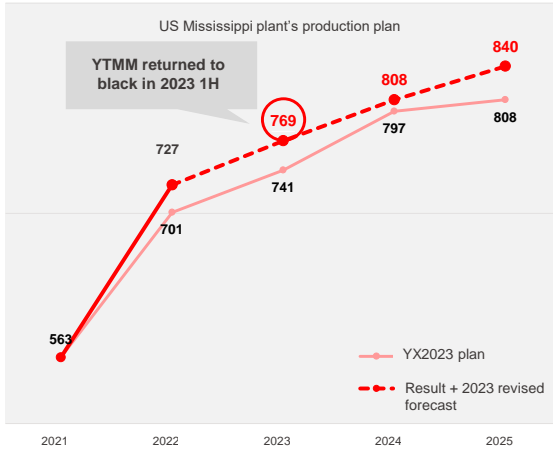
# Commercial Tires: Key Achievements in FY2023 1H (TBR Business)



## TBR Business

### ■ US TBR plant increasing output

(Unit: 1,000 tires)



### ■ Accelerating introduction of new service and tires for EVs

- Began test of new tire solution service for EV buses

Air-pressure sensors attached to tires' inner surface  
Tire air Pressure Remote access System (TPRS)



Kanagawa Chuo Kotsu's EV bus to be used in the practical testing

- First supply of OE tire for a new EV truck



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Next, I will present our main achievements in the commercial tire segment. In the TBR business, our US Mississippi Plant returned to the black in the first half, reaping the benefits of improvement efforts continued over the past few years. We now look forward to the plant achieving record high annual production volume in 2023.

We also are accelerating our efforts to supply our truck and bus tires for EVs. In addition to launching test runs on an EV bus of our air-pressure sensors attached to the inner surface of tires and our Tire air Pressure Remote access System (TPRS), we began supplying our RY01C tires as OE on a light-duty EV truck.

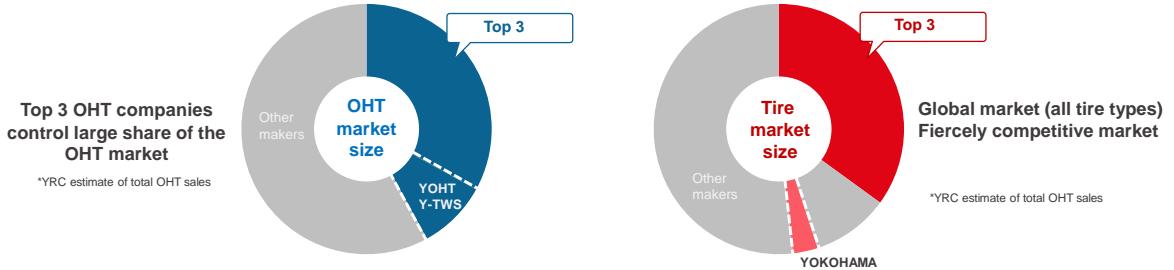


# Commercial Tires: OHT Business' Growth Potential



## Significance of Trelleborg Wheel Systems Holding AB Acquisition

■ OHT market is a blue ocean



■ OHT business has high profit margin (segment profit margins)

	2022
YOHT	14%
Y-TWS	13%
YRC Tire Segment	9%

■ Steady market growth (annual growth rates)

	Market growth rate
Off-highway tires (OHT) overall	+6%
Agriculture tires (AG)	+5%
Industrial tires (ID)	+5%
Passenger car tires	+2%

\*YRC estimates



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Our OHT Business has been enhanced by the May acquisition of Trelleborg Wheel Systems and the subsequent startup of the newly formed Y-TWS.

Let me explain once again the significance of this acquisition. In the global OHT market, the Top 3 companies control a much larger share of the market than is the case in the global market for all tire types. The OHT market is therefore a less competitive market.

It therefore also is a more profitable market, as can be seen by the high profit margins of YOHT and Y-TWS, which at more than 10% are considerably higher than the profit margin of our conventional tire business.

In addition, the OHT market is a growth market. We forecast the agriculture and industrial tire segments of the market will expand 5% each year over the foreseeable future, higher than the 2% growth rate we see for the passenger car tire market. We therefore have positioned our OHT business as a future growth driver.

# Commercial Tires: OHT Business' Growth Potential



## Post-acquisition YOHT·Y-TWS Future Growth Potential

■ Complete product brand structure



■ Secured high market shares for AG & ID tires

Agriculture tires (AG) **No. 1\***



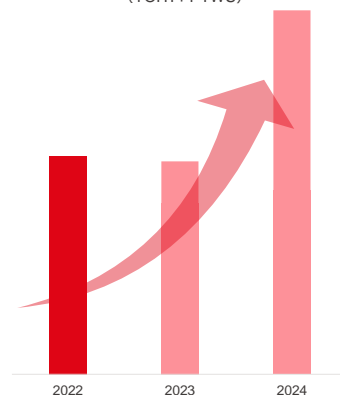
Industrial tires (ID) **No. 2\***



\*YRC estimates

■ Yokohama Rubber's OHT business entering new growth stage

Yokohama Rubber's OHT business profit growth (image) (YOHT+Y-TWS)



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I will now explain the future growth potential of our OHT business realized by the post-acquisition combination of YOHT and Y-TWS.

First of all, this combination gives us a complete product brand structure, with Tier1 to 3 brands in the agriculture and industrial tire categories. This not only makes it easier to respond to needs in all sales channels but also enhances our resilience to economic fluctuations.

The addition of Y-TWS strengthens our position in the OHT market. Based on our estimates of FY2022 sales, we are now No.3 in the overall OHT market, No.1 in the agricultural tire (AG) segment and No.2 in the industrial tire (ID) segment. We will use this strong position to create competitive advantages in each market segment.

We believe the addition of Y-TWS positions our OHT business at the start of a new growth stage.

Strengthened/expanded by allocating resources to core product areas

**Hose & couplings**

**Growth driver**  
Increase production capacity  
Reorganize production sites

**Industrial products**

**Stable earnings**  
Maximize market share

**Business restructuring**

**Hamatite**

Completed transfer to Swiss-based Sika Group in Nov 2021

**Aerospace products**

Merged with industrial products in Mar 2022

**Launched 100-day plan to maximize profits**

Reviewing all operations of MB segment

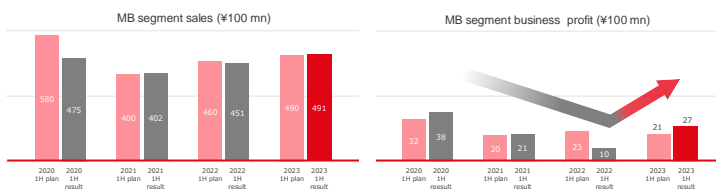
Speed up decision-making, organization changes, personnel assignments focused on placing right person in right place

Profit improvement measures

Reducing costs, passing price increases on to product prices

Maximizing production, reducing logistics expenses

Shifting production to plants with lower costs



\*2020 and 2021 figures include Hamatite business

Next, let's look at the achievements made by our MB segment in the first half.

The MB segment unfortunately has not achieved the goals planned and announced to you over the past several years, and I sincerely apologize for any inconvenience that may have caused.

This April, we made revisions to the business' management structure and launched a 100-day plan to restructure the business. Under this plan, we reviewed all business operations in the MB segment and speeded up decision making, made necessary organization changes, and put the right people in the right positions. These efforts enabled us to achieve our announced plans for first-half sales revenue and business profit.

# Consumer Tires: FY2023 2H Initiatives



## MIX Investment to Maximize the Ratio of High-Value-Added Tires

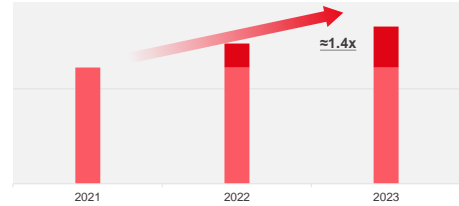
### ■ Mie Plant: Large-size SUV tires

Large outer diameter tires:  
Expand annual capacity from ≈240k → ≈330k  
Capacity increase of ≈1.4x (2023 vs 2021)

→ Complete expansion during YX2023



Mie Plant expanding capacity for large SUV tires (No. of tires/year)



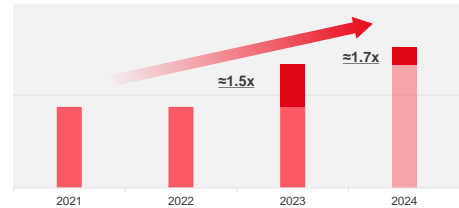
### ■ Shinshiro Plant: 18-inch and larger sizes

18-inch tires:  
Expand annual capacity from ≈1.3mn → ≈2.0mn  
Capacity increase of ≈1.5x (2023 vs 2021)

→ Further planned expansion in 2024 to increase annual capacity to ≈1.7x vs 2021



Shinshiro Plant expanding capacity for high-inch tires (No. of tires/year)



Next, I will explain the main initiatives we plan to undertake in FY2023 second half. I start with our consumer tire business. As part of our efforts to maximize the sales ratio of our high value-added tires, we have been investing to enhance the product mix and production volumes at our Mie and Shinshiro plants, and both plants are now ramping up production.

The Mie Plant is responding to demand for large-size SUV tires and has increased its capacity for large outer diameter tires by about 1.4x the FY2021 level.

Meanwhile, the Shinshiro Plant has expanded its capacity for 18-inch and larger sizes and is now able to supply about 1.5x more tires with large inner diameters than it could in FY2021. Shinshiro will continue to expand its capacity for large inner diameter tires in FY2024.

## Consumer Tires: FY2023 2H Initiatives



### Maximize High Value-Added Tire Sales Ratio

**GEOLANDAR**

Unit sales increase  
**115% target**  
(vs 2019)

- 2023 “Mud Match” campaign: Launch new GEOLANDAR tires and expand unit sales



GEOLANDAR CV4S



**ADVAN**

ADVAN  
CHALLENGE  
the concept  
“Challenges”

- Improve sales MIX by maximizing sales ratio of high value-added ADVAN tires
- Motorsports participation contributes to improvement of our tires' value



ADVAN Sport EV



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This slide focuses on our efforts to maximize the sales ratio of high value-added tires.

Our “Mud Match” themed sales campaign aims to increase sales of our GEOLANDAR tires by 15% over the FY2019 level, and we will be gradually rolling out the new GEOLANDAR CV 4S in European markets this autumn. We expect the entry of GEOLANDAR-equipped cars in this year’s Asia Cross Country Rally, where we are aiming for a second straight victory, will contribute to sales by further elevating brand recognition.

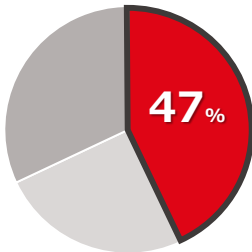
Meanwhile, our efforts to increase sales of ADVAN tires during the brand’s 45th year are based on the concept of taking up new “Challenges”. We therefore will be launching our first EV-dedicated tire, the ADVAN Sport EV, in the European market this autumn. In addition, we continue to take on challenges in motorsports, where we aim for victories that will further enhance our brand value.

# Consumer Tires: Raising High Value-Added Tire Sales Ratio (2023 Outlook)



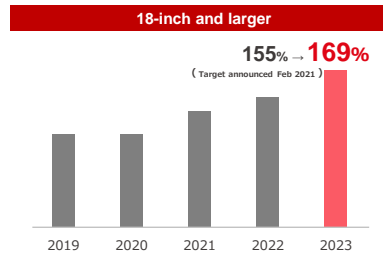
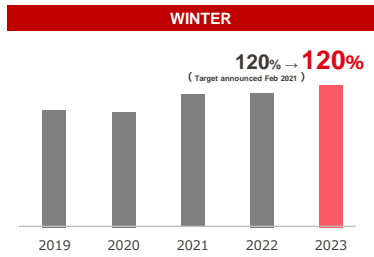
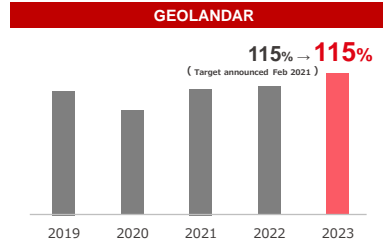
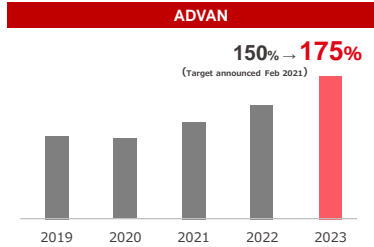
## AGW sales ratio

FY2023 plan



Expanding OE & REP lineups  
(Launching new tires + expanding available sizes)

	2022	2023 plan
ADVAN	195	97
GEOLANDAR	39	139
WINTER	109	126
AGW total	343	362



In fiscal 2023, we plan to increase the sales ratio of our high value-added tires to 47%.

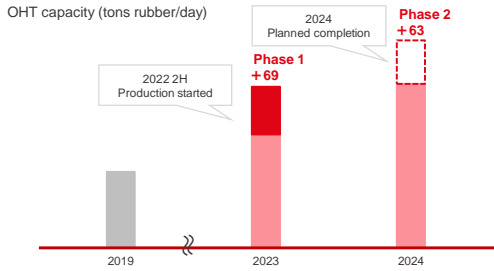
Toward that goal, we aim to achieve the sales ratio set in YX2023's plans in each category of ADVAN, GEOLANDAR and WINTER tires.

# Commercial Tires: FY2023 2H Initiatives



## YOHT New Plant: Construction Phase 2 Underway

Further increasing capacity to meet future demand



Visakhapatnam Plant, India  
(new wing under construction on left)

## Y-TWS

DX promotion: Joint development of tool for agricultural machinery to support tire air pressure management



## TBR Business

- Launching new tire for EVs
- Supporting EV buses in Europe



Next up is commercial tires.

YOHT started production at its Visakhapatnam Plant, its third plant in India, in the 2022 second half and is proceeding with the 2nd stage of the plant's expansion, which it plans to complete in FY2024, on target with its plan to increase production.

Y-TWS, in a cooperative effort with another tire maker, has developed a tool to support air-pressure management for tires used on agricultural machinery. This tool will support the efficient operation of agricultural machinery by enabling users to easily recognize the appropriate tire air pressure when using their machinery.

In the truck and bus tire area, we will continue to develop new tires to meet needs in the growing EV market.

**Strengthened/expanded by allocating resources to core product areas**

**Hose & couplings**  
**Growth driver**  
 Increase production capacity  
 Reorganize production sites

**Industrial products**  
**Stable earnings**  
 Maximize market share

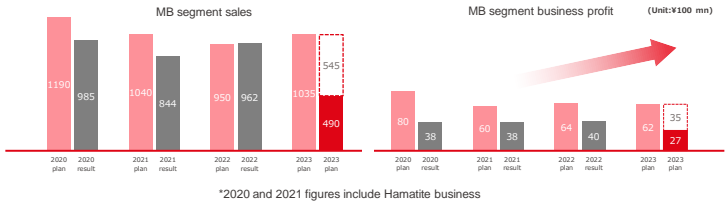
**Business restructuring**

**Hamatite**  
 Completed transfer to Swiss-based Sika Group in Nov 2021

**Aerospace products**  
 Merged with industrial products in Mar 2022

**Reap Benefits from 100-Day Plan**

Review business operations, continue to improve profitability



\*2020 and 2021 figures include Hamatite business

- **Hose & Couplings**
  - Complete realignment of No. America automotive hose & couplings production network and launch mass production
- **Industrial products**
  - Strengthen sales of conveyor belts in Japan
  - Introduce solid fender in Japan



**Promoting additional improvements to achieve plan**

This slide shows the main initiatives we are implementing in our MB Business in FY2023 second half.

The business will continue implementing measures undertaken during the 100-day plan as it aims to achieve the previously announced sales and profit targets for FY2023. In the hose & couplings business, we will continue with the realignment of our production network in North America and complete the transfer of operations to our plant in Mexico.

In the industrial products business, we remain focused on maximizing our share of Japan's conveyor belt market and are entering the market for solid fenders, with sales of our first such product being launched in Japan.



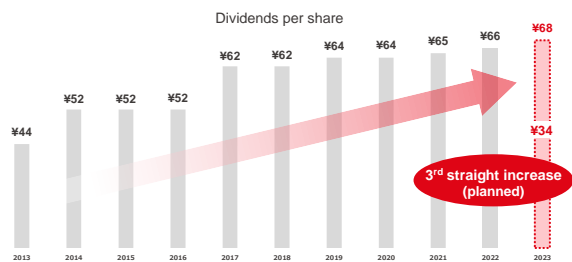
## FY2023 Plan



billion yen	2023 Plan	2022 Result	Change	Change (%)	YX2023 FY2023 targets
Sales revenue	1000.0	860.5	+139.5	+16.2%	700.0
Business profit	84.5	70.1	+14.4	+20.6%	70.0
Business profit margin	8.5%	8.1%	+0.4%	-	10.0%

### Shareholder Return

Interim dividend: 34 yen (+1 yen increase)  
 Year-end dividend: 34 yen, Annual dividend: 68 yen (+2 yen increase)



\*DPS figures prior to 2015 have been retroactively adjusted to reflect a 1-for-2 share merger carried out on July 1, 2015.



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That brings me to the main financial targets in our FY2023 plan.

Our forecasts for sales revenue of ¥1 trillion and business profit of ¥84.5 billion are unchanged.

We distributed an interim dividend of ¥34 per share, an increase of ¥1 over the previously announced figure, and plan to match that at year-end, for a full-year dividend of ¥68 per share, a ¥2 increase from FY2022 and the third consecutive increase in our annual dividend.

# Sustainability: Main Achievements in 2023 1H



## Environment

### Carbon neutrality

Shinshiro-Minami Plant becoming a carbon-neutral model plant



Shinshiro-Minami Plant's solar power generation facility

### Circular economy

Developed rubber material that can be easily recycled without deterioration and maintains rubber's excellent durability

### Living in harmony with nature (Nature positive)

Ibaraki Plant received 3rd ABINC award

\*ABINC: Association for Business Innovation in harmony with Nature and Community



Ibaraki Plant biodiversity conservation activity

### Sustainable tire development

Mishima Plant shifted its motorsports tire line to renewable energy power source

Machine running on ADVAN tires with a 33% sustainable materials ratio won overall championship at Pikes Peak International Hill Climb



ADVAN fitted machine that won overall championship

## Social

### Work-style reforms

Head office-Hiratsuka Factory merger (completed at end-March)

### Initiatives promoting respect for human rights

Human rights due-diligence workshop (May)



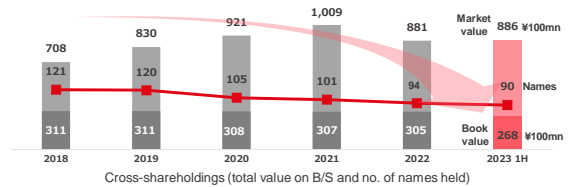
Scene from the workshop

## Governance

### Transitioned to company with an Audit & Supervisory Committee

### Reducing cross-shareholdings

Sold off shares in Apr-May 2023



I now would like to present our sustainability-related initiatives.

First, I will present the initiatives we undertook in the first half.

Environment-related initiatives included the startup of a new solar power generation facility at our Shinshiro-Minami Plant and the installation of a renewable energy power source at the Mishima Plant's racing tire line.

Social-related measures included the completion of the integration of our head office at our Hiratsuka Factory, which facilitates ongoing work-style reforms. We also implemented several measures promoting respect for human rights in the workplace.

We continue to strengthen corporate governance. Significant measures undertaken in the first half included our transition to a company with an Audit & Supervisory Committee and the continued reduction of cross-shareholdings.

**Environment**

• Develop and accelerate marketing of EV tires



• Carbon neutrality

Conduct 1% reduction activities at all plants  
Shinshiro-Minami Plant considering additional investment in solar power generation

• Circular economy

Increase ratio of sustainable materials in our tires

Accelerate technology development based on motorsports participation



ADVAN racing tire with 33% sustainable materials content

• Living in harmony with nature (Nature positive)

Revise our Guidelines for Preservation of Biodiversity  
Respond to TNFD disclosure framework

**Social**

• Promote local community activities in Hiratsuka City

Co-sponsored recent flounder fry release event at Hiratsuka New Port



Released flounder fry



Release from central pier at Hiratsuka New Port

• Initiatives promoting respect for human rights

Conduct impact assessment designated by recent workshop on human rights due diligence

**Governance**

• Reduce cross-shareholdings

Decided on August 10 to sell off more shares  
Expected gain on sale of investment securities: about ¥11 billion

Next, I will explain the main sustainability-related initiatives we are implementing in the second half.

In the environment area, we are strengthening our effort to develop and promote tires for EVs. To make it easy to recognize which of our tires are most suitable for use on EVs, we are now applying the newly developed E+ mark on those tires.

Carbon neutral initiatives include the continuation of measures to reduce energy consumption at all of our plants by 1% each year. We also will expand the solar panel power generation facility installed at our Shinshiro-Minami Plant last year as part of our plan to turn that plant into a carbon-neutral model plant.

Our efforts to contribute to the realization of a circular economy will include increasing the ratio of sustainable materials in our tires and accelerating the development of such tires based on the knowledge we gain from their use as racing tires.

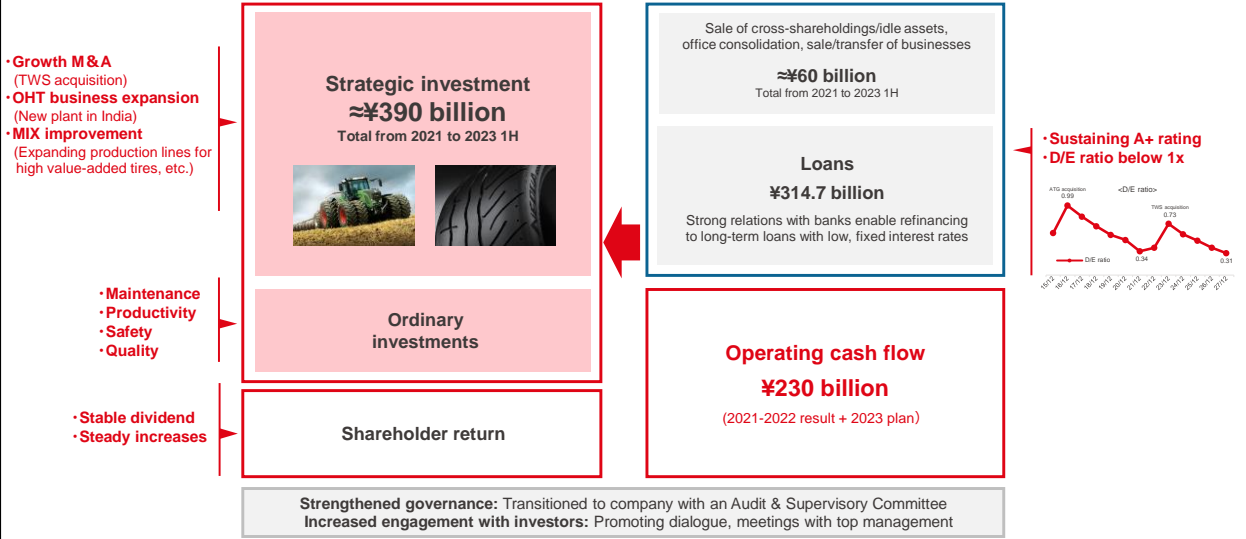
Our social-related activities will include the promotion of local community activities in Hiratsuka City, which became home to our head office earlier this year.

We also will continue to resolutely unwind cross-shareholdings, including a plan to sell shares that was decided earlier today.

# Increasing Corporate Value



## Strategic investment in business growth aimed at achieving PBR of 1x



Lastly, I would like to briefly explain our plan to enhance corporate value, which is aimed at raising our PBR to 1x.

Our basic policy is to provide returns for shareholders through business growth, not share buybacks. During the three years of YX2023, we have concentrated strategic investments totaling about ¥390 billion in growth businesses, while keeping investment in existing operations within the scope of depreciation expenses.

We also have generated ¥230 billion in cash flow from operations while using the sale of idle assets and certain businesses to generate additional funds of about ¥60 billion. We have used low-interest bank loans to cover the rest of our funding needs, but we have kept our D/E ratio below 1x and maintained our A+ credit rating.

Going forward, we will proactively increase our dialog with investors as we seek to gain a deeper understanding of our activities by an even greater number of investors.



That concludes my presentation.

I look forward to your continued support for and understanding of Yokohama Rubber.