

FY2023 Third-Quarter Results Briefing

Yokohama Transformation 2023 Progress & Revision of Full-Year Outlook

November 10, 2023
The Yokohama Rubber Co., Ltd.

I am Yokohama Rubber President Masataka Yamaishi.

I will be presenting the progress of our YOKOHAMA Transformation 2023 (YX2023) medium-term management plan during the first three quarters of FY2023 and the revisions to our full-year outlook.



YOKOHAMA Transformation 2023

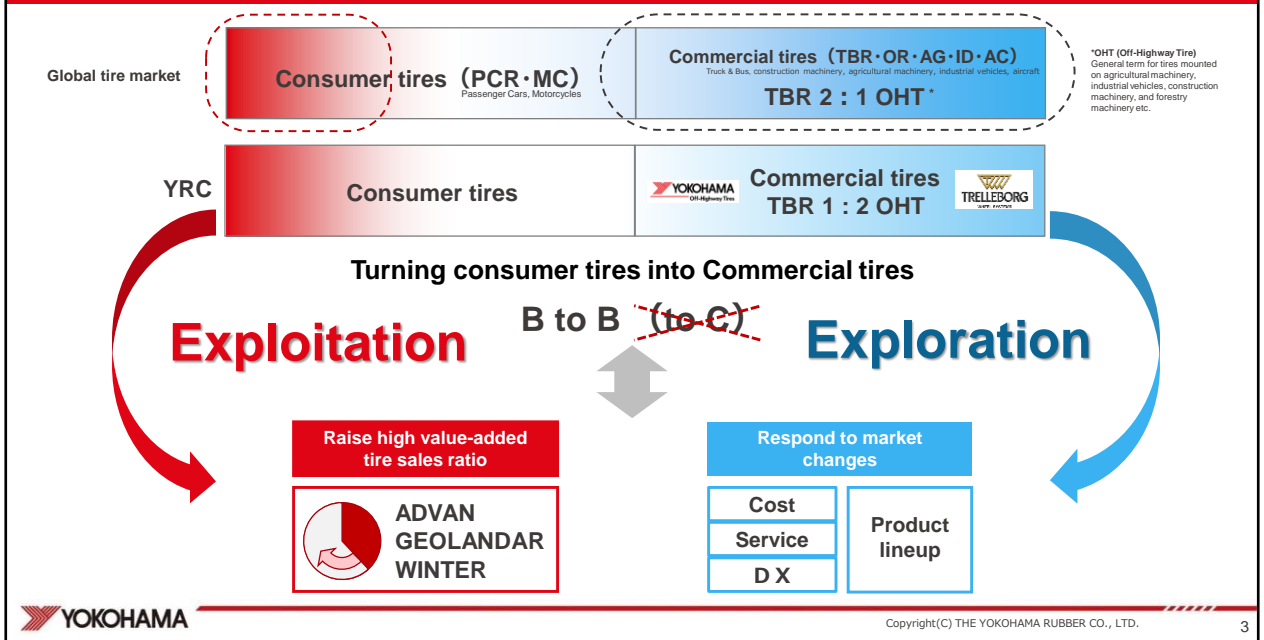
Exploitation × Exploration = Transformation

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



Next, I will 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 (AGW) 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.

Cumulative Financial Results for FY2023 Third-Quarter



Billion yen	2023 1-3Q results	2022 1-3Q results	YoY change	YoY change (%)
Sales revenue	692.5	615.8	+76.7	+12.5%
Business profit	49.2	46.1	+3.1	+6.7%
Business profit margin	7.1%	7.5%	-0.4%	-
Operating profit	52.4	45.3	+7.0	+15.5%
Profit	44.6	33.3	+11.3	+33.9%
D/E Ratio	0.71	0.39 <small>(As end of Dec. 2022)</small>	+0.32 <small>(Compared to end of Dec.2022)</small>	-



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The business environment in the first three quarters of FY2023 was quite challenging as business sentiment was depressed by inflation and the yen's depreciation. However, thanks to our continued efforts to improve our product mix, raise prices, and expand sales, we posted sales revenue of ¥692.5 billion, business profit of ¥49.2 billion, operating profit of ¥52.4 billion and net profit of ¥44.6 billion. Those figures for sales revenue, business profit, and net profit are all record highs for cumulative third-quarter results.

YX2023 Progress: Tire Business



ADVAN·GEOLANDAR as OE



GEOLANDAR X-CV
on Toyota's new Grand Highlander SUV



GEOLANDAR A/T G015
on Subaru's new Crosstrek Wilderness
in North America

Replacement Market Sales Strengthened

- 2023 "Mud Match" campaign
- Launched EV-dedicated tire



GEOLANDAR CV4S



ADVAN Sport EV

Motorsports Activities



One-two finish in GT300 class in SUPER GT's 5th round,
Championship in SUPER GT's 8th round



Overall championship in 2023 Nürburgring Endurance Series Rounds 6, 7 & 8



Took 1st, 2nd & 3rd at Asia Cross Country Rally, capturing overall
championship for a second straight year



I will now present the progress made with our medium-term management plan, starting with our consumer tire business.

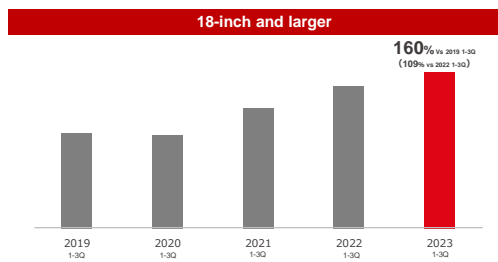
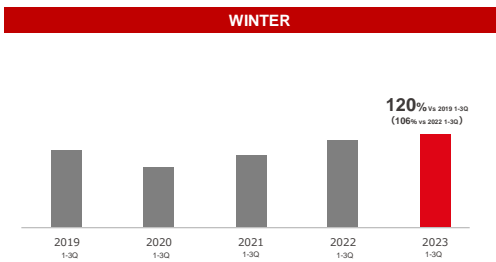
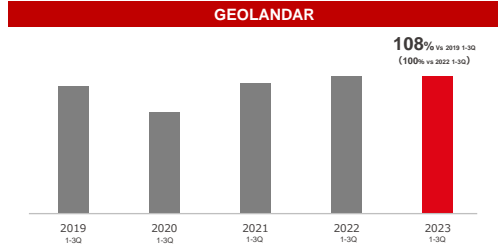
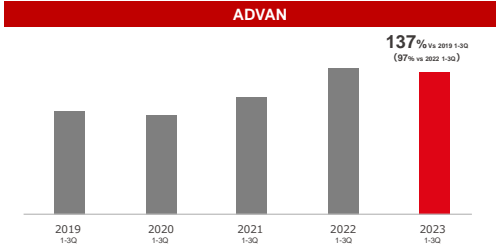
Notable recent results from our efforts to expand sales of AGW tires include our GEOLANDAR tires being selected as original equipment (OE) by Toyota Motor Corporation for its Grand Highlander SUV and by Subaru Corporation for its new Crosstrek Wilderness being sold in North America. In the replacement tire market, we launched two new tires this autumn. The first one is the GEOLANDAR CV 4S, an all-season tire for crossover SUVs that received a Good Design Award 2023 and was launched in the Japan market. The second is the ADVAN Sport EV, a new EV-dedicated ultra-high-performance summer tire that we launched in Europe.

Our participation in motorsports events continued to produce strong results. Cars racing on ADVAN racing tires in Japan's SUPER GT Series GT300 class finished first and second in Round 5 and first in this year's final Round 8. Overseas, an ADVAN-equipped car dominated this year's Nürburgring Endurance Series (NLS) in Germany, finishing first in five of the nine NLS races to capture the NLS Speed Trophy awarded to the car that accumulates the most points over the entire series. In addition, GEOLANDAR-equipped machines dominated at this year's Asia Cross Country Rally, finishing first, second and third. These results provide further evidence of Yokohama Rubber's advanced technologies' ability to create tires that deliver excellent driving performance.

YX2023 Progress: Sales Trend of Consumer Tires



Strong sales in "WINTER" and "18-inch and larger"



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

We achieved strong YoY gains in sales of WINTER and 18-inch and larger tires during the first three quarters of the year, but ADVAN and GEOLANDAR sales were stunted by weak sales of OE to Japan's automakers in China. We are targeting a rebound in the fourth quarter led by sales of the new products mentioned earlier.

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

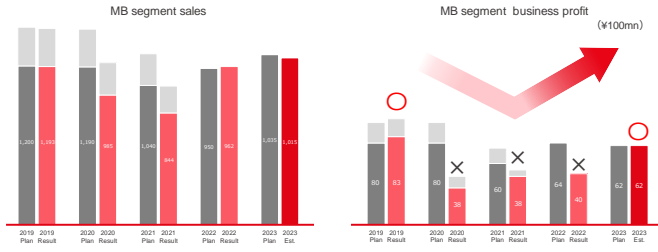
Business restructuring

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

Aerospace products
 Merged with industrial products in Mar 2022

“100-Day Plan” to maximize profits generating strong results

Reviewing business operations to improve profitability



- Hose & Couplings**
 - Completed realignment of No. America automotive hose & couplings production network & began mass production
- Industrial Products**
 - Strengthen sales of conveyor belts in Japan ; now plan to expand product lineup
 - Began sales of solid fender in Japan



Next, this slide presents the progress made by our MB business.

In April, we made revisions to the business’ management structure and launched a 100-day plan to restructure the MB business. Under this plan, we reviewed all business operations in the MB segment and sped up decision making, made necessary organization changes, and put the right people in the right positions in an effort to improve segment profits. These efforts enabled us to exceed our plan for the first three quarters and have put us on pace to achieve the announced targets for the full year.

E: Environment

Certification of environmental activities

FSC CoC certification & "site in harmony with nature" (MoE)

• Thai natural rubber subsidiary received FSC's CoC certification
 FSC certification: Awarded to companies that strive to protect forest biodiversity and deliver responsibly produced products to consumers while protecting the rights of local communities, indigenous peoples and workers

• Ibaraki Plant certified by MoE as a "site in harmony with nature" contributing to achievement of 30by30 international goal



Information Disclosures

"Integrated Report 2023" issued

Contents expanded based on institutional investors' feedback



- Value creation process story based on our strengths
- Basic thinking behind financial strategy & asset allocation
- Sustainability (human rights, human capital, diversity & inclusion; biodiversity preservation)

G: Governance

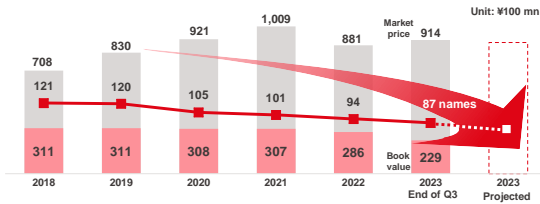
Unwinding of cross-shareholdings

Number of cross-shareholdings unwound from end-FY2022 to end-Q3 2023

7 names **¥5.7 bn**

At end-Sep 2023 **87 names** Book value **¥22.9bn**

At end FY2022 **94 names** Book value **¥28.6bn**



Third-party evaluation of our sustainability efforts

Inclusion in ESG stock indexes



18 consecutive years



FTSE Blossom Japan

6 consecutive years



FTSE Blossom Japan Sector Relative Index

2 consecutive years

This slide summarizes our sustainability-related initiatives during the first three quarters of FY2023.

In the environment area, our Thai natural rubber subsidiary received the Forest Stewardship Council's Chain of Custody (CoC) certification in recognition of sound management of processing and distribution of products made from forest materials. Also, in Japan, our Ibaraki Plant was certified by the Ministry of the Environment as a "site in harmony with nature."

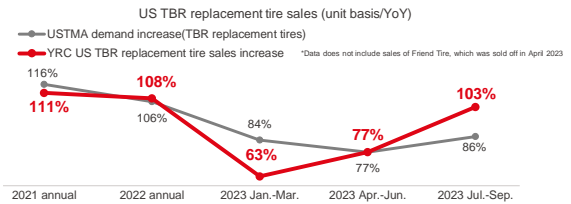
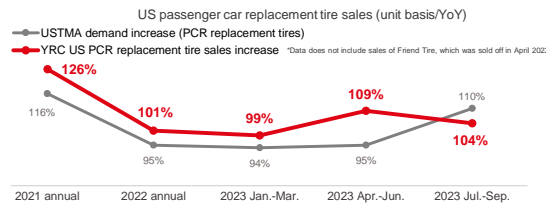
Our corporate governance-related initiatives included the continued unwinding of cross-shareholdings and efforts to improve our capital efficiency. This August, we issued an Integrated Report for the second straight year, with contents expanded to reflect feedback on the previous year's report received from institutional investors.

Current Conditions: Tire Business (Consumer & TBR)

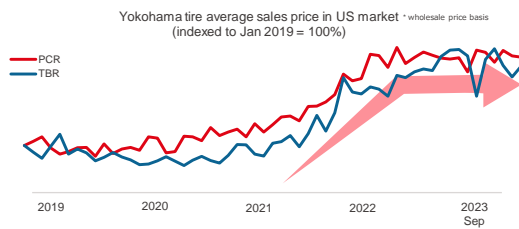


Sales trend in North America

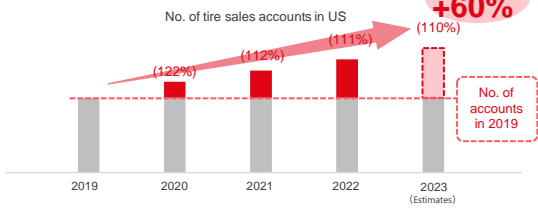
• Q3 sales up YoY



• Implement & maintain reasonable price increases



• Increasing sales accounts by building strong customer relationships



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I will now present some of the key current conditions in our tire businesses.

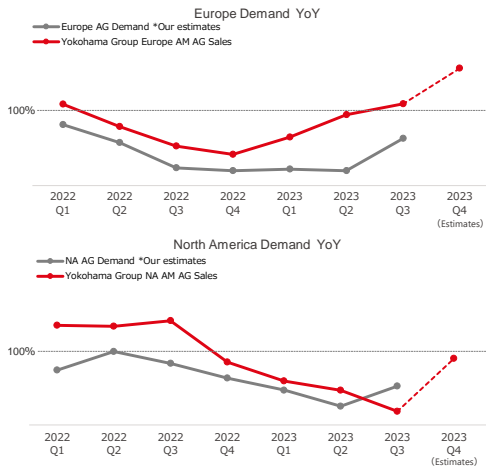
First, in the third quarter we posted YoY gains in unit sales of our passenger car and TBR tires in the North American market. Most notably, sales of our TBR tires increased far more than overall market demand. We also have generally managed to maintain the sales prices that we raised in the recent past despite considerable downward pressure on prices in the US market. Our ability to maintain sales prices is due in no small part to our efforts to increase the number of accounts we have with tire dealers in the United States, which have proven quite successful, as we now have about 60% more accounts than we did in FY2019. Going forward, we will continue our efforts to increase sales in the North American market by strengthening brand recognition and building strong relationships with tire dealers.

Current situation: Commercial Tires / OHT Business

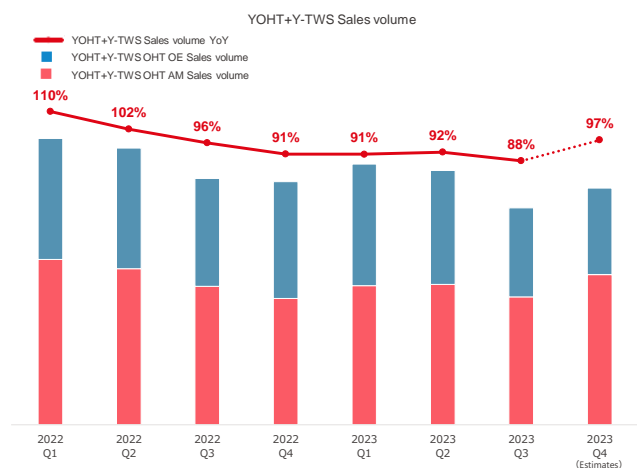


OHT Business Sales Trend

AG tires Aftermarket Demand Trend AG tires on Track for Recovery



Our Sales Trend Bottomed out in the third quarter



Next is the current situation in our OHT business.

Since the third quarter of FY2022, sales of replacement tires for agricultural machinery have trended well below previous-year levels owing to the buildup of inventories in North America as dealers sought to avoid an impact from a strike at the Port of Los Angeles last year, while high price inflation in Europe added to the difficult conditions caused by the war in Ukraine. In this challenging environment, YOHT and Y-TWS have managed to post sales above the overall trend in market demand.

In our OHT business as a whole, including industrial and off-the-road tires, we look for demand in the replacement tire market to recover moderately and expect sales volume to recover from the fourth quarter.

FY2023 Revised Forecast



Billion yen	2023 revised forecast	2023 May forecast	Change	Change (%)	YX2023 targets for 2023
Sales revenue	1000.0	1000.0	-	-	700.0
Business profit	90.0	84.5	+5.5	+6.5%	70.0
Business profit margin	9.0%	8.5%	+0.5%	-	10.0%
Operating profit	92.5	87.0	+5.5	+6.3%	-
Profit	62.5	57.0	+5.5	+9.6%	-
D/E Ratio	0.72	0.73	-0.01	-	0.4 (target for 2023)
ROE	9.4%	9.0%	+0.4%	-	10% (target for 2023)



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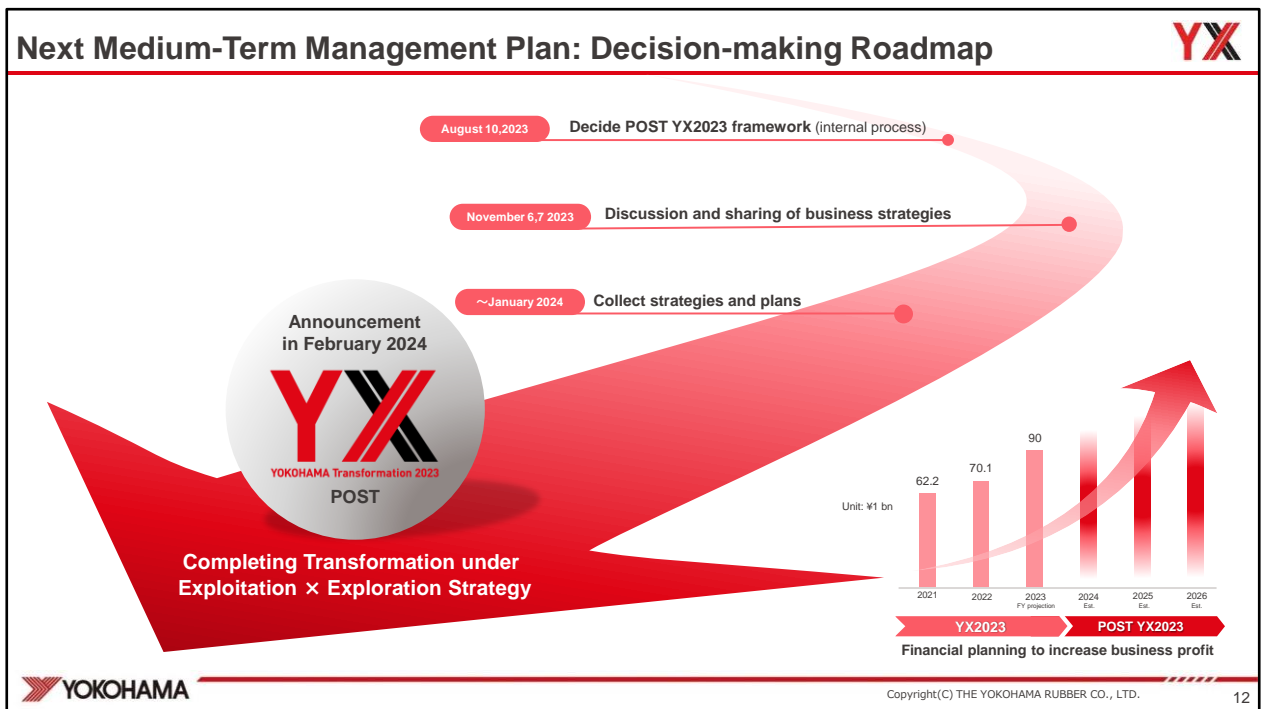
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This slide shows our forecasts for FY2023.

Considering the progress to date and current conditions presented in previous slides, we have revised our full-year forecasts. While we leave our sales revenue target unchanged at ¥1 trillion, we have raised all three profit targets and now forecast business profit of ¥90.0 billion, operating profit of ¥ 92.5 billion, and net profit of ¥62.5 billion.

In the remaining months of this final year of our YOKOHAMA Transformation 2023 medium-term management plan, the entire YOKOHAMA Group will work together to achieve the plan's goals and set the stage for profitable growth in the coming year and beyond.

Next Medium-Term Management Plan: Decision-making Roadmap



I now would like to briefly explain the steps we will be taking to formulate our next medium-term management plan.

With the theme of “Completing Transformation under an Exploitation and Exploration Strategy, post-YX2023 will focus on addressing all remaining YX2023 issues, eliminating negative legacies, and creating further growth opportunities for the next generation.

As a first step, we streamed a 100-page video presentation of an initial outline for the new medium-term management plan to all Group employees on August 10. Based on the contents of that presentation, each business, division and department has prepared concrete plans that were discussed during a two-day conference attended by Group executives from regions around the world on November 6-7.

The results of this discussion will be announced next February, so please put that in your calendars.

Commercial Tires: Acquisition Synergies



Targeting further growth while maintaining high profit margins in the OHT business

Creating synergies across
Yokohama Rubber Group

Yokohama Rubber



Over \$50 million/year

Raw materials



Optimization of production



Synergy Opportunities

Back Office/IT



Logistics



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Since finalizing the acquisition of TWS in May, we have been discussing the synergies we hope to create from the acquisition.

We expect efforts by YOHT, Y-TWS, and the YOKOHAMA Group as a whole to generate synergistic effects in raw materials, our production network, logistics, back office and IT that will total more than \$50 million.

The post-YX2023 management plan will include specific measures to generate those synergies.



That concludes my presentation.
I look forward to your continued support for and understanding of Yokohama Rubber.