FY 2023 Third-Quarter Financial Results

Briefing Material

November 10, 2023

The Yokohama Rubber Co., Ltd.

I am Michio Yoshitake from the Corporate Finance & Accounting Dept.

Summary of today's presentation

YX

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)

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This slide summarizes the contents of my presentation today.

First, let's look at our cumulative results over the first three quarters of FY2023. Sales revenue increased 12.5% YoY to ¥692.5 billion, a record high for the first three quarters. This strong result was supported by price increases and the positive forex impact from a weak yen, as well as the consolidation of TWS. Business profit totaled ¥49.2 billion, a ¥3.1 billion YoY increase and another record high for the first three quarters. The favorable result reflects lower marine freight rates and other efforts to lower costs and increase efficiencies, which offset the negative impact from an increase in unrealized profit on inventories and one-time costs related to the TWS acquisition. Net profit came to ¥44.6 billion, up ¥11.3 billion YoY. The increase reflects the sale of a US tire sales subsidiary and gains on sales of real estate. Tire business profit excluding YOHT and Y-TWS increased ¥7.7 billion YoY as price hikes, lower marine freight rates and other cost improvements helped improve the segment's profit margin and offset the negative impact from a rise in unrealized profit. YOHT's profit, however, was ¥5.8 billion less than a year ago, mainly owing to a slow recovery in demand for replacement tires for agricultural machinery and a decline in demand in the OE market. On a more positive note, YOHT maintained its high profit structure by reducing logistics expenses and other costs and posted a business profit margin of around 12%. At Y-TWS, business profit was depressed by ¥9.1 billion in one-time costs related to the acquisition. MB segment business profit was ¥2.6 billion higher than a year ago thanks to strong demand for our conveyor belts, marine products, and aerospace products.

I will now briefly summarize our full-year forecasts for FY2023. Our full-year forecast for sales revenue is unchanged at ¥1 trillion, but we have upwardly revised our forecast for business profit to ¥90.0 billion, an increase of ¥5.5 billion from our previous forecast. Our revised business profit reflects a ¥7.6 billion upward revision to tire business profit (excluding YOHT and Y-TWS) to ¥63.7 billion. That forecast takes into account the risk that a warm winter could reduce sales of winter tires in Japan, but we think profit will be boosted by a positive forex impact, lower marine freight rates, and other cost improvements. On the other hand, we have lowered our profit forecasts for YOHT by ¥0.7 billion to ¥17.0 billion and for Y-TWS by ¥1.2 billion to ¥3.0 billion, as OHT sales volumes are falling amid weak demand for agricultural machinery OE tires and the slow rebound in the replacement tire market. While our forecast for both businesses factor in the risk of lower OHT demand, the rebound in replacement market is now gaining momentum and both businesses are maintaining profit margins above 10%.

Lastly, the far right block on this slide shows the initiatives we are taking to improve capital efficiency. A key part of this year’s growth strategy is Y-TWS, and the company’s thorough price management that leveraged its brand power enabled it to post record high 3Q business profit before amortization. On the asset sales front, we continue to unwind cross-shareholdings and related share sales during the first three quarters contributed about ¥21.5 billion to cash flows and brought us closer to our full-year plan to sell more than ¥30 billion of cross-shareholdings. We will continue to unwind cross-shareholdings in 2024 in line with our policy of thorough balance sheet management. Our efforts to improve capital efficiency are increasing our cash flow generation capacity. In the first three quarters of the fiscal year, the increase in profits and operating capital resulted in operating cash flow of ¥100.3 billion, the first time we have generated over ¥100 billion even over a full fiscal year.

Results for FY 2023 Third-Quarter

I will now provide some more details about our 3Q consolidated results.

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
WTI	77 dollars	98 dollars (previous year)	-21 dollars

*SICOM TSR20 1M

(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

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Forex rates and the key raw material costs were as shown in the upper half of the slide.

Favorable exchange rates contributed ¥6.4 billion to business profit, but raw material costs reduced profit by ¥0.5 billion.
As shown in the highlighted column, consolidated results for Jan-Sep included sales revenue of ¥692.5 billion, business profit of ¥49.2 billion, and net profit of ¥44.6 billion.

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

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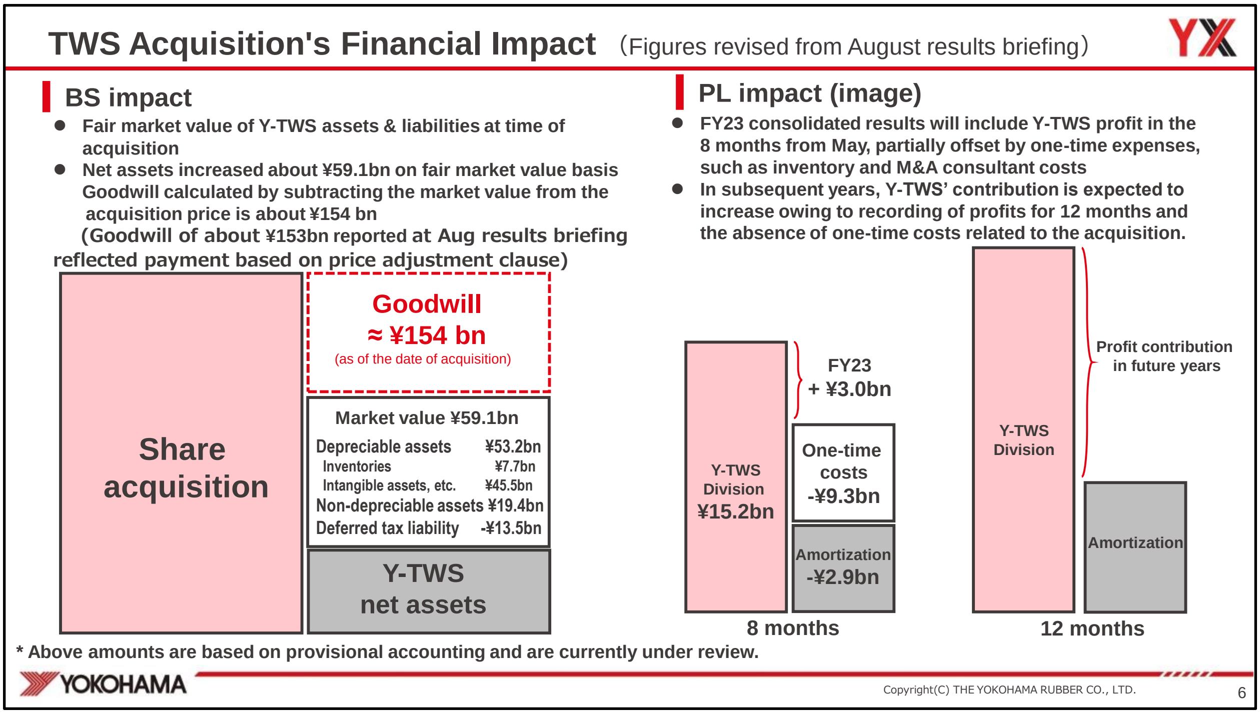
This slide shows cumulative 3Q results for each business segment.

First, please look at the upper table showing segment sales revenue. Overall tire segment sales revenue came to ¥612.9 billion, a YoY increase of ¥73.6 billion or 13.6%.The increase in tire segment sales was supported by ¥6.2 billion increase in sales of OE tires for new cars in Japan and a ¥2.5 billion increase in sales in the domestic replacement tire market. Overseas sales added another ¥19.1 billion to the increase in tire sales. The addition of Y-TWS was a major contributor to the YoY increase, adding ¥67.3 billion to the total, but a ¥21.5 billion decline in sales at YOHT slightly lowered the overall gain. MB segment sales revenue was ¥72.9 billion, up 6.3% YoY.

Turning now to business profit, tire segment business profit increased ¥0.9 billion YoY as the strong results at the parent company’s tire business offset lower profits at YOHT and Y-TWS.
MB segment profit increased ¥2.6 billion. The next slide provides details about the loss at Y-TWS.



This slide summarizes the TWS acquisition's impact on our finances.

Looking first at the impact on our balance sheet, we allocated about ¥154 billion to goodwill and another ¥59.1 billion to intangible assets, etc. Adjustments made when the acquisition was finalized slightly increased the allocation to goodwill over the level reported in our first-half results briefing.

I will now explain the ¥3.0 billion contribution to FY2023 profit that we expect from TWS. We now forecast TWS's business profit over the eight months since its acquisition in May will total ¥15.2 billion. Subtracting from this figure one-time acquisition-related costs totaling ¥9.3 billion, including ¥8.0 billion caused by PPA of inventory values and ¥1.3 billion for M&A consultant fees, and another ¥2.9 billion in amortization of intangible assets, results in our revised forecast of a ¥3.0 billion contribution to business profit in FY2023. This figure represents a ¥1.2 billion reduction to the estimate we presented at our first-half results briefing. The reduction reflects a ¥0.6 billion downward revision to our forecast for TWS profit in the eight months from May to end-December owing to the decline in demand for OE tires for agricultural machinery and a ¥0.6 billion increase in one-time costs and amortization due to forex fluctuations.

We of course look forward to greater contributions to profits from TWS in 2024 and future years, as we will benefit from a full 12 months of TWS earnings while the one-time acquisition-related costs will fall out of the picture.

Y-TWS's Results

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 Amortization	-4.1 -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

TWS	AG market
-14%	around -20%
･Sales results (t)	･Unit sales of replacement tires in US & Europe (based on YRC estimates)

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 Amortization	-9.3 -2.9				-8.9 -2.7	-0.4 -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

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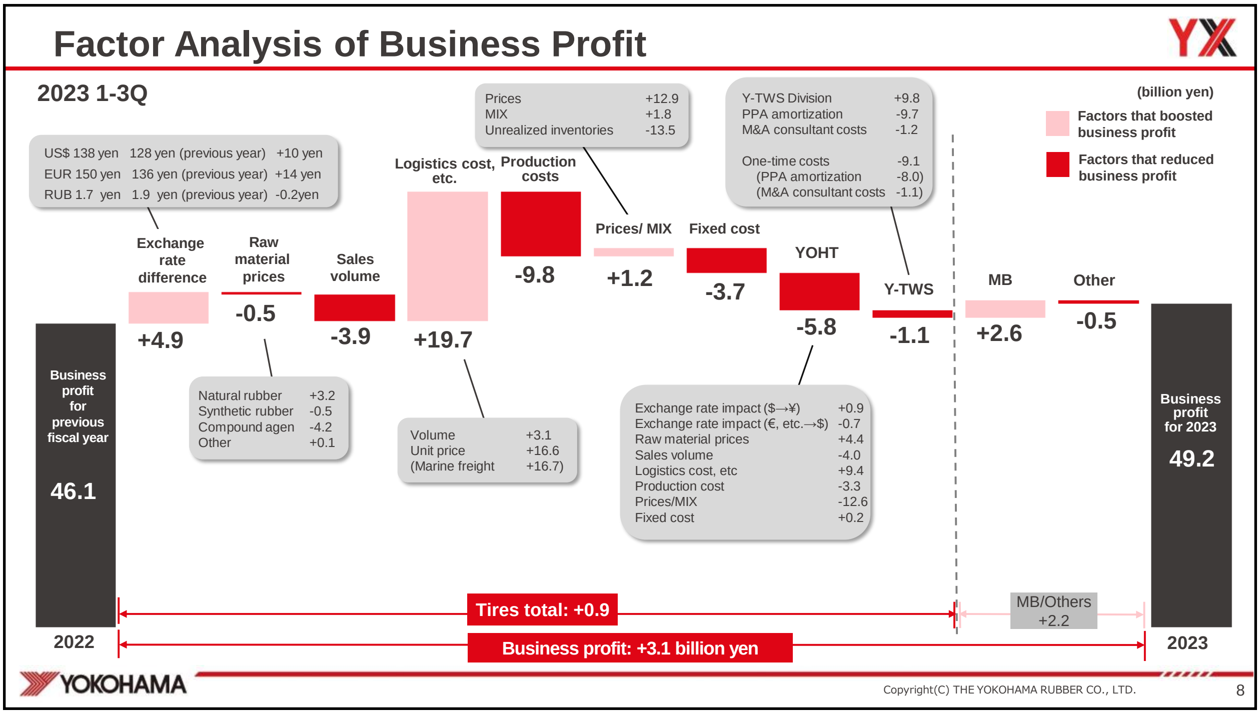
This slide provides more details about TWS earnings.

TWS's 3Q (Jul-Sep) business profit on a pre-amortization basis came to ¥5.1 billion and profit margin was 13.9%, both 3Q record highs. Considering that overall demand in the US and European replacement market for agricultural machinery tires was about 20% lower than in Jul-Sep 2022, TWS's 14% decline in sales volume was a rather strong result. The record high business profit on a pre-amortization basis was made possible by TWS's thorough price management that leveraged its brand power, enabling it to achieve a +¥2.3 billion price-cost spread that more than covered the decline in its unit sales volume.

On a post-amortization basis, however, TWS 3Q business profit came to -¥0.1 billion, after subtracting one-time acquisition-related costs of ¥4.1 billion related to the PPA amortization of inventory values and ¥1.1 billion for amortization of non-tangible assets from the pre-amortization profit of ¥5.1 billion.

As I previously explained, we reduced our estimate of TWS' full-year (8mos) profit contribution by ¥1.2 billion, but we expect TWS to secure a price-cost spread of +¥7.6 billion.



Next, this slide shows the factors that affected business profit in the first three quarters of FY2023.

Business profit as shown at far right was ¥49.2 billion, up ¥3.1 billion from ¥46.1 billion in the first three quarters of FY2022.

Tire segment business profit contributed ¥0.9 billion to that increase. Excluding YOHT and Y-TWS, tire business profit increased ¥6.5 billion as ¥12.9 billion in price increases and a ¥16.7 billion reduction in marine freight costs offset a ¥9.8 billion increase in production costs and a ¥13.5 billion increase in unrealized profit on inventories.

However, YOHT and Y-TWS made negative contributions of ¥5.8 billion and ¥1.1 billion, respectively. The MB segment’s positive contribution of ¥2.6 billion was partially offset by a ¥0.5 billion decline in Others segment profit.

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**

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This slide focuses solely on 3Q results. Sales revenue was ¥249.3 billion, a ¥25.1 billion YoY increase. Business profit was ¥23.6 billion, an increase of ¥5.3 billion, and the business profit margin improved to 9.5%. Net profit came to ¥16.9 billion, a YoY increase of ¥6.9 billion. Sales revenue, business profit, the profit margin, and net profit all were 3Q record highs.

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

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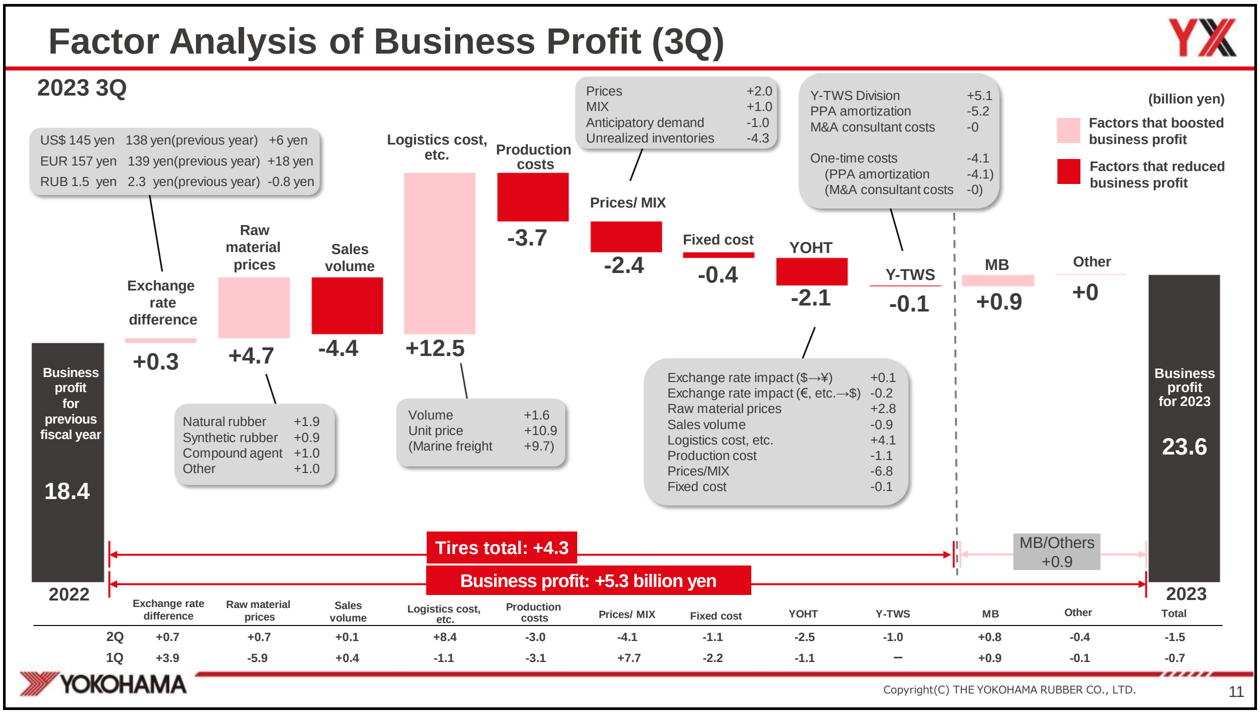
This slide shows 3Q results for each business segment.

First, please look at the upper table showing segment sales revenue. Tire segment sales revenue was ¥223.5 billion, ¥25.3 billion higher than in FY2022 3Q. The increase reflects a ¥2.3 billion increase in OE tire sales in Japan and the ¥36.8 billion contribution from the addition of Y-TWS, which combined more than offset lower sales in all other areas, including a ¥2.3 billion decline in domestic replacement tire, a ¥2.0 billion decrease in overseas sales, and a ¥9.5 billion decline in sales at YOHT. MB segment sales revenue was ¥23.9 billion, up 1.9% YoY.

Quarterly business profit rebounded in 3Q on strong YoY growth in tire segment profit led by the increase in profit from the tire business excluding YOHT and Y-TWS, which compensated for a decline in profit on YOHT tires. The MB segment also achieved a YoY increase in business profit.



This slide shows a factor analysis of the YoY change in 3Q business profit.

FY2023 3Q business profit came to ¥23.6 billion, up ¥5.3 billion from ¥18.4 billion in FY2022 3Q.

Our tire business excluding YOHT and Y-TWS achieved a ¥6.5 billion YoY increase in business profit as cost reductions of ¥4.7 billion for raw materials and ¥9.7 billion from lower marine freight costs offset such negative factors as a ¥4.4 billion decline related to lower sales volume and a ¥4.3 billion increase in unrealized profit on inventories.

However, this ¥6.5 billion was reduced by negative contributions from YOHT and Y-TWS of ¥2.1 billion and ¥0.1 billion, respectively, for a total contribution from our tire segment of ¥4.3 billion. The MB segment’s ¥0.9 billion increase in quarterly profit brought the total YoY increase in 3Q business profit to ¥5.3 billion.

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

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This brings us to our financial position.

As of September 30, our shareholders' equity ratio was 45.4%, the D/E ratio was 0.71, and net D/E ratio was 0.56.

These figures reflect the impact of the TWS acquisition on our financial position, which is as expected. Going forward, we will restrengthen our financial position via thorough balance sheet management that will include the continued unwinding of cross-shareholdings.

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

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This slide summarizes our cash flows over the first three quarters of FY2023.

Operating cash flow, as noted earlier, increased to record high of ¥100.3 billion. However, cash flow used in investing activities increased sharply to ¥336.2 billion.

Earnings Forecast for FY 2023

Next, I will present our revised full-year earnings forecast for FY2023.

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

YX

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
WTI	83 dollars	75 dollars (previous forecast)	+8 dollars

*SICOM TSR20 1M

(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

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The revised forecast is based on the following assumptions for forex and raw material prices from this October. We now assume a USD/JPY rate of 149, a EUR/JPY rate of 158, and RUB/JPY rate of 1.5.

Our raw material price assumptions have been upwardly revised to 140 cents for TSR20 grade natural rubber and $83 for WTI crude oil.

Our full-year forecast for sales revenue is unchanged at ¥1 trillion, but we have raised our forecasts for all profit categories. We now target business profit of ¥90.0 billion, operating profit of ¥92.5 billion, and ¥62.5 billion for net profit attributable to owners of the 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

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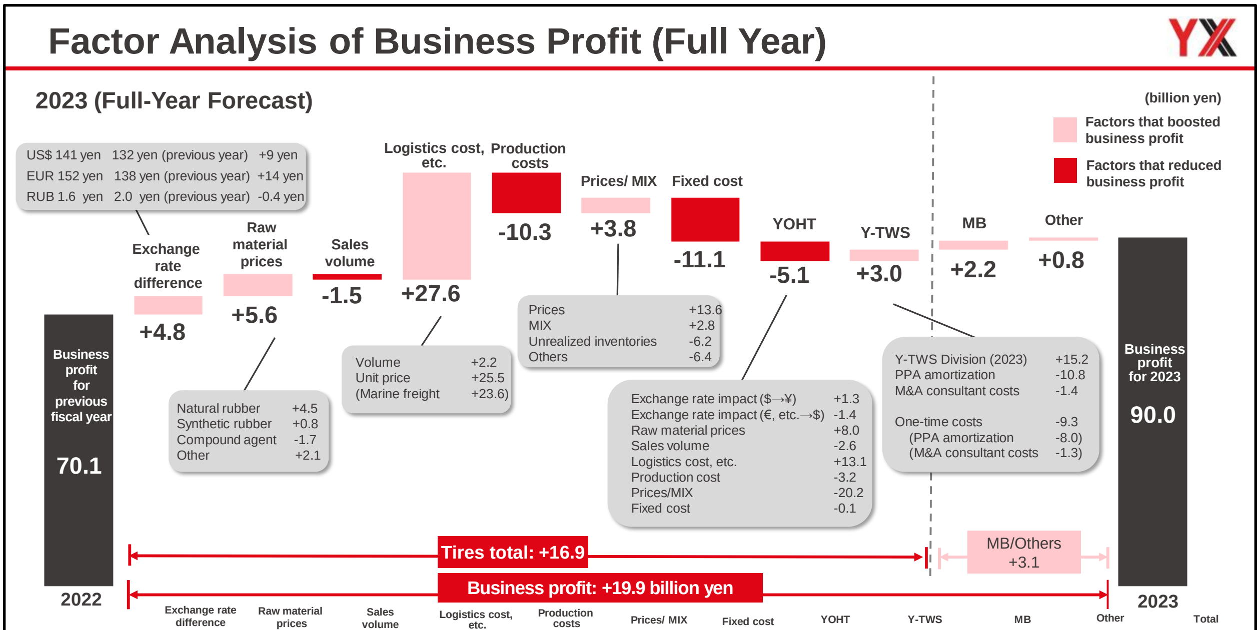
This slide shows our revised full-year forecasts for each business segment.

We expect the tire segment as a whole to increase sales revenue to ¥890.0 billion, a ¥3.0 billion increase from our previous forecast. We also have raised the segment’s business profit to ¥83.7 billion, a ¥5.7 billion increase. The revisions reflect the positive impact from favorable forex fluctuations and our efforts to reduce costs, which we expect to outweigh the negative impact on YOHT and Y-TWS profits from the decline in demand for OE tires for agricultural machinery and the risk of a warm winter in Japan reducing domestic sales of winter tires.



	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

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This slide is a factor analysis of our revised forecast for business profit for FY2023.

We now expect forex rate fluctuations to contribute ¥4.8 billion to profit, ¥4.1 billion more than we forecast at the end of 1H.

We also expect our efforts to lower raw material costs to contribute ¥5.6 billion to profit growth in FY2023.

Lower sales volume is expected to reduce profit by ¥1.5 billion, a ¥4.0 billion deterioration from our previous forecast as we have factored in the risk of a warm winter in Japan reducing domestic sales of winter tires.

Lower logistics costs, including a ¥23.6 billion decrease in marine freight costs, are expected to boost profit some ¥27.6 billion, a ¥1.6 billion improvement over our previous projection.

We expect increased production costs will be a ¥10.3 billion weight on profit, largely the same as our previous forecast.

We now expect price and MIX improvements to contribute ¥3.8 billion to the YoY increase in full-year business profit, up from the net zero impact we reported at the first-half results briefing. This ¥3.8 billion includes ¥13.6 billion from price hikes and ¥2.8 billion from MIX improvements, offset by -¥6.2 billion in unrealized profit on inventories and -¥6.4 billion in other factors, including sales campaign costs.

Our revised forecast has reduced the positive contributions from price hikes (-¥1.8 billion) and MIX improvements (-¥2.4 billion), increased the negative contribution from unrealized inventories (-¥1.6 billion), and reduced the negative contribution from others (+¥9.6 billion). The +¥9.6 billion change in our estimated impact from other factors reflects a more appropriate factoring in of risks considering the -¥5.8 billion difference in our estimates of the impact from prices, MIX, and unrealized inventories, and the ¥4.0 billion decrease in our estimate of the impact from sales volume.

We now expect a negative contribution from fixed costs (sales promotion expenses and other expenditures) of -¥11.1 billion, a ¥2.7 billion improvement from our previous forecast. That ¥11.1 billion increase in fixed costs compared with FY2022 includes ¥3.7 billion in the first three quarters of this year and ¥7.4 billion in the 4Q. The large increase in 4Q fixed costs factors in the increase in spending as activity normalizes after the end of COVID-19 and companywide risk factors.

We expect the negative contribution from the forecast decrease in YOHT FY2023 profit to be ¥5.1 billion, ¥0.7 billion more than before. We have also downwardly revised our profit forecast for Y-TWS, reducing its contribution to profit growth to ¥3.0 billion, ¥1.2 billion less than we forecast at the first-half results briefing.

The expected contribution from the MB segment is unchanged at ¥2.2 billion, and the contribution from other businesses has been reduced by ¥0.2 billion to ¥0.8 billion.

That concludes my presentation.

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 (%)

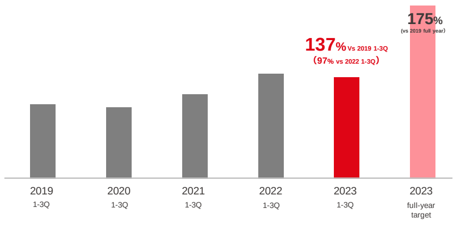
Tire Business		2022 3Q	2022 1-3Q	2022 Annual result	2023 3Q	2023 1-3Q	2023 Annual forecast
Japan	OE	120%	94%	98%	108%	111%	114%
	REP	124%	118%	108%	91%	95%	97%
Overseas	OE	121%	109%	100%	80%	82%	87%
	REP	109%	105%	102%	104%	106%	108%

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

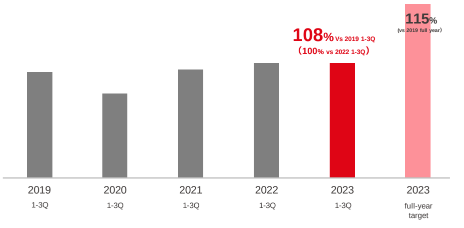
	2022			2023			Regional sales composition		
	3Q	1-3Q	Annual result	3Q	1-3Q	Annual forecast	2022 full year	2023 3Q	2023 1-3Q
Japan	122%	109%	105%	96%	100%	102%	39%	35%	36%
No. America	108%	104%	103%	97%	100%	100%	20%	21%	21%
Europe	109%	112%	101%	97%	100%	101%	6%	7%	7%
Russia	54%	60%	59%	191%	145%	-	2%	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

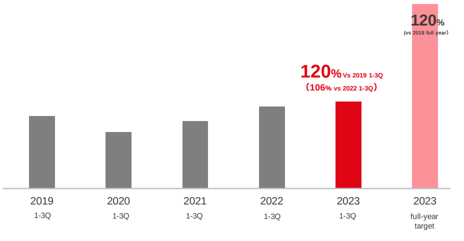
ADVAN



GEOLANDAR



WINTER



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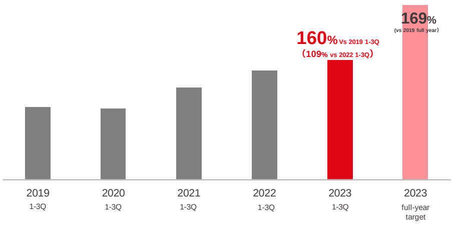
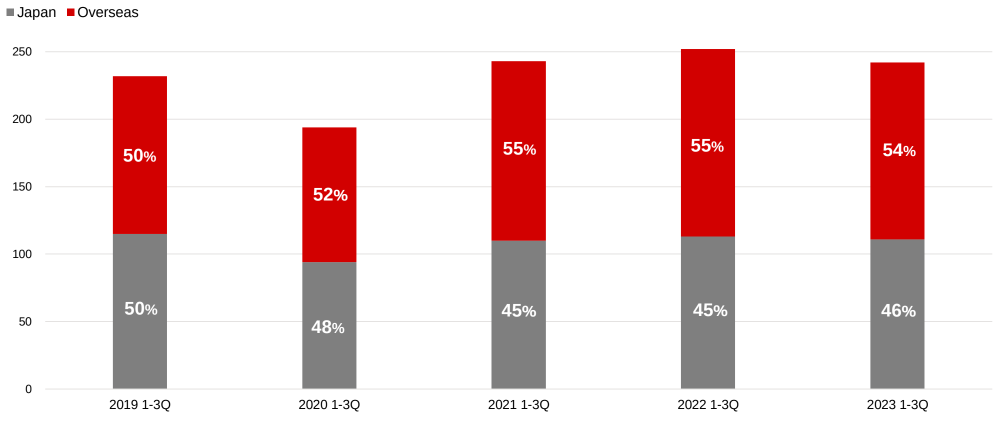


(Reference) Tire Rubber Production Volumes



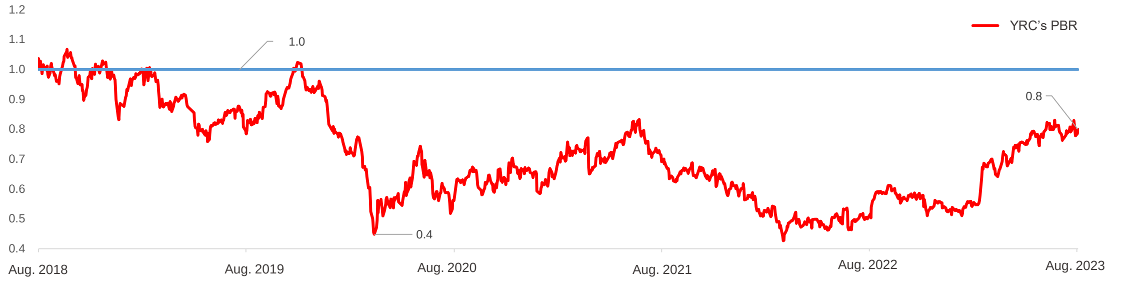
(Unit: thousand tons)

	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

Improving Capital Efficiency ①Market Valuation

□ 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

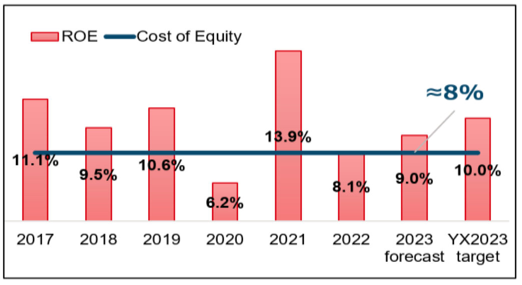
Improving Capital Efficiency ②Return on Capital/Cost of Capital

□ Return on Capital/Cost of Capital

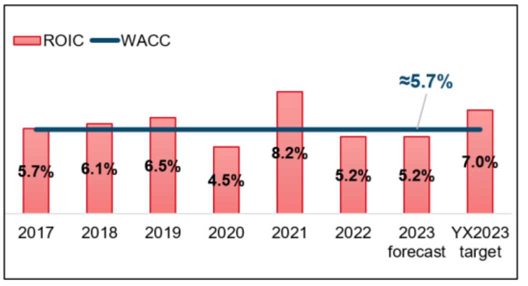
<u>Increasing return on capital</u>

- ✓ **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

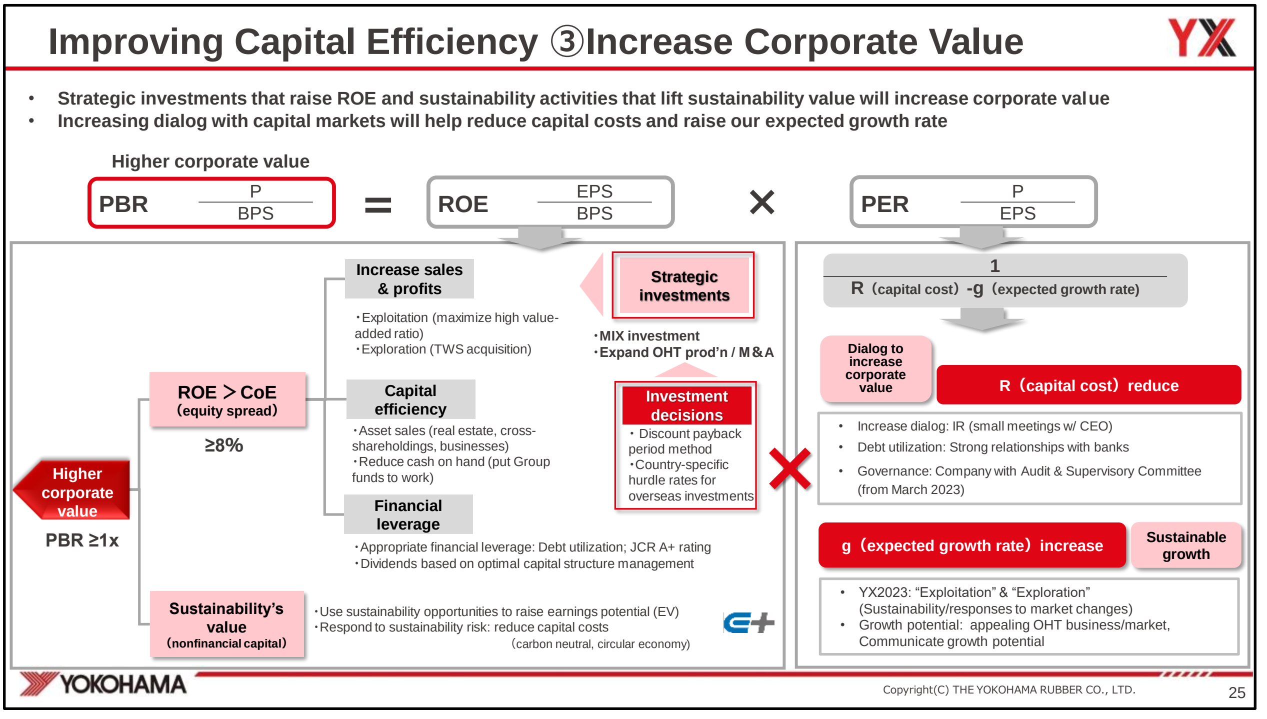
ROE & Cost of Equity



ROIC & WACC



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



Improving Capital Efficiency ③Increase Corporate Value
YX
• 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
PBR P/BPS = ROE EPS/BPS × PER P/EPS
Increase sales & profits
・Exploitation (maximize high value-added ratio)
・Exploration (TWS acquisition)
Strategic investments
・MIX investment
・Expand OHT prod'n / M&A
ROE＞CoE (equity spread)
≥8%
Capital efficiency
・Asset sales (real estate, cross-shareholdings, businesses)
・Reduce cash on hand (put Group funds to work)
Investment decisions
・Discount payback period method
・Country-specific hurdle rates for overseas investments
Higher corporate value
PBR ≥1x
Financial leverage
・Appropriate financial leverage: Debt utilization; JCR A+ rating
・Dividends based on optimal capital structure management
Sustainability's value (nonfinancial capital)
・Use sustainability opportunities to raise earnings potential (EV)
・Respond to sustainability risk: reduce capital costs (carbon neutral, circular economy)
1 / R (capital cost) -g (expected growth rate)
Dialog to increase corporate value
R (capital cost) reduce
• Increase dialog: IR (small meetings w/ CEO)
• Debt utilization: Strong relationships with banks
• Governance: Company with Audit & Supervisory Committee (from March 2023)
g (expected growth rate) increase
Sustainable growth
• YX2023: "Exploitation" & "Exploration" (Sustainability/responses to market changes)
• Growth potential: appealing OHT business/market, Communicate growth potential
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YOKOHAMA Transformation 2023