

FY 2023 Third-Quarter Financial Results

Briefing Material

November 10, 2023

The Yokohama Rubber Co., Ltd.

Third-Quarter results

<3Q cumulative results>

Sales revenue : **¥692.5** bn
(record high)

Business profit : **¥49.2** bn
(record high)

Net profit : **¥44.6** bn
(record high)

◆ Tires

Sales & profit 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: **¥90.0** bn
(¥5.5 bn higher than previous forecast)

◆ Tires

Upward revision (lower sales of winter tires offset by lower marine freight rates and fixed cost improvements)

◆ YOHT

Sales volume down, but Maintained high profit margin

◆ Y-TWS

Sales volume down, but Maintained high profit margin

◆ MB

No change

Capital efficiency

□ Growth strategy

✓ Y-TWS

3Q business profit **Record high**

(*before amortization excludes amortization and temporary expenses)

□ Asset sales

✓ Sold cross-shareholdings

Amount sold in 1-3Q **≈¥21.5** bn

FY forecast **≥¥30.0** bn

□ Cash flow generation capacity

✓ Operating cash flow

3Q cumulative **¥100.3** bn
(record high)

Results for FY 2023 Third-Quarter

Profit and Loss (1-3Q)



Exchange Rates	US\$ 138 yen	128 yen (previous year)	+10 yen	
	EUR 150 yen	136 yen (previous year)	+14 yen	
	RUB 1.7 yen	1.9 yen (previous year)	-0.2 yen	
TSR20*	134 cents	163 cents (previous year)	-29 cents	*SICOM TSR20 1M
WTI	77 dollars	98 dollars (previous year)	-21 dollars	

					(billion yen)	
	2023 Jan.-Sep.	2022 Jan.-Sep.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	692.5	615.8	+76.7	+12.5%	+23.7	+53.0
Business profit*1 (Business profit margin)	49.2 (7.1%)	46.1 (7.5%)	+3.1 (-0.4%)	+6.7%	+6.4	-3.3
Operating profit (Operating profit margin)	52.4 (7.6%)	45.3 (7.4%)	+7.0 (+0.2%)	+15.5%	+6.5	+0.5
Profit*2	44.6	33.3	+11.3	+33.9%		

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

*2 Profit attributable to owners of parent

Business Segment (1-3Q)

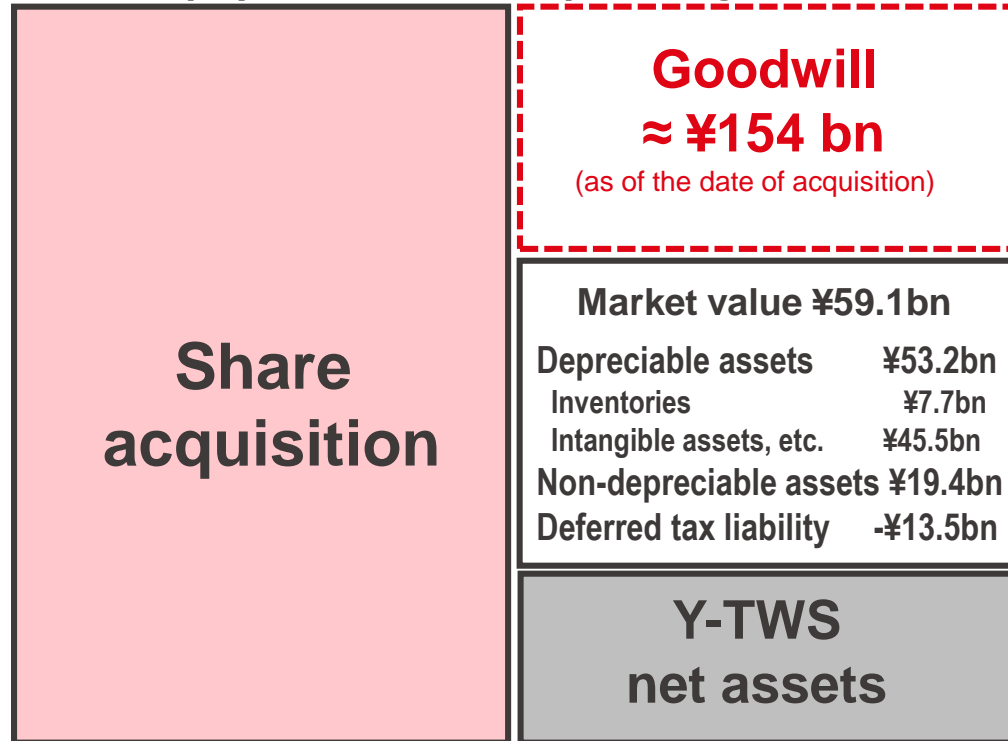


(billion yen)

		2023 Jan.-Sep.	2022 Jan.-Sep.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	Tires total	612.9	539.4	+73.6	+13.6%	+21.1	+52.4
	(Tires)	(447.0)	(419.3)	(+27.8)	(+6.6%)	(+13.7)	(+14.1)
	(YOHT)	(98.6)	(120.1)	(-21.5)	(-17.9%)	(+7.5)	(-29.0)
	(Y-TWS)	(67.3)	-	(+67.3)	-	-	(+67.3)
	MB	72.9	68.6	+4.3	+6.3%	+2.5	+1.8
	Other	6.6	7.8	-1.2	-14.9%	+0	-1.2
	Total	692.5	615.8	+76.7	+12.5%	+23.7	+53.0
Business profit	Tires total	44.8	43.8	+0.9	+2.1%	+5.8	-4.9
	(Tires)	(33.8)	(26.1)	(+7.7)	(+29.7%)	(+4.9)	(+2.9)
	(YOHT)	(12.0)	(17.7)	(-5.8)	(-32.5%)	(+0.9)	(-6.7)
	(Y-TWS)	(-1.1)	-	(-1.1)	-	-	(-1.1)
	MB	4.4	1.7	+2.6	+152.0%	+0.6	+2.0
	Other	0	0.5	-0.4	-91.2%	+0	-0.4
	Intersegment eliminations	0	0	-0	-29.3%	-	-0
	Total	49.2	46.1	+3.1	+6.7%	+6.4	-3.3

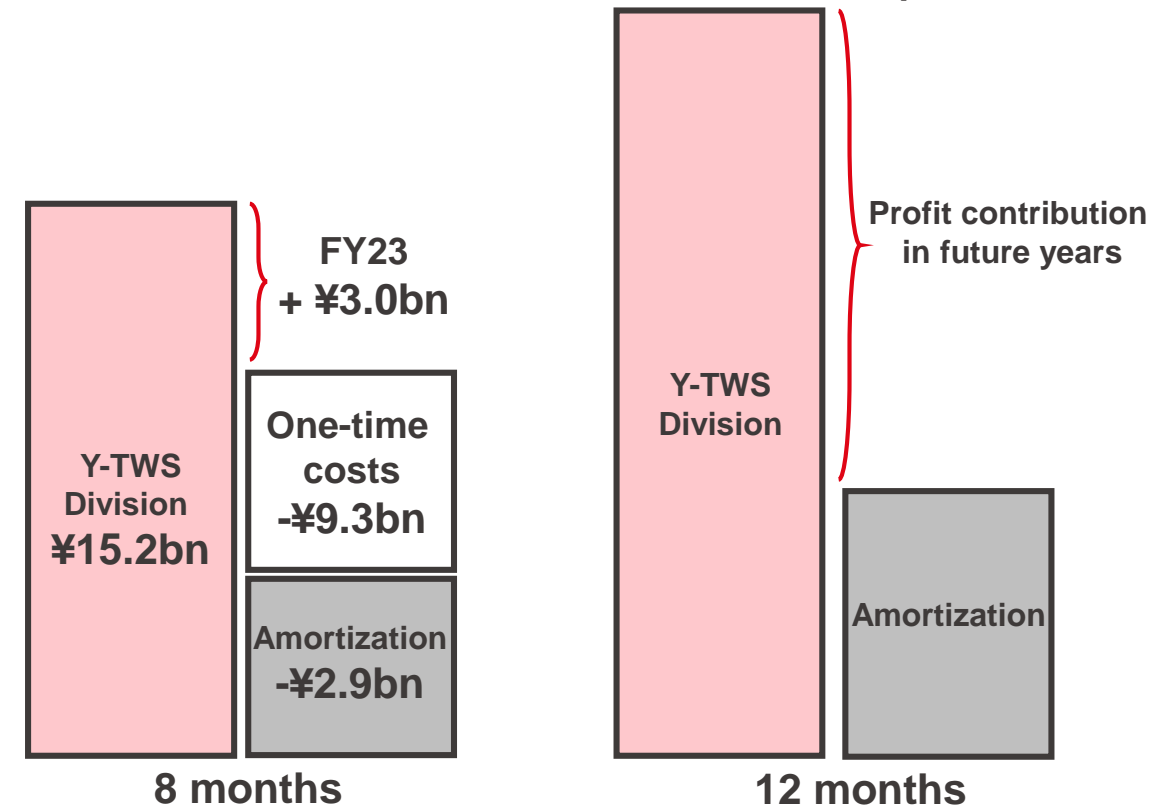
BS impact

- 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 ¥154 bn
(Goodwill of about ¥153bn reported at Aug results briefing reflected payment based on price adjustment clause)



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.

Third-quarter results

(billion yen)

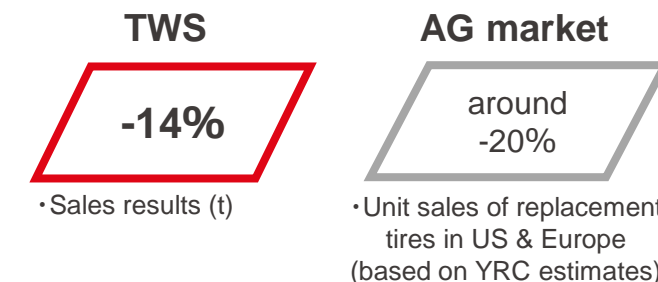
	2023 Jul-Sep.	2022 Jul.-Sep.	Change	Change (%)
Sales revenue	36.8	41.3	-4.4	-10.8%
Business profit (before amortization) (Business profit margin)	5.1 (13.9%)	4.4 (10.6%)	+0.8 (+3.3%)	+17.3%
One-time costs	-4.1			
Amortization	-1.1			
Business profit (after amortization)	-0.1			

Prices/Mix -to- Raw Material/
Logistics Cost spread +2.3
Sales volume -2.0
Others +0.5

Others (Exchange rate difference, production costs, fixed cost)

3Q sales

- Leveraged brand strength to increase share in a difficult market environment
- Achieved **record high** business profit (before amortization)



2023 forecast (May-Dec.)

(billion yen)

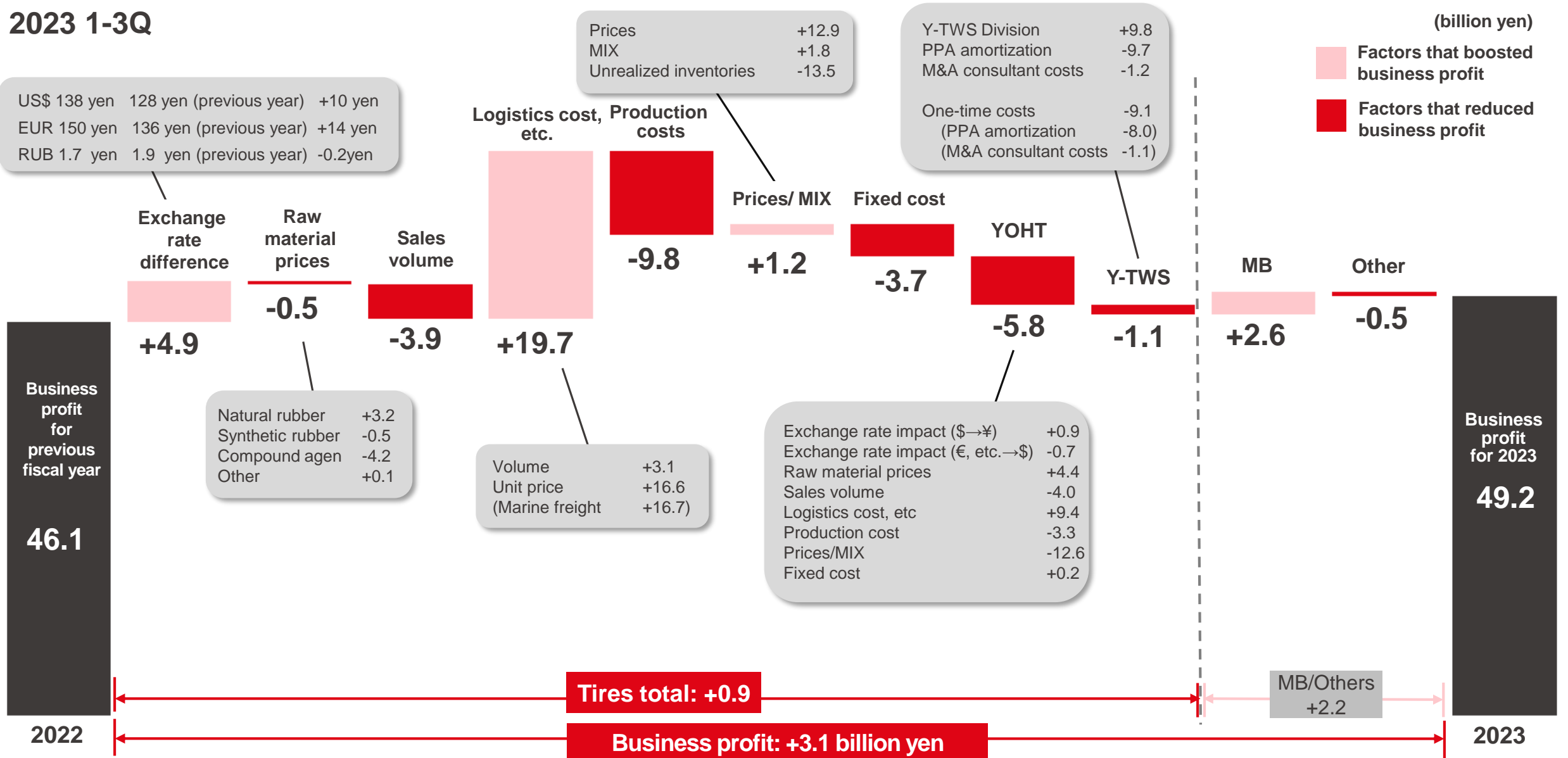
	2023 May-Dec.	2022 May-Dec.	Change	Change (%)	Previous forecast	Change for previous forecast
Sales revenue	102.0	117.1	-15.1	-12.9%	110.0	-8.0
Business profit (before amortization) (Business profit margin)	15.2 (14.9%)	12.9 (11.0%)	+2.3 (+3.9%)	+18.1%	15.8 (14.4%)	-0.6 (+0.5%)
One-time costs	-9.3				-8.9	-0.4
Amortization	-2.9				-2.7	-0.2
Business profit (after amortization)	3.0				4.2	-1.2

Prices/Mix -to- Raw Material/
Logistics Cost spread +7.6
Sales volume -5.4
Others +0.2

Factor Analysis of Business Profit



2023 1-3Q



Profit and Loss (3Q)



Exchange Rates	US\$ 145yen	138 yen (previous year)	+6 yen
	EUR 157 yen	139 yen (previous year)	+18 yen
	RUB 1.5 yen	2.3 yen (previous year)	-0.8 yen
TSR20*	131 cents	147 cents (previous year)	-16 cents
WTI	82 dollars	92 dollars (previous year)	-9 dollars

*SICOM TSR20 1M

(billion yen)

	2023 Jul.-Sep.	2022 Jul.-Sep.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	249.3	224.3	+25.1	+11.2%	+3.1	+21.9
Business profit*1 (Business profit margin)	23.6 (9.5%)	18.4 (8.2%)	+5.3 (+1.3%)	+28.6%	+0.7	+4.6
Operating profit (Operating profit margin)	24.2 (9.7%)	18.4 (8.2%)	+5.8 (+1.5%)	+31.6%	+0.7	+5.1
Profit*2	16.9	10.0	+6.9	+69.4%		

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

*2 Profit attributable to owners of parent

Business Segment (3Q)



(billion yen)

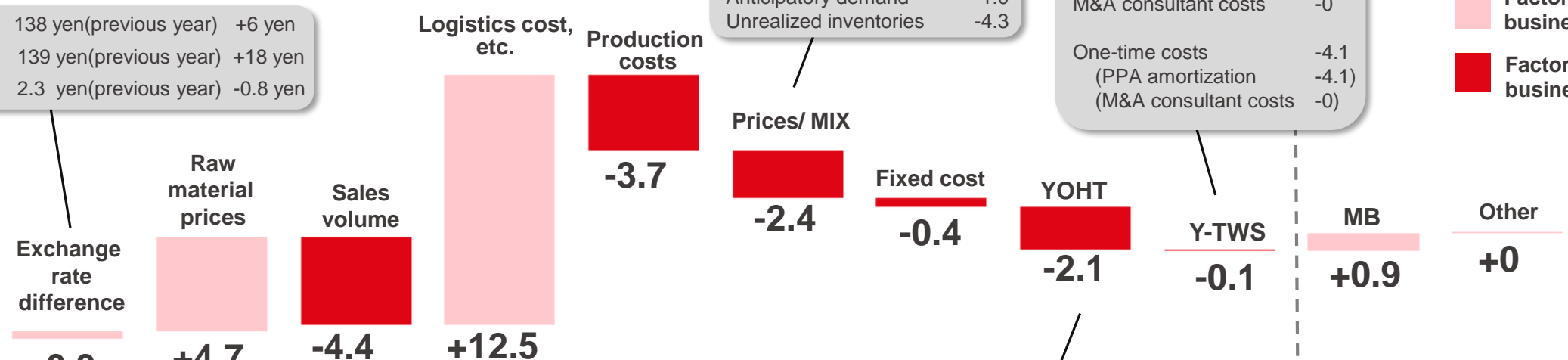
		2023 Jul.-Sep.	2022 Jul.-Sep.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	Tires total	223.5	198.2	+25.3	+12.8%	+2.5	+22.8
	(Tires)	(155.2)	(157.2)	(-2.0)	(-1.3%)	(+1.1)	(-3.1)
	(YOHT)	(31.5)	(41.0)	(-9.5)	(-23.2%)	(+1.4)	(-10.9)
	(Y-TWS)	(36.8)	-	(+36.8)	-	-	(+36.8)
	MB	23.9	23.4	+0.4	+1.9%	+0.6	-0.2
	Other	2.0	2.7	-0.7	-25.8%	+0	-0.7
	Total	249.3	224.3	+25.1	+11.2%	+3.1	+21.9
Business profit	Tires total	21.8	17.5	+4.3	+24.8%	+0.5	+3.8
	(Tires)	(18.3)	(11.8)	(+6.5)	(+55.5%)	(+0.3)	(+6.2)
	(YOHT)	(3.6)	(5.7)	(-2.1)	(-37.4%)	(+0.2)	(-2.3)
	(Y-TWS)	(-0.1)	-	(-0.1)	-	-	(-0.1)
	MB	1.6	0.7	+0.9	+124.7%	+0.2	+0.7
	Other	0.2	0.2	+0	+10.0%	+0	+0
	Intersegment eliminations	0	0	-0	-45.6%	-	-0
	Total	23.6	18.4	+5.3	+28.6%	+0.7	+4.6

Factor Analysis of Business Profit (3Q)



2023 3Q

US\$ 145 yen 138 yen(previous year) +6 yen
 EUR 157 yen 139 yen(previous year) +18 yen
 RUB 1.5 yen 2.3 yen(previous year) -0.8 yen



Business profit for previous fiscal year: 18.4

Business profit for 2023: 23.6

Tires total: +4.3

Business profit: +5.3 billion yen

Natural rubber +1.9
 Synthetic rubber +0.9
 Compound agent +1.0
 Other +1.0

Volume +1.6
 Unit price +10.9
 (Marine freight +9.7)

Prices +2.0
 MIX +1.0
 Anticipatory demand -1.0
 Unrealized inventories -4.3

Y-TWS Division +5.1
 PPA amortization -5.2
 M&A consultant costs -0
 One-time costs (PPA amortization (M&A consultant costs) -4.1 (-4.1) (-0)

Exchange rate impact (\$→¥) +0.1
 Exchange rate impact (€, etc.→\$) -0.2
 Raw material prices +2.8
 Sales volume -0.9
 Logistics cost, etc. +4.1
 Production cost -1.1
 Prices/MIX -6.8
 Fixed cost -0.1

(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
2022												18.4
2Q	+0.7	+0.7	+0.1	+8.4	-3.0	-4.1	-1.1	-2.5	-1.0	+0.8	-0.4	-1.5
1Q	+3.9	-5.9	+0.4	-1.1	-3.1	+7.7	-2.2	-1.1	-	+0.9	-0.1	-0.7
2023												23.6

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



(billion yen)

	Sep. 30, 2023	Dec. 31, 2022	Change
Current assets	633.8	504.0	+129.8
Cash and cash equivalents	111.4	75.6	+35.8
Trade and other receivables	229.4	193.7	+35.6
Inventories	264.4	216.4	+48.0
Other assets	28.7	18.3	+10.4
Non-current assets	1021.4	647.1	+374.3
Total assets	1655.2	1151.1	+504.1
Liabilities	895.9	528.0	+367.9
Equity	759.3	623.1	+136.2
Total liabilities and equity	1655.2	1151.1	+504.1
Interest-bearing debt*¹	530.9	238.7	+292.2
Ratio of equity attributable to owners of parent (%)	45.4%	53.4%	-8.0%
D/E ratio	0.71	0.39	+0.32
Net D/E ratio	0.56	0.27	+0.29

* Interest-bearing debt does not include lease liabilities

State of Cash Flows



(billion yen)

	2023 Jan.-Sep.	2022 Jan.-Sep.	Change
CF from operating activities	100.3	3.4	+96.9
CF from investing activities	-336.2	-38.9	-297.3
Free CF	-235.9	-35.5	-200.4
CF from financing activities	266.3	66.4	+199.8
Closing balance of cash and cash equivalents	111.4	83.6	+27.7

Earnings Forecast for FY 2023

Profit and Loss Projections (Full Year) Changed from the previous forecast



Forecasts after October 2023

Exchange Rates	US\$ 149 yen	130 yen (previous forecast)	+19 yen	
	EUR 158 yen	143 yen (previous forecast)	+15 yen	
	RUB 1.5 yen	1.6 yen (previous forecast)	-0.0 yen	
TSR20*	140 cents	129 cents (previous forecast)	+11 cents	*SICOM TSR20 1M
WTI	83 dollars	75 dollars (previous forecast)	+8 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)	90.0 (9.0%)	70.1 (8.1%)	+19.9 (+0.9%)	+28.4%	84.5 (8.5%)	+5.5 (+0.5%)	
Operating profit (Operating profit margin)	92.5 (9.3%)	68.9 (8.0%)	+23.6 (+1.3%)	+34.3%	87.0 (8.7%)	+5.5 (+0.6%)	
Profit*2	62.5	45.9	+16.6	+36.1%	57.0	+5.5	

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

*2 Profit attributable to owners of parent

Business Segment (Full Year Forecast) Changed from the previous forecast



(billion yen)

		2023 forecast	2022 result	Change	Change (%)	2023 previous forecast	Change for previous forecast
Sales revenue	Tires total	890.0	754.3	+135.7	+18.0%	887.0	+3.0
	(Tires)	(654.0)	(598.5)	(+55.5)	(+9.3%)	(636.0)	(+18.0)
	(YOHT)	(134.0)	(155.8)	(-21.8)	(-14.0%)	(141.0)	(-7.0)
	(Y-TWS)	(102.0)	-	(+102.0)	-	(110.0)	(-8.0)
	MB	101.5	96.2	+5.3	+5.5%	103.5	-2.0
	Other	8.5	9.9	-1.4	-14.3%	9.5	-1.0
	Total	1000.0	860.5	+139.5	+16.2%	1000.0	-
Business profit	Tires total	83.7	66.8	+16.9	+25.2%	78.0	+5.7
	(Tires)	(63.7)	(44.7)	(+19.0)	(+42.4%)	(56.1)	(+7.6)
	(YOHT)	(17.0)	(22.1)	(-5.1)	(-23.1%)	(17.7)	(-0.7)
	(Y-TWS)	(3.0)	-	(+3.0)	-	(4.2)	(-1.2)
	MB	6.2	4.0	+2.2	+56.4%	6.2	-
	Other	0.1	-0.8	+0.9	-	0.3	-0.2
	Intersegment eliminations	-	0	-0	-	-	-
	Total	90.0	70.1	+19.9	+28.4%	84.5	+5.5

Factor Analysis of Business Profit (Full Year)

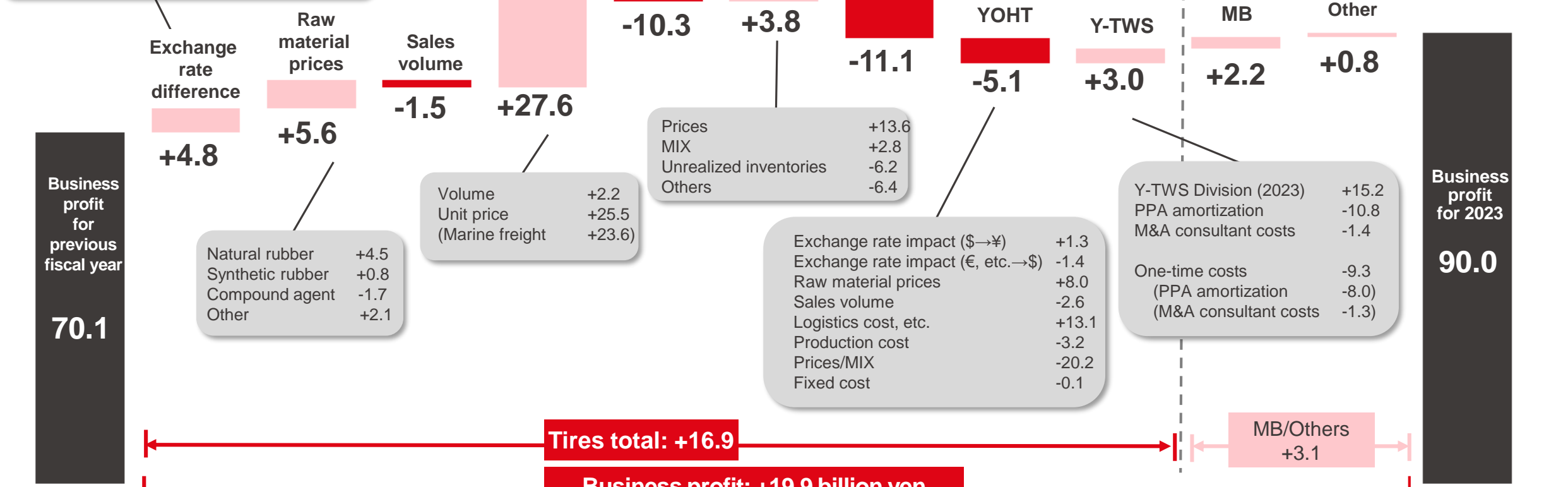


2023 (Full-Year Forecast)

(billion yen)

Factors that boosted business profit
Factors that reduced business profit

US\$ 141 yen 132 yen (previous year) +9 yen
EUR 152 yen 138 yen (previous year) +14 yen
RUB 1.6 yen 2.0 yen (previous year) -0.4 yen



Natural rubber +4.5
Synthetic rubber +0.8
Compound agent -1.7
Other +2.1

Volume +2.2
Unit price +25.5
(Marine freight +23.6)

Prices +13.6
MIX +2.8
Unrealized inventories -6.2
Others -6.4

Exchange rate impact (\$→¥) +1.3
Exchange rate impact (€, etc.→\$) -1.4
Raw material prices +8.0
Sales volume -2.6
Logistics cost, etc. +13.1
Production cost -3.2
Prices/MIX -20.2
Fixed cost -0.1

Y-TWS Division (2023) +15.2
PPA amortization -10.8
M&A consultant costs -1.4
One-time costs -9.3
(PPA amortization -8.0)
(M&A consultant costs -1.3)

Tires total: +16.9

Business profit: +19.9 billion yen

MB/Others +3.1

	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	+0.7	+6.4	+2.5	+26.0	-10.6	+0	-13.8	-4.4	+4.2	+2.2	+1.0	+14.4
Change for previous forecast	+4.1	-0.8	-4.0	+1.6	+0.3	+3.8	+2.7	-0.7	-1.2	-	-0.2	+5.5



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		
		3Q	1-3Q	Annual result	3Q	1-3Q	Annual forecast
Japan	OE	120%	94%	98%	108%	111%	114%
	REP	124%	118%	108%	91%	95%	97%
Overseas	OE	121%	109%	100%	80%	82%	87%
	REP	109%	105%	102%	104%	106%	108%

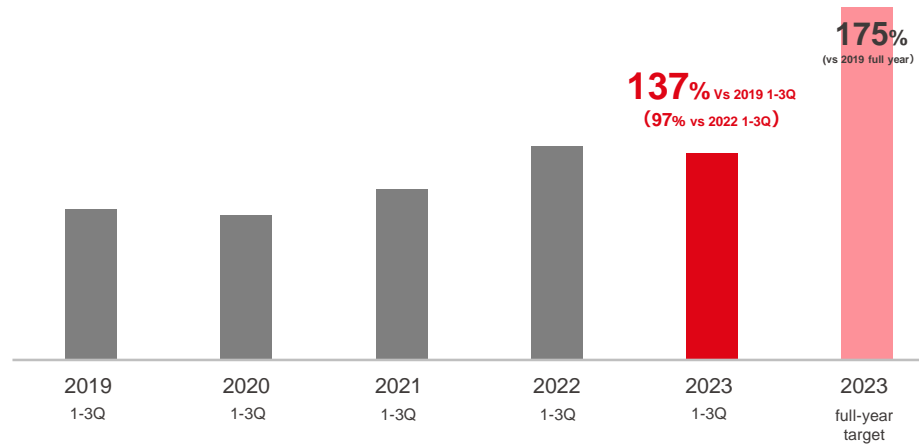
Year-on-Year Tire Sales Growth by region, quarterly & annual bases (%)

	2022			2023			Regional sales composition		
	3Q	1-3Q	Annual result	3Q	1-3Q	Annual forecast	2022 full year	2023 3Q	2023 1-3Q
Japan	122%	109%	105%	96%	100%	102%	39%	35%	36%
No. America	108%	104%	103%	97%	100%	100%	20%	21%	21%
Europe	109%	112%	101%	97%	100%	101%	6%	7%	7%
Russia	54%	60%	59%	191%	145%	-	2%	4%	3%
China	123%	107%	97%	84%	85%	95%	16%	15%	15%
Asia	126%	123%	119%	103%	105%	107%	12%	13%	13%
Others	115%	102%	101%	90%	110%	107%	5%	5%	6%
Total	116%	107%	103%	97%	100%	102%	-	-	-

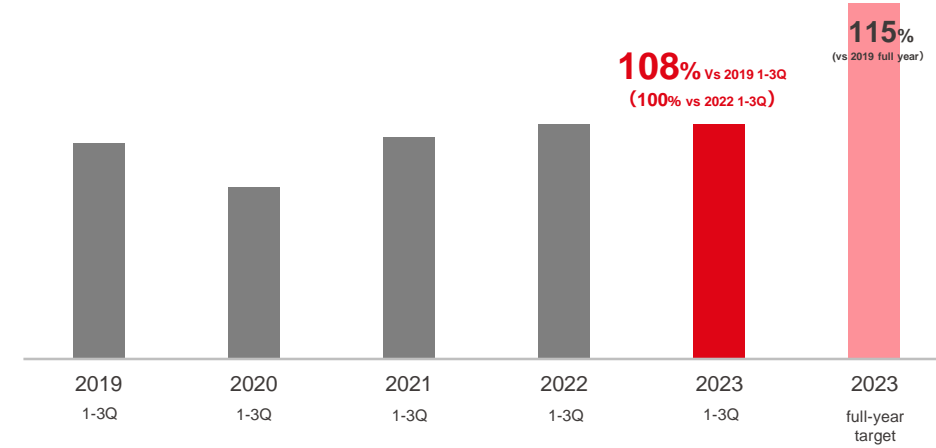
(Reference) Cumulative Unit Sales of Consumer Tire Products



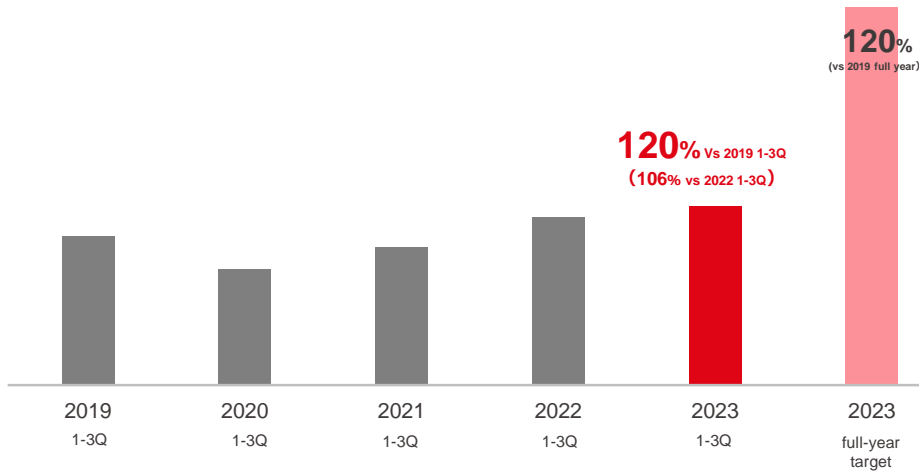
ADVAN



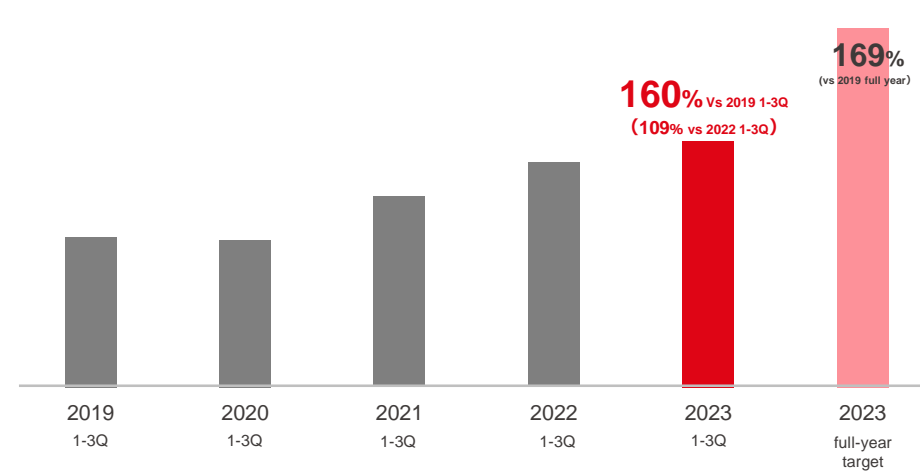
GEOLANDAR



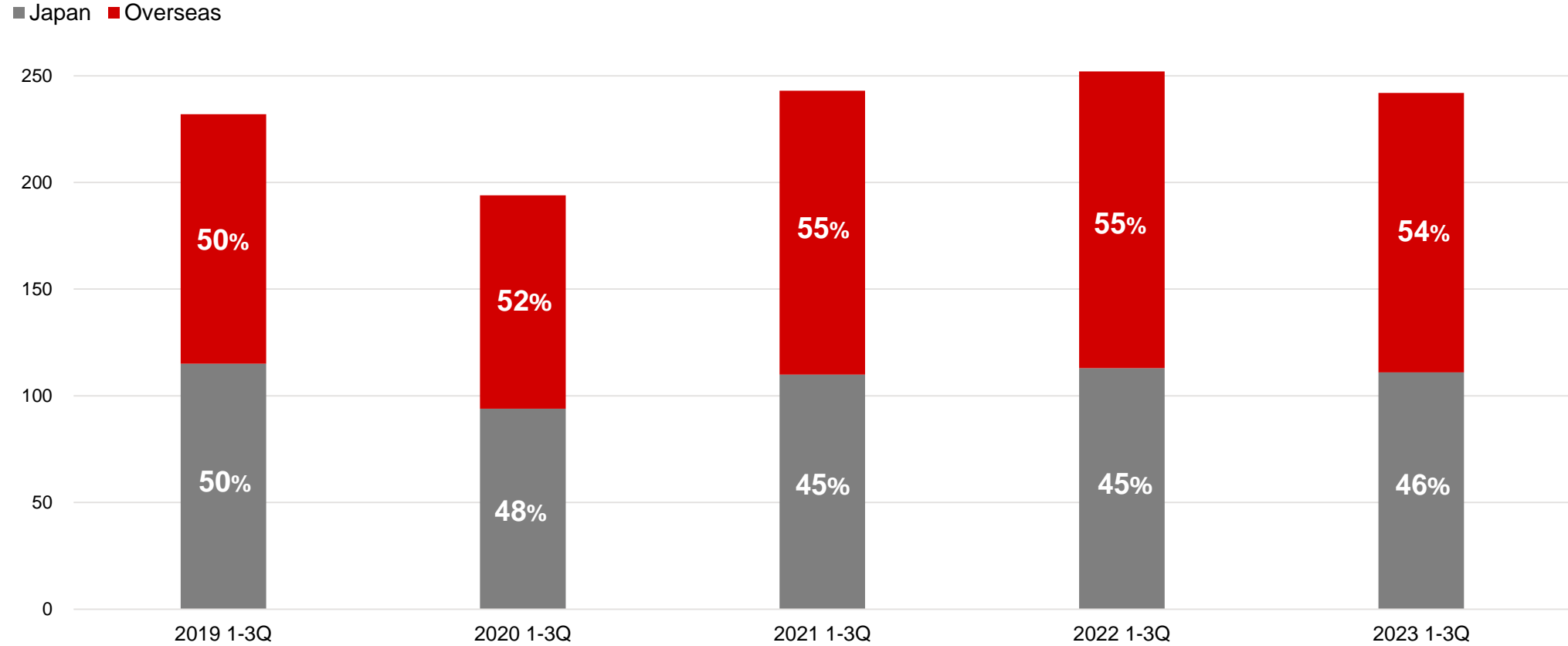
WINTER



18-inch and larger



(Reference) Tire Rubber Production Volumes

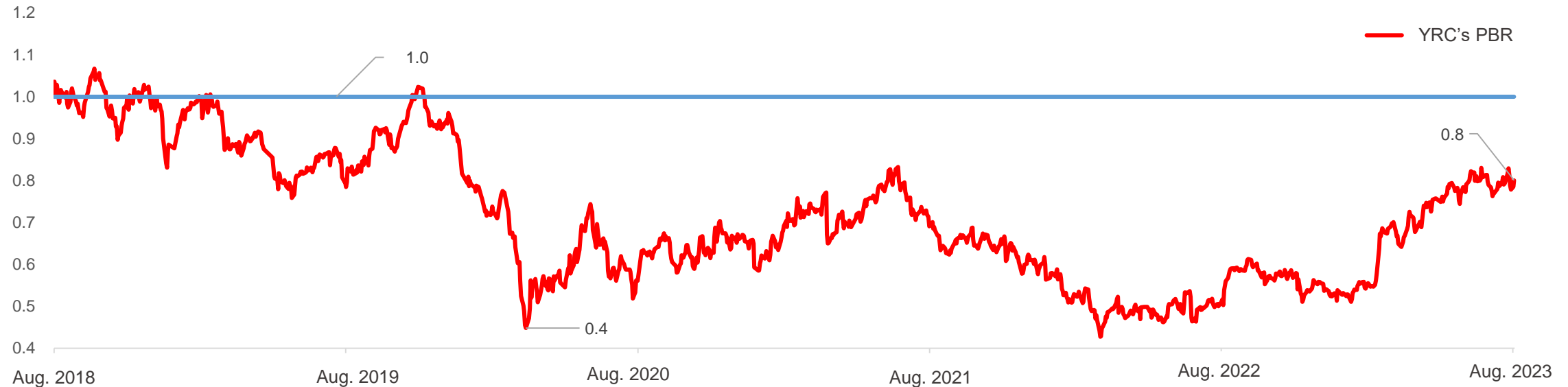


(Unit: thousand tons)

	2019 1-3Q	2020 1-3Q	2021 1-3Q	2022 1-3Q	2023 1-3Q
Japan	115	94	110	113	111
Overseas	117	100	133	139	131
Total	232	193	242	252	242

Improving capital efficiency

□ Market valuation – PBR 5-year trend



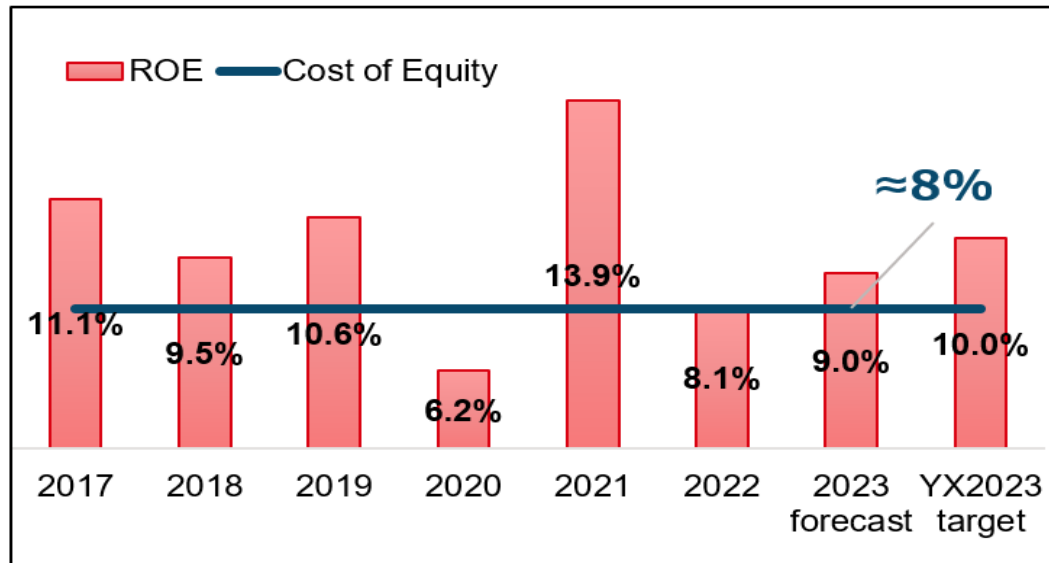
- ✓ PBR fell to 0.4x in 2020, in part reflecting COVID-19's impact. Now improved to 0.8x, but still below 1.0x.
- ✓ Feedback provided from dialogue with the capital market indicates investors think we need to provide more information about our OHT business and the overall OHT market, as the OHT business 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

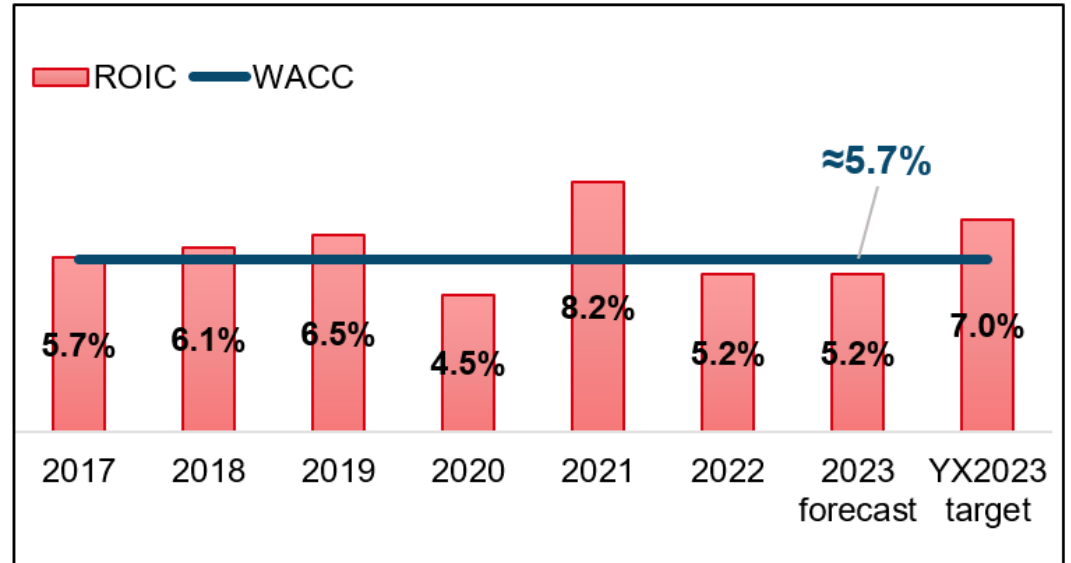
Increasing return on capital

- ✓ **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

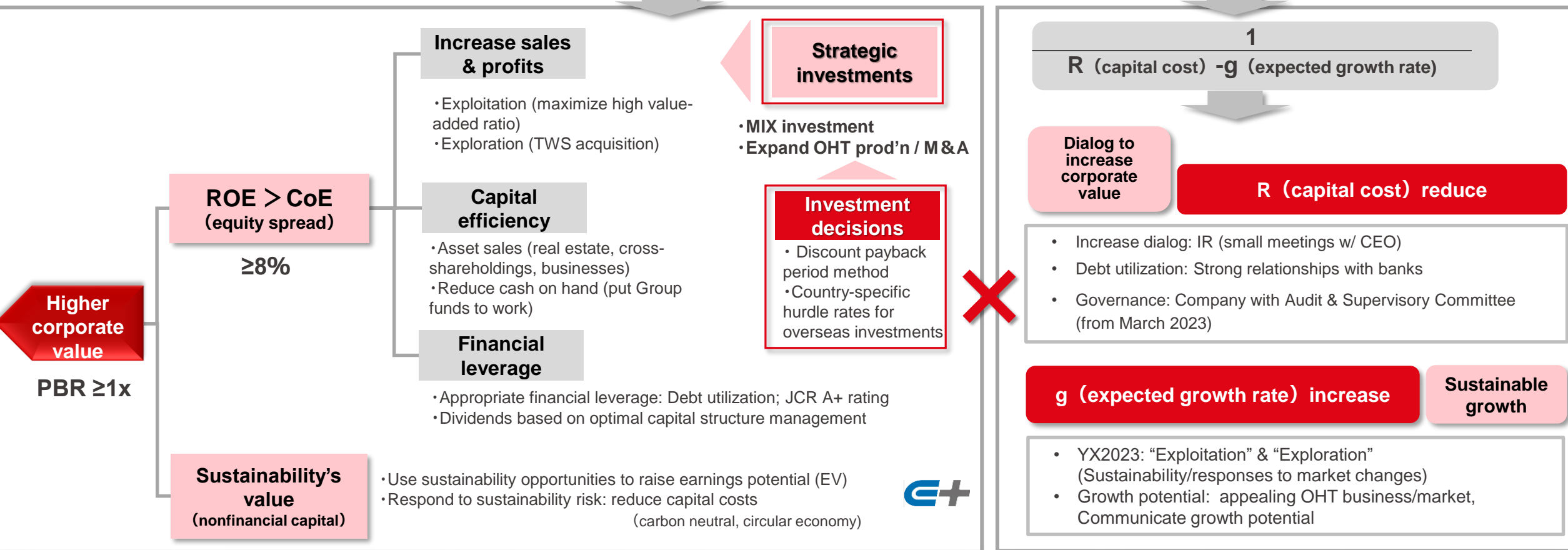
Improving Capital Efficiency ③ Increase Corporate Value



- 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

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





YOKOHAMA Transformation 2023