Our US subsidiary **Yokohama Tire Manufacturing Mississippi, LLC**, which started manufacturing operations in 2015, has experienced delays in bringing new facilities on line. Expecting the delays to keep earnings below our original plan, we have decided to book an impairment loss of about ¥11.2 billion on the subsidiary’s fixed assets. Accordingly, we have downwardly revised our earnings projections for fiscal 2018 as shown below.

<table>
<thead>
<tr>
<th>Unit: ¥bn</th>
<th>Initial forecast (Feb 2018)</th>
<th>Revised forecast (Nov 2018)</th>
<th>Change for initial forecast</th>
<th>Change for FY2017 result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>670.0</td>
<td>650.0</td>
<td>-20.0</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Business profit (%)</td>
<td>63.0</td>
<td>61.5</td>
<td>-1.5</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Operating profit (%)</td>
<td>60.0</td>
<td>55.0</td>
<td>-5.0</td>
<td>-8.3%</td>
</tr>
</tbody>
</table>
Yokohama Tire Manufacturing Mississippi, LLC (YTMM) is a Yokohama Rubber tire manufacturing subsidiary established to meet robust demand for truck and bus tires in the North American market.

Company name: Yokohama Tire Manufacturing Mississippi, LLC  
Location: Mississippi, USA  
Established: May 2013  
Operation start: October 2015  
Products: Truck & bus tires  
Capacity: 1mn tires/yr (initial plan)  
Capital: US$ 190.75 million  
YRC stake: 100% (indirectly held)
Factors Resulting in Impairment Loss

Facility-related
- Teething problem of modern and efficient production machines
- Delayed ramp up in process capability

Personnel-related
- Hiring behind plan, in part due to high turnover rate
- Insufficient education and training due to above reason

- Initial plan was for output of 973,000 tires in 2018
  But 2018 output will be only **about 500,000 tires**, delaying profitability
- Production target lowered to **840,000 tires** (2021)
  Decision to take impairment loss on YTMM fixed assets
Action Plan & Revised Forecasts

Facility-related

- Skillful engineers of our Mie Plant (Japan) lead and support improvement (same type of tire building machine is installed for development)

Personnel-related

- Improve working environment/conditions and training programs to achieve higher employee retention and skill proficiency

Output forecast (thou tires/yr)

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<td>0.7</td>
<td>111</td>
<td>372</td>
<td>503</td>
<td>626</td>
<td>809</td>
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Operating profit forecast (US$mn)

<table>
<thead>
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<td>(30)</td>
<td>(52)</td>
<td>(34)</td>
<td>(48)</td>
<td>(6)</td>
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