

# **FY2023 Financial Results**

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## **Briefing Material**

February 16, 2024  
The Yokohama Rubber Co., Ltd.

I am Masahiro Yuki, Member of the Board in charge of the Corporate Finance & Accounting Dept.

I will be explaining our FY2023 financial results.

## Summary of today's presentation



Full-year result	Forecast	Capital efficiency
<p>&lt;2023 result&gt;</p> <p>Sales revenue : <b>¥985.3</b> bn (record high)</p> <p>Business profit : <b>¥99.1</b> bn (record high)</p> <p>Business profit margin : <b>10.1</b> % (above 10%)</p> <p>Net profit : <b>¥67.2</b> bn (record high)</p> <ul style="list-style-type: none"> <li>◆ Tires: profit margin <b>11.4%</b></li> <li>◆ YOHT: profit margin <b>13.3</b> % (before amortization <b>15.7%</b>)</li> <li>◆ Y-TWS: profit margin (before amortization) <b>13.4%</b></li> <li>◆ MB: 4Q profit margin <b>9.7%</b></li> </ul> <p><small>*Profit margin = business profit margin, before amortization=profit excluding PPA amortization and acquisition one-time costs</small></p>	<p>&lt;2024 forecast&gt;</p> <p>Sales revenue : <b>¥1060.0</b> bn (record high)</p> <p>Business profit : <b>¥115.0</b> bn (record high)</p> <p>Business profit margin : <b>10.8</b> % (record high)</p> <p>Net profit : <b>¥74.5</b> bn (record high)</p> <ul style="list-style-type: none"> <li>◆ Tires: Sales up, logistics costs up, revenue &amp; profit both increase</li> <li>◆ YOHT: Rebound in sales of replacement tires</li> <li>◆ Y-TWS: Full-year contribution (business profit <b>+¥15.0</b>bn)</li> <li>◆ MB: Hose &amp; couplings rebound, industrial products profit increase</li> </ul>	<ul style="list-style-type: none"> <li>□ Return on Equity (ROE) ✓ 2023: <b>9.9%</b> 2024: <b>10.0%</b></li> <li>□ Asset sales (cross-shareholdings) ✓ Amount sold in 2023 ≈ <b>¥30.0</b> bn</li> <li>□ Cash flow generation capacity ✓ 2023 operating CF <b>¥159.7</b> bn</li> <li>□ Shareholder return (annual dividend) ✓ 2023: <b>84</b> yen/share (<b>+¥18 YoY</b>) ✓ 2024: <b>93</b> yen/share (<b>+¥9 YoY</b>)</li> </ul>



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This slide summarizes the contents of my presentation today.

Our full-year results are shown in the box on the left. Sales revenue came to ¥985.3 billion, business profit was ¥99.1 billion, and net profit ¥67.2 billion. All three represent all-time highs. The business profit margin of 10.1% marks the first time the margin has exceeded 10%.

Next, please look at our full-year forecasts for FY2024 in the middle box. We are targeting sales revenue of ¥1,060 billion, business profit of ¥115 billion and a net profit of ¥74.5 billion, which again would be record highs in all three categories.

The far right box on this slide shows the initiatives we are taking to improve capital efficiency. First, we aim to increase return on equity (ROE). The 9.9% figure for FY2023 ROE represents a big improvement from FY2022. In FY2024, we expect the full-year contribution from Y-TWS and other improvements to lift ROE to 10%.

Asset sales in FY2023 included about ¥30 billion from the unwinding of cross-shareholdings. As President Yamaishi explained during his presentation, we will continue our diligent balance sheet management during Yokohama Transformation 2026 (YX2026) and plan to sell about another ¥60 billion in cross-shareholdings. We also are improving our cash flow generation, and in FY2023 cash flow from operations reached a record high of ¥159.7 billion, thanks to large increases in profits and improvements in operating capital. As for shareholder return, the last item in this box, management has decided on a year-end dividend of ¥50 per share, an increase of ¥16 from the initial projected dividend. As a result the full-year dividend comes to ¥84 per share, an increase of ¥18 on our FY2022 dividend.

We are forecasting a dividend of ¥93 per share for FY2024, an increase of ¥9 YoY. That will keep our dividend payout ratio at 20%, as explained by President Yamaishi.

## Results for FY2023

I will now provide some more details about our FY2023 results, beginning with the consolidated results for the full year.

## Profit and Loss (Full year)



Exchange Rates	US\$ 141 yen	132 yen (previous year)	+9 yen
	EUR 152 yen	138 yen (previous year)	+14 yen
	RUB 1.7 yen	2.0 yen (previous year)	-0.3 yen
TSR20*	136 cents	155 cents (previous year)	-19 cents
WTI	78 dollars	94 dollars (previous year)	-17 dollars

\*SICOM TSR20 1M

					(billion yen)			
	2023 Jan.-Dec.	2022 Jan.-Dec.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates	Previous forecast	Change from forecast (%)
Sales revenue	985.3	860.5	+124.9	+14.5%	+30.8	+94.0	1000.0	-1.5%
Business profit* <sup>1</sup> (Business profit margin)	99.1 (10.1%)	70.1 (8.1%)	+29.0 (+2.0%)	+41.4%	+7.2	+21.8	90.0 (9.0%)	+10.1%
Operating profit (Operating profit margin)	100.4 (10.2%)	68.9 (8.0%)	+31.5 (+2.2%)	+45.8%	+7.3	+24.2	92.5 (9.3%)	+8.5%
Profit* <sup>2</sup>	67.2	45.9	+21.3	+46.4%			62.5	+7.6%

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

\*2 Profit attributable to owners of parent



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Favorable exchange rates contributed ¥5.2 billion to business profit, and lower prices of key raw materials contributed ¥6.2 billion.

Sales revenue totaled ¥985.3 billion, a YoY increase of 14.5% generated by the contribution from newly consolidated Y-TWS, price increases, and the positive forex impact from yen depreciation.

That result left us short of our full-year target of ¥1 trillion, but the shortfall can be explained by the loss of the sales contribution from a US tire sales subsidiary that we sold in April.

Business profit totaled ¥99.1 billion.

The rather large ¥29.0 billion YoY increase was achieved through our efforts to reduce costs, including marine freight costs, and maintain prices, which offset an increase in unrealized profit on inventories and one-time costs related to the TWS acquisition.

Operating profit was ¥100.4 billion, a YoY increase of ¥31.5 billion, with the gain on sale of the earlier mentioned US tire subsidiary adding to the strong increase in business profit, and net profit increased ¥21.3 billion YoY to ¥67.2 billion.

## Business Segment (Full Year)



(billion yen)

		2023 Jan.-Dec.	2022 Jan.-Dec.	Change	Change (%)	Previous forecast	Change from forecast	
Sales revenue	Tires total	874.9	754.3	+120.6	+16.0%	890.0	-15.1	
	(Tires)	(639.0)	(598.5)	(+40.5)	(+6.8%)	(654.0)	(-15.0)	
	(YOHT)	(132.1)	(155.8)	(-23.7)	(-15.2%)	(134.0)	(-1.9)	
	(Y-TWS)	(103.7)	-	(+103.7)	-	(102.0)	(+1.7)	
	MB	101.9	96.2	+5.6	+5.9%	101.5	+0.4	
	Other	8.6	9.9	-1.3	-13.4%	8.5	+0.1	
	<b>Total</b>	<b>985.3</b>	<b>860.5</b>	<b>+124.9</b>	<b>+14.5%</b>	<b>1000.0</b>	<b>-14.7</b>	
Business profit	Tires total	92.0	66.8	+25.2	+37.7%	83.7	+8.3	
	(Tires)	(72.6)	(44.7)	(+27.9)	(+62.3%)	(63.7)	(+8.9)	
	(YOHT)	(17.6)	(22.1)	(-4.5)	(-20.5%)	(17.0)	(+0.6)	
	(Y-TWS)	(1.8)	-	(+1.8)	-	(3.0)	(-1.2)	
		MB	7.2	4.0	+3.2	+80.5%	6.2	+1.0
		Other	-0.1	-0.8	+0.7	-	0.1	-0.2
	Intersegment eliminations	0	0	-0	-44.8%	-	+0	
	<b>Total</b>	<b>99.1</b>	<b>70.1</b>	<b>+29.0</b>	<b>+41.4%</b>	<b>90.0</b>	<b>+9.1</b>	



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This slide shows the results for each business segment.

First, please look at the upper table showing segment sales revenue. Overall tire segment sales revenue came to ¥874.9 billion, up 16% YoY. The increase in tire sales was supported by an ¥8.7 billion increase in sales of OE tires for new cars in Japan and a ¥9.3 billion increase in sales in the domestic replacement tire market. Overseas sales added another ¥22.5 billion to the increase. The biggest increase came from new subsidiary Y-TWS's contribution of ¥103.7 billion. The overall increase was slightly decreased by a ¥23.7 billion decline in YOHT sales.

MB segment sales came to ¥101.9 billion, up 5.9% YoY.

Next, please look at the business profit section. Tire segment business profit increased ¥25.2 billion YoY to ¥92.0 billion. The parent company tire business (excluding YOHT and Y-TWS) achieved a ¥27.9 billion increase in business profit and improved its profit margin to 11.4% by reducing costs, including raw material and marine freight costs, and maintaining prices.

YOHT's 4Q profit increased sharply on rebounding sales of replacement tires, but full-year business profit decreased ¥4.5 billion owing to the impact from replacement tire inventory adjustments and weak demand for OE tires. However, YOHT maintained its high-profit structure, with reductions in logistics and other costs and strong price management contributing to a business profit margin before amortization of 15.7%.

Y-TWS business profit was ¥1.8 billion, limited by the posting of one-time acquisition-related costs of ¥9.2 billion.

I will provide more details about Y-TWS when we get to the next slide.

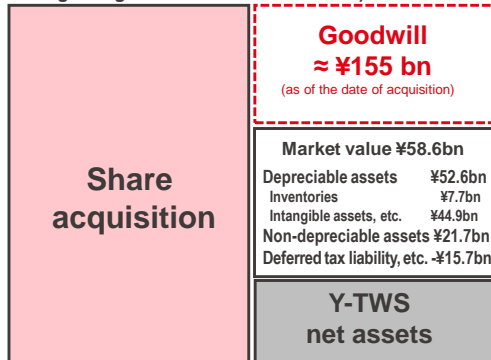
Now let's look at the MB segment's business profit. Strong sales of conveyor belts, marine products and aerospace products drove segment profit up 80.5% to ¥7.2 billion. MB's business profit margin was particularly high in 4Q, rising to 9.7%.

# TWS Acquisition's Financial Impact



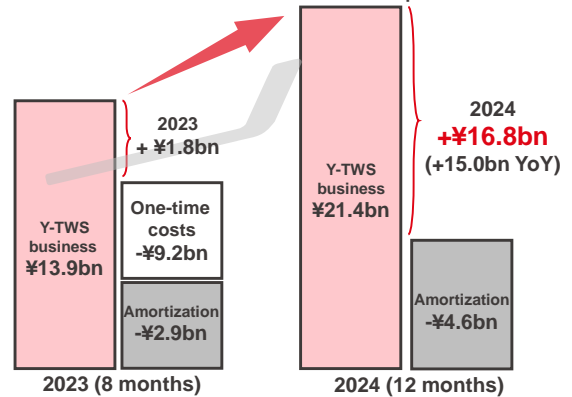
## BS impact

- Fair market value of Y-TWS assets & liabilities at time of acquisition
- Net assets increased about ¥58.6bn on fair market value basis  
Goodwill calculated by subtracting the market value from the acquisition price is about ¥155 bn  
(Goodwill has increased from ¥154 bn reported at Nov results briefing owing to revision of market value)



## PL impact (image)

- 2023 consolidated results includes Y-TWS profit in the 8 months from May, partially offset by one-time expenses, such as inventory and M&A consultant costs
- In 2024, Y-TWS's 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.



I will now explain Y-TWS acquisition's impact on our finances.

Looking first at the impact on our balance sheet, there have been some changes since our 3Q presentation. The allocation to goodwill increased slightly to about ¥155 billion while net allocation to assets (i.e. market value) decreased slightly to ¥58.6 billion.

Y-TWS contribution to FY2023 consolidated business profit was ¥1.8 billion. That reflects the ¥13.9 billion in profit generated by Y-TWS in the eight months since its acquisition in May. From that, we subtracted ¥9.2 billion in one-time acquisition-related costs, including ¥7.9 billion from PPA of inventory values and ¥1.3 billion for M&A consultant fees. Y-TWS profit contribution was reduced another ¥2.9 billion owing to the amortization of intangible assets.

We expect Y-TWS's profit contribution in FY2024 to be ¥16.8 billion, an increase of ¥15.0 billion owing to the inclusion of a full 12 months of earnings and one-time acquisition-related costs falling out of the picture.

# Y-TWS's Results



## 2023 full-year results (8 months)

	2023 May-Dec.	2022 May-Dec.	Change	Change (%)
Sales revenue	103.7	117.1	-13.3	-11.4%
Business profit (before amortization) (Business profit margin)	13.9 (13.4%)	12.9 (11.0%)	+1.0 (+2.4%)	+8.0% -
One-time costs	-9.2			
Amortization	-2.9			
Business profit (after amortization)	1.8			

Prices spread +5.2  
Sales volume, etc. -4.1 \*

(billion yen)	
Previous forecast	Change for previous forecast
102.0	+1.7
15.2 (14.9%)	-1.3 (-1.5%)
-9.3	+0.1
-2.9	+0.1
3.0	-1.2

\*Price spread (price/MIX, raw materials, logistics costs, etc.)  
Sales volume, etc. (sales volume, exchange rate difference, production costs, fixed costs)

## 2024 full-year forecast

(billion yen)			
	2024 Jan.-Dec.	2023 May-Dec.	Change
Sales revenue	150.0	103.7	+46.3
Business profit (before amortization) (Business profit margin)	21.4 (14.3%)	13.9 (13.4%)	+7.5 (+0.9%)
One-time costs	-	-9.2	+9.2
Amortization	-4.6	-2.9	-1.7
Business profit (after amortization) (Business profit margin)	16.8 (11.2%)	1.8 (1.8%)	+15.0 (+9.4%)

## Market & sales environment

### AG market

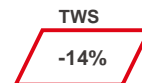
2023

Original equipment: Impact from reduced production in 2H  
Replacement: Rebound in 2H on inventory adjustments

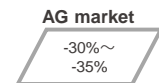
2024

Original equipment: Gradual rebound from 2H  
Replacement: Rebound to continue

### 2023 TWS sales



\*Sales results (t)



\*Unit sales of replacement tires in US & Europe  
(based on YRC estimates)



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This slide presents Y-TWS FY2023 results since joining the Group and our forecast for FY2024.

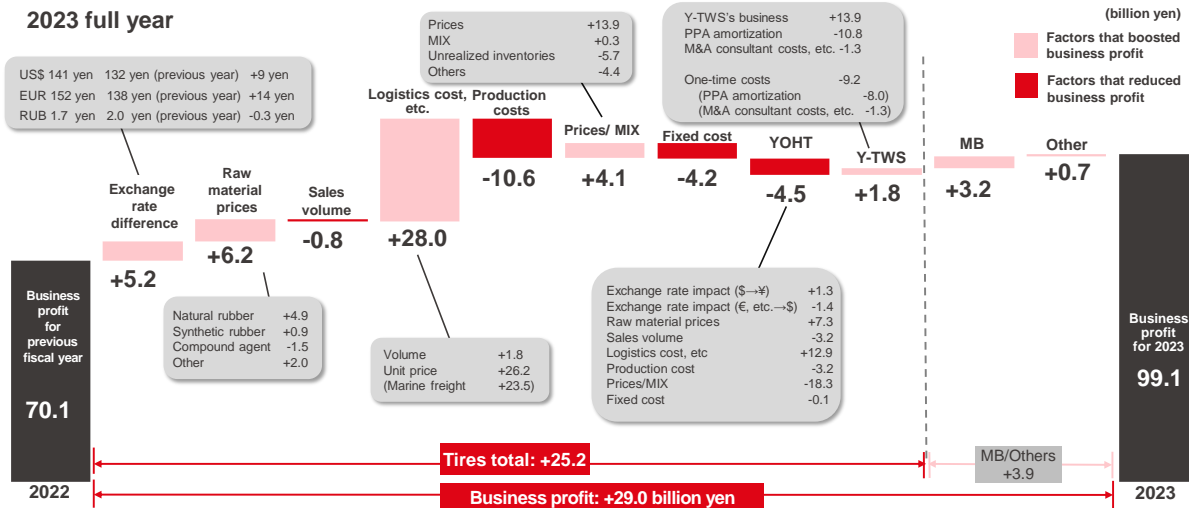
In the eight months from May to December 2023, Y-TWS business profit before amortization totaled ¥13.9 billion, for a record-high business profit margin of 13.4%. While overall demand in the US and European replacement market for agricultural machinery tires fell more than 30% YoY, Y-TWS unit sales decreased only 14%, a relatively strong result that reflects a large increase in Y-TWS market share.

The solid ¥1.0 billion increase in Y-TWS business profit before amortization was made possible by its thorough price management, which generated a positive ¥5.2 billion price spread that more than covered the decline in unit sales.

Our FY2024 forecasts for Y-TWS are shown in the table at the lower left. The increase in business profit after amortization is as I explained earlier.

# Factor Analysis of Business Profit

2023 full year



	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	+4.8	+5.6	-1.5	+27.6	-10.3	+3.8	-11.1	-5.1	+3.0	+2.2	+0.8	+19.9
Change	+0.3	+0.6	+0.7	+0.3	-0.2	+0.2	+6.9	+0.6	-1.2	+1.0	-0.2	+9.1



This slide shows the factors that affected consolidated business profit in FY2023 and resulted in a ¥29.0 billion increase.

The biggest contribution came from the ¥25.2 billion increase in tire segment business profit. The main positive factors contributing to that increase were ¥13.9 billion from price increases and ¥28.0 billion from logistics cost reductions, mostly from lower marine freight costs. Those positives more than offset the negative factors, including a ¥10.6 billion increase in production costs due to output adjustments and a ¥5.7 billion increase in unrealized profit on inventories.

While YOHT's overall contribution was a negative ¥4.5 billion, the business maintained a positive price spread of ¥1.9 billion with ¥7.3 billion from lower material prices and ¥12.9 billion from logistic cost reductions while limiting the impact from lower prices and MIX deterioration to just ¥18.3 billion.

As explained earlier, Y-TWS made a positive contribution of ¥1.8 billion. The MB segment's profit increase contributed ¥3.2 billion, and another ¥700 million came from the YoY increase in the Other segment profit.

Overall, FY2023 business profit exceeded our forecast by ¥9.1 billion, mainly thanks to a big improvement from MB and fixed cost for the entire Group being held well below the forecast amount, which included a risk buffer.



## Profit and Loss (4Q)



Exchange Rates	US\$ 148yen	141 yen (previous year)	+6 yen
	EUR 159 yen	144 yen (previous year)	+15 yen
	RUB 1.6 yen	2.3 yen (previous year)	-0.7 yen
TSR20*	142 cents	130 cents (previous year)	+12 cents
WTI	78 dollars	83 dollars (previous year)	-4 dollars

\*SICOM TSR20 1M

	2023 Oct.-Dec.	2022 Oct.-Dec.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	292.8	244.7	+48.1	+19.7%	+7.1	+41.0
Business profit* <sup>1</sup> (Business profit margin)	49.9 (17.1%)	24.0 (9.8%)	+26.0 (+7.3%)	+108.2%	+0.8	+25.1
Operating profit (Operating profit margin)	48.0 (16.4%)	23.5 (9.6%)	+24.5 (+6.8%)	+104.0%	+0.8	+23.6
Profit* <sup>2</sup>	22.7	12.6	+10.0	+79.3%		

(billion yen)

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

\*2 Profit attributable to owners of parent



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Now let's look at our 4Q results.

Sales revenue, business profit and net profit for the period all set new record 4Q highs.

4Q sales revenue was ¥292.8 billion, up 19.7% YoY, business profit totaled ¥49.9 billion, a large increase of ¥26.0 billion, and net profit of ¥22.7 billion represents a ¥10.0 billion YoY increase.

The quarterly business profit margin was 17.1%, the highest on record for any quarter.

## Business Segment (4Q)



(billion yen)

		2023 Oct.-Dec.	2022 Oct.-Dec.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	Tires total	261.9	214.9	+47.0	+21.9%	+6.5	+40.5
	(Tires)	(192.0)	(179.2)	(+12.7)	(+7.1%)	(+5.0)	(+7.7)
	(YOHT)	(33.5)	(35.7)	(-2.2)	(-6.1%)	(+1.5)	(-3.7)
	(Y-TWS)	(36.5)	-	(+36.5)	-	-	(+36.5)
	MB	29.0	27.7	+1.3	+4.7%	+0.6	+0.7
	Other	1.9	2.1	-0.2	-8.2%	+0	-0.2
	<b>Total</b>	<b>292.8</b>	<b>244.7</b>	<b>+48.1</b>	<b>+19.7%</b>	<b>+7.1</b>	<b>+41.0</b>
Business profit	Tires total	47.3	23.0	+24.3	+105.6%	+0.8	+23.5
	(Tires)	(38.8)	(18.6)	(+20.1)	(+108.0%)	(+0.3)	(+19.8)
	(YOHT)	(5.6)	(4.4)	(+1.2)	(+28.1%)	(+0.5)	(+0.8)
	(Y-TWS)	(2.9)	-	(+2.9)	-	-	(+2.9)
	MB	2.8	2.2	+0.6	+24.8%	+0.1	+0.5
	Other	-0.1	-1.2	+1.1	-	+0	+1.1
	Intersegment eliminations	-0	0	-0	-	-	-0
	<b>Total</b>	<b>49.9</b>	<b>24.0</b>	<b>+26.0</b>	<b>+108.2%</b>	<b>+0.8</b>	<b>+25.1</b>



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This slide shows 4Q results for each business segment.

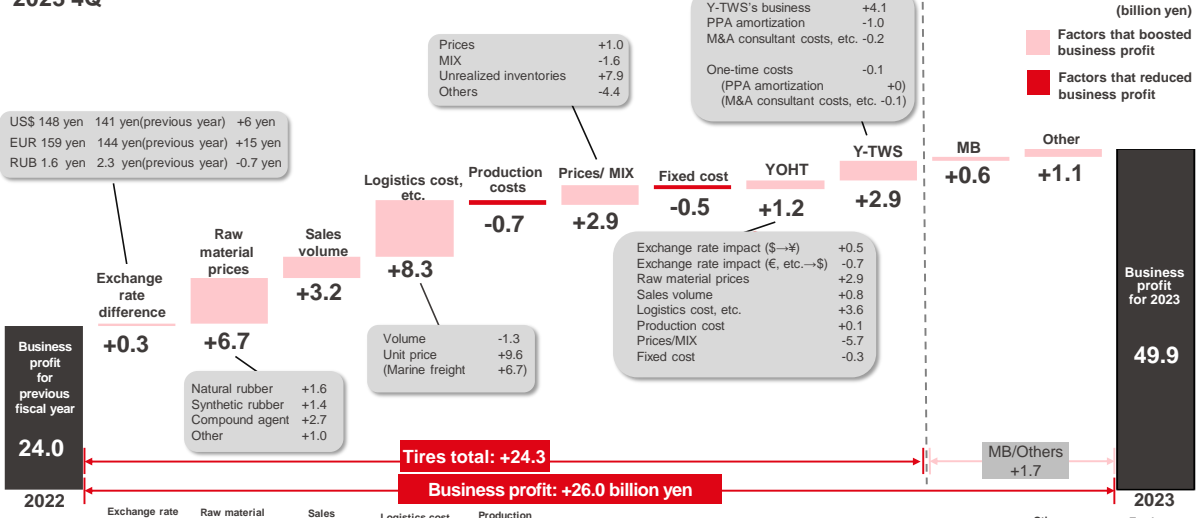
First, please look at the upper table showing segment sales revenue.

Tire segment sales revenue was ¥261.9 billion, up 21.9% YoY. The increase reflects increases of ¥2.5 billion in Japan sales of OE tires, ¥6.8 billion in Japan sales of replacement tires, ¥3.4 billion in overseas sales, and a ¥36.5 billion contribution from Y-TWS, which together more than offset a ¥2.2 billion decline in YOHT sales.

MB segment sales increased 4.7% YoY to ¥29.0 billion. Tire segment business profit totaled ¥47.3 billion, a YoY increase of ¥24.3 billion resulting in a business profit margin of 18.1%. The MB segment also did well, with its business profit increasing by ¥0.6 billion for a profit margin of 9.7%.

# Factor Analysis of Business Profit (4Q)

2023 4Q



	Exchange rate difference	Raw material prices	Sales volume	Logistics cost, etc.	Production costs	Prices/ MIX	Fixed cost	YOHT	Y-TWS	MB	Other	Total
3Q	+0.3	+4.7	-4.4	+12.5	-3.7	-2.4	-0.4	-2.1	-0.1	+0.9	+0	+5.3
1H (Jan.-Jun.)	+4.5	-5.2	+0.5	+7.2	-6.1	+3.6	-3.3	-3.6	-1.0	+1.7	-0.5	-2.2

This slide shows a factor analysis of the YoY change in 4Q business profit. The overall increase came to ¥26.0 billion.

Our parent company tire business (excluding YOHT and Y-TWS) contributed ¥20.1 billion to that increase. The main positive factors contributing to that increase were a 9% YoY increase in sales volume to ¥3.2 billion and reductions of ¥7.9 billion in unrealized profit on inventories, ¥6.7 billion in raw material costs, and ¥8.3 billion in logistics costs.

YOHT contributed ¥1.2 billion to the increase in 4Q business profit as it achieved an 11% YoY increase in sales volume. Y-TWS added another ¥2.9 billion, MB contributed ¥0.6 billion, and the Other segment provided ¥1.1 billion.

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



	Dec. 31, 2023	Dec. 31, 2022	Change	(billion yen)
<b>Current assets</b>	<b>618.1</b>	<b>504.0</b>	<b>+114.1</b>	
Cash and cash equivalents	97.6	75.6	+22.0	
Trade and other receivables	243.4	193.7	+49.6	
Inventories	249.7	216.4	+33.3	
Other assets	27.4	18.3	+9.1	
<b>Non-current assets</b>	<b>982.4</b>	<b>647.1</b>	<b>+335.3</b>	
<b>Total assets</b>	<b>1600.5</b>	<b>1151.1</b>	<b>+449.4</b>	
<b>Liabilities</b>	<b>851.7</b>	<b>528.0</b>	<b>+323.7</b>	
<b>Equity</b>	<b>748.8</b>	<b>623.1</b>	<b>+125.7</b>	
<b>Total liabilities and equity</b>	<b>1600.5</b>	<b>1151.1</b>	<b>+449.4</b>	
<b>Interest-bearing debt*1</b>	<b>469.4</b>	<b>238.7</b>	<b>+230.7</b>	
<b>Ratio of equity attributable to owners of parent (%)</b>	<b>46.2%</b>	<b>53.4%</b>	<b>-7.2%</b>	
<b>D/E ratio</b>	<b>0.63</b>	<b>0.39</b>	<b>+0.25</b>	
<b>Net D/E ratio</b>	<b>0.50</b>	<b>0.27</b>	<b>+0.24</b>	
<b>ROE (%)*2</b>	<b>9.9%</b>	<b>8.1%</b>	<b>+1.9%</b>	
<b>ROIC (%)</b>	<b>5.3%</b>	<b>5.2%</b>	<b>+0.0%</b>	

\*1: Interest-bearing debt does not include lease liabilities

\*2: Profit attributable to owners of parent / Average (simple average of amounts at beginning and end of year) total equity attributable to owners of the parent × 100



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That brings us to our financial position.

As of December 31, 2023, our shareholders' equity ratio is 46.2%, the D/E ratio is 0.63, and the net D/E ratio is 0.50.

These figures reflect the impact of the TWS acquisition on our financial position, which ended up being less than previously estimated as we were able to offset it to some extent by increasing operating cash flow and unwinding cross-shareholdings.

## State of Cash Flows



(billion yen)

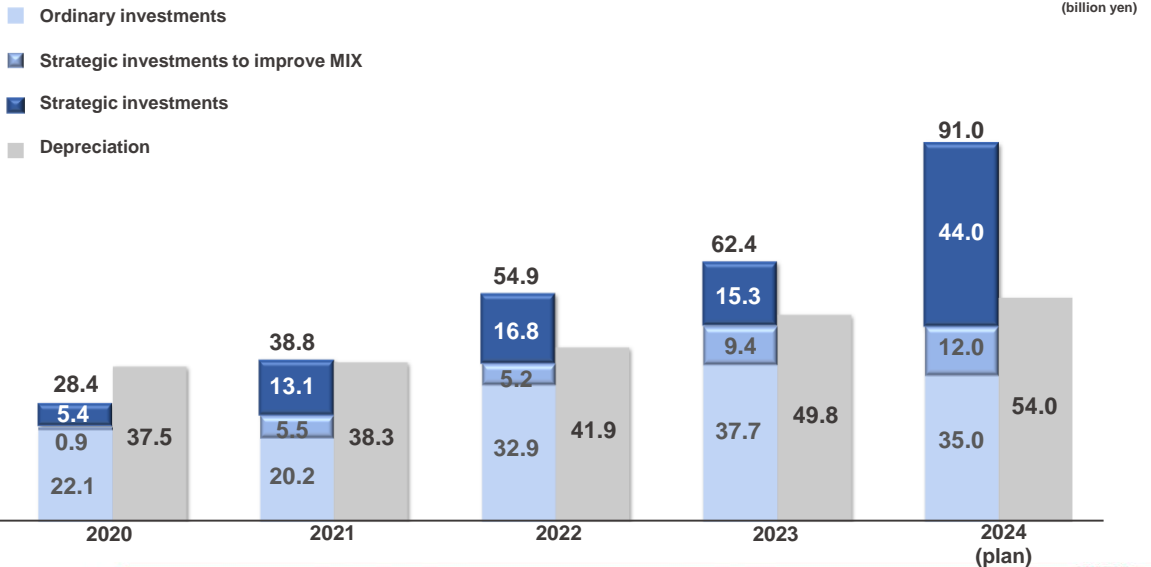
	2023 Jan.-Dec.	2022 Jan.-Dec.	Change
CF from operating activities	159.7	39.2	+120.5
CF from investing activities	-344.0	-46.4	-297.7
Free CF	-184.3	-7.1	-177.1
CF from financing activities	205.8	35.2	+170.6
Closing balance of cash and cash equivalents	97.6	75.6	+22.0

This slide summarizes our cash flows during FY2023.

Operating cash flow, as noted earlier, came to an all-time high of ¥159.7 billion thanks to the increase in profits and an improvement in operating capital achieved by inventory adjustments.

The TWS acquisition, however, increased cash flow used in investing activities to ¥344.0 billion.

## Capital Expenditures and Depreciation



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This slide shows the trends in our capital expenditures and depreciation.

Total capex in FY2023 came to ¥62.4 billion. Strategic investments, including investment to expand production in India, accounted for ¥15.3 billion of that total. MIX improvement investments totaled ¥9.4 billion, most of which went toward expanding the Shinshiro Plant's production capacity for high-inch tires.

In FY2024, we plan capital expenditures of ¥91.0 billion and expect to continue investing aggressively during YX2026.

We are planning ¥44.0 billion in strategic investments in FY2024, including spending on additional production capacity at YOHT's new plant in India.

We also are planning to spend ¥12.0 billion on MIX improvements, which will include the expansion and MIX improvement at our Philippine passenger car tire plant that we announced in January.

# Earnings Forecast for FY2024

Now let's look at our forecasts for FY2024.

## Profit and Loss Projections (Full Year)



Exchange Rates	US\$ 137 yen	141 yen (previous year)	-4yen	
	EUR 150 yen	152 yen (previous year)	-2 yen	
TSR20*	141 cents	136 cents (previous year)	+5 cents	*SICOM TSR20 1M
WTI	77 dollars	78 dollars (previous year)	-0 dollars	

	2024 forecast	2023 result	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	1060.0	985.3	+74.7	+7.6%	-23.7	+98.4
Business profit* <sup>1</sup> (Business profit margin)	115.0 (10.8%)	99.1 (10.1%)	+15.9 (+0.7%)	+16.0%	-5.7	+21.5
Operating profit (Operating profit margin)	115.5 (10.9%)	100.4 (10.2%)	+15.1 (+0.7%)	+15.1%	-5.6	+20.8
Profit* <sup>2</sup>	74.5	67.2	+7.3	+10.8%		
ROE (%)	10.0%	9.9%	+0.1%			

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

\*2 Profit attributable to owners of parent



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I begin with our full-year forecast.

Key assumptions, as shown at the top of this slide, include forex rates of 137 for USD/JPY and ¥150 for EUR/JPY. Our raw material price assumptions are 141 cents for TSR20 grade natural rubber and \$77 for WTI crude oil.

We are targeting sales revenue of ¥1,060 billion, a 7.6% YoY increase.

We forecast business profit will increase ¥15.9 billion or 16% YoY to ¥115 billion, leading to further improvement in the profit margin to 10.8%. We are targeting operating profit of ¥115.5 billion, an increase of ¥15.1 billion, and net profit of ¥74.5 billion, ¥7.3 billion higher than in FY2023.



## Profit and Loss Projections (First Half)



Exchange Rates	US\$ 137 yen	135 yen (previous year)	+2yen	
	EUR 150 yen	146 yen (previous year)	+4 yen	
TSR20*	146 cents	136 cents (previous year)	+10 cents	*SICOM TSR20 1M
WTI	76 dollars	75 dollars (previous year)	+1 dollars	

	2024 forecast	2023 result	Change	Change (%)	(billion yen)	
					Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	500.0	443.2	+56.8	+12.8%	+2.6	+54.2
Business profit* <sup>1</sup> (Business profit margin)	42.0 (8.4%)	25.6 (5.8%)	+16.4 (+2.6%)	+64.3%	+0.7	+15.8
Operating profit (Operating profit margin)	43.0 (8.6%)	28.2 (6.4%)	+14.8 (+2.2%)	+52.6%	+0.6	+14.2
Profit* <sup>2</sup>	25.5	27.7	-2.2	-7.9%		

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

\*2 Profit attributable to owners of parent

In the first-half of FY2024, we project sales revenue of ¥500 billion, business profit of ¥42 billion, operating profit of ¥43 billion, and net profit of ¥25.5 billion.

## Business Segment (Full-Year Forecast)



(billion yen)

		2024 forecast	2023 result	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	Tires total	944.0	874.9	+69.1	+7.9%	-22.6	+91.8
	(Tires)	(656.0)	(639.0)	(+17.0)	(+2.7%)	(-16.8)	(+33.8)
	(YOHT)	(138.0)	(132.1)	(+5.9)	(+4.5%)	(-3.9)	(+9.8)
	(Y-TWS)	(150.0)	(103.7)	(+46.3)	(+44.6%)	(-1.9)	(+48.2)
	MB	107.0	101.9	+5.1	+5.0%	-1.4	+6.5
	Other	9.0	8.6	+0.4	+4.8%	+0.3	+0.1
	<b>Total</b>	<b>1060.0</b>	<b>985.3</b>	<b>+74.7</b>	<b>+7.6%</b>	<b>-23.7</b>	<b>+98.4</b>
Business profit	Tires total	107.2	92.0	+15.2	+16.5%	-5.1	+20.3
	(Tires)	(72.8)	(72.6)	(+0.2)	(+0.3%)	(-4.5)	(+4.6)
	(YOHT)	(17.6)	(17.6)	(+0)	(+0.2%)	(-0.5)	(+0.5)
	(Y-TWS)	(16.8)	(1.8)	(+15.0)	(+812.8%)	(-0.2)	(+15.2)
	MB	7.7	7.2	+0.5	+7.6%	-0.5	+1.0
	Other	0.1	-0.1	+0.2	-	-0	+0.2
	Intersegment eliminations	-	0	-0	-	-	-0
	<b>Total</b>	<b>115.0</b>	<b>99.1</b>	<b>+15.9</b>	<b>+16.0%</b>	<b>-5.7</b>	<b>+21.5</b>



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

Our tire segment forecast includes a full-year contribution from Y-TWS, and increases in sales of parent company tires and YOHT tires. Based on these assumptions, we expect tire segment sales revenue to increase 7.9% YoY to ¥944 billion, generating business profit of ¥107.2 billion, ¥15.2 billion more than in FY2023.

With the MB segment forecast to achieve sales revenue of ¥107 billion and business profit of ¥7.7 billion, we are planning for sales and profit growth in all business segments.

## Business Segment (First-Half Forecast)



(billion yen)

		2024 forecast	2023 result	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	Tires total	445.0	389.5	+55.5	+14.3%	+2.5	+53.1
	(Tires)	(299.0)	(291.9)	(+7.1)	(+2.4%)	(-0.9)	(+8.0)
	(YOHT)	(67.0)	(67.1)	(-0.1)	(-0.2%)	(+1.0)	(-1.1)
	(Y-TWS)	(79.0)	(30.5)	(+48.5)	(+159.3%)	(+2.3)	(+46.2)
	MB	51.0	49.0	+2.0	+4.0%	+0.2	+1.7
	Other	4.0	4.6	-0.6	-13.9%	-0.1	-0.6
	<b>Total</b>	<b>500.0</b>	<b>443.2</b>	<b>+56.8</b>	<b>+12.8%</b>	<b>+2.6</b>	<b>+54.2</b>
Business profit	Tires total	39.1	23.0	+16.1	+70.2%	+0.6	+15.6
	(Tires)	(22.2)	(15.5)	(+6.7)	(+42.8%)	(+0.2)	(+6.5)
	(YOHT)	(8.1)	(8.4)	(-0.3)	(-3.9%)	(+0.1)	(-0.4)
	(Y-TWS)	(8.8)	(-1.0)	(+9.8)	-	(+0.3)	(+9.5)
	MB	2.8	2.7	+0.1	+2.7%	+0.1	-0
	Other	0.1	-0.2	+0.3	-	-0	+0.3
	Intersegment eliminations	-	0	-0	-	-	-0
	<b>Total</b>	<b>42.0</b>	<b>25.6</b>	<b>+16.4</b>	<b>+64.3%</b>	<b>+0.7</b>	<b>+15.8</b>



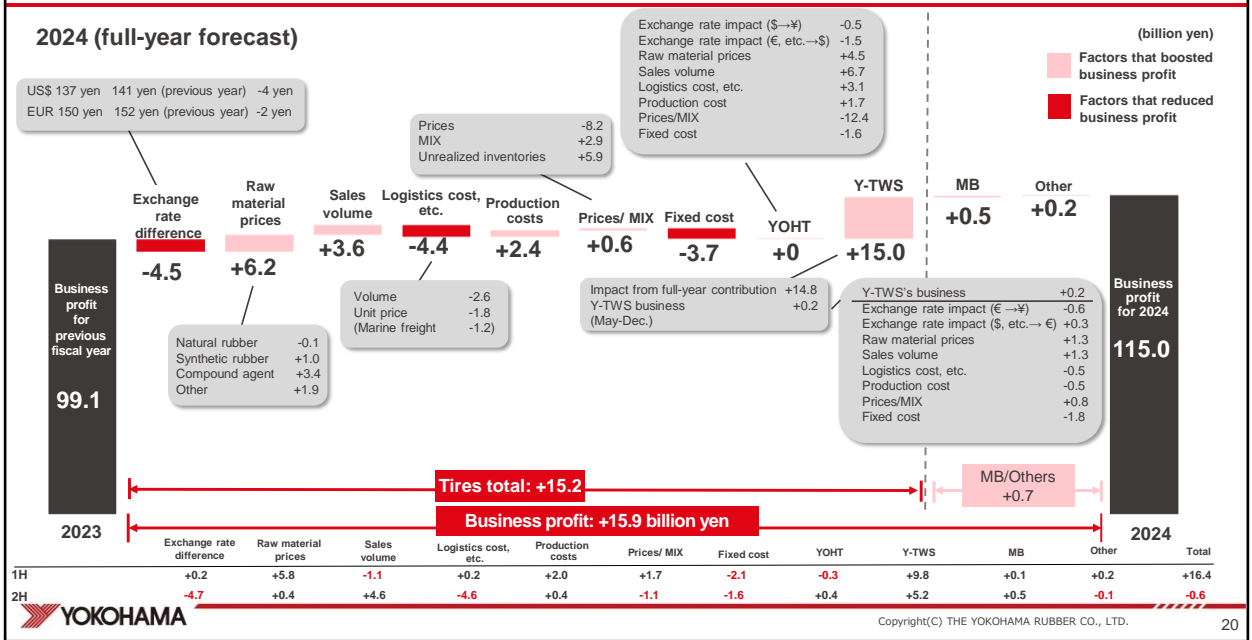
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This slide shows our first-half forecasts for each business segment.

As the slide shows, we are aiming for increases in sales and profits in both the tire and MB segments.

# Factor Analysis of Business Profit (Full Year)



This slide shows our estimates for the factors expected to impact business profit in FY2024.

First of all, we expect a ¥4.5 billion negative impact from forex rate fluctuations, as we think the yen is likely to reverse direction and appreciate against the USD and EUR. However, we expect further decreases in raw material prices, concentrated in 1H, to provide a ¥6.2 billion boost to business profit in FY2024.

We forecast a 4% increase in unit sales will contribute another ¥3.6 billion to profit growth. However, we expect rising logistics costs to have a ¥4.4 billion negative impact on business profit. This estimate reflects rising costs due to our planned increase in sales volume while responding to various logistics issues in 2024, including Japan's so-called "2024 Problem" referring to the shortage of truck drivers and the current increase in marine freight rates caused by tensions in the Middle East affecting the Red Sea shipping route.

On the positive side, we expect lower production costs to boost profit by ¥2.4 billion with a 6% increase in production volume. Prices and MIX improvement are expected to add another ¥0.6 billion to the increase in FY2024 business profit.

We are factoring in an ¥8.2 billion negative impact from prices owing to market risks. However, we expect that to be offset by ¥2.9 from MIX improvements and ¥5.9 billion from a reversal of FY2023's unrealized profit on inventories. The MIX improvement reflects our expectation that efforts to increase the sales ratio of our high value-added tires will outweigh the negative impact from increased sales of OE for new cars. Fixed costs are expected to have a ¥3.7 billion negative effect, owing to an increase in sales promotion and other expenses supporting the increase in sales volume.

As for YOHT, we are forecasting only a slight profit increase in FY2024. However, if we exclude the expected negative forex impact, YOHT's projected profit increase comes to about ¥2.0 billion.

In addition to the positive impact from lower costs, including reductions of ¥4.5 billion for raw materials and ¥3.1 billion for logistics, we project a 17% increase in sales volume will contribute ¥6.7 billion to YOHT's bottom line.

We forecast those positives will be partially offset by a negative ¥12.4 billion impact from prices and MIX related to aggressive marketing in FY2024.

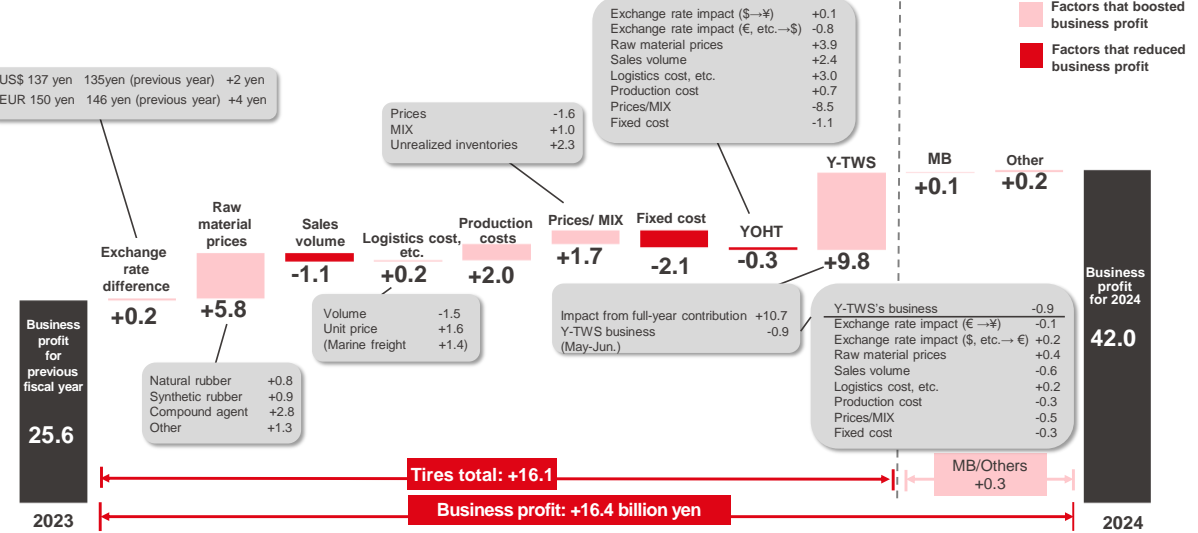
We forecast Y-TWS will contribute ¥15.0 billion to FY2024 profit growth. That large contribution reflects the absence of one-time acquisition-related costs and a ¥14.8 billion contribution from the four months (Jan-Apr) not included in our FY2023 consolidated results. The remaining ¥0.2 billion is from a forecast YoY increase in Y-TWS profit for the eight months from May to December. The main components of that ¥0.2 billion increase include an improved price to raw materials/logistics cost spread of ¥1.6 billion. Increased sales volume is expected to add another ¥1.3 billion to May-Dec profit, with strong sales of replacement tires covering a decline in OE sales. Taking into account expected market risk, we estimate fixed cost will increase ¥1.8 billion.

Lastly, the MB segment plans to increase its business profit by ¥0.5 billion on rebounding sales of hoses & couplings and continued growth in sales of its conveyor belts and aerospace products.

# Factor Analysis of Business Profit (First Half)

2024 (first-half forecast)

(billion yen)



Factors expected to affect 1H business profit are shown in this graph on p21.

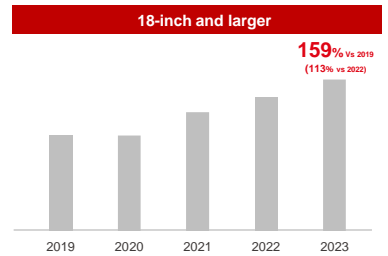
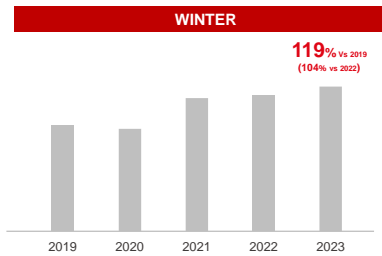
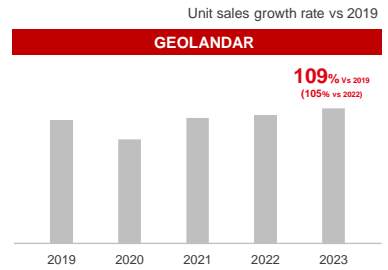
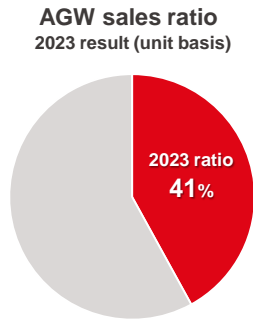
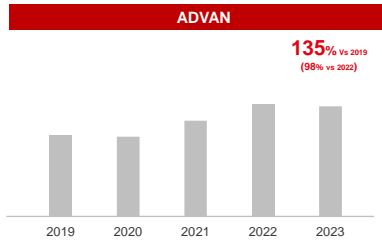
That concludes my presentation.

### **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) Cumulative Unit Sales of Consumer Tire Products





## (Reference) Tire Unit Sales YoY Growth



Tires (excluding OHT) Year-on-year unit sales growth by region, quarterly & annual basis (%)

	2022 result			Q4 2023 result			2023 result		
	Total	OE	REP	Total	OE	REP	Total	OE	REP
Japan	105%	98%	108%	108%	119%	104%	103%	113%	98%
North America	103%	121%	101%	94% (*106%)	109%	92% (*105%)	98% (*107%)	122%	94% (*104%)
Europe	101%	92%	102%	103%	284%	100%	101%	155%	100%
China	97%	93%	110%	134%	128%	147%	95%	77%	135%
Asia	119%	132%	115%	109%	90%	116%	106%	101%	108%
Others	83%	19%	88%	120%	-	120%	123%	-	123%
Total	103%	99%	104%	109% (*112%)	117%	107% (*110%)	102% (*104%)	99%	104% (*106%)

	2024 plan		
	Total	OE	REP
Japan	104%	113%	100%
North America	101% (*104%)	109%	99% (*102%)
Europe	107%	145%	106%
China	109%	105%	114%
Asia	110%	105%	111%
Others	85%	-	85%
Total	104% (*104%)	110%	101% (*102%)

	Regional sales composition	
	2023 result	2024 plan
Japan	39%	39%
North America	19%	19%
Europe	6%	7%
China	15%	15%
Asia	12%	13%
Others	9%	7%
Total	-	-

\*Data does not include sales of Friend Tire, which was sold off in April 2023

# (Reference) OHT Sales YoY Growth



Year-on-Year growth rate of tire sales volume (%)

	2022 result		
	Total	OE	REP
Europe			
North America			
Others			
Total			

Q4 2023 result		
Total	OE	REP
102%	83%	126%
83%	71%	93%
85%	52%	103%
94%	75%	111%

2023 result		
Total	OE	REP
96%	95%	98%
83%	90%	79%
88%	63%	105%
91%	88%	93%

	2024 plan		
	Total	OE	REP
Europe	101%	92%	109%
North America	113%	99%	124%
Others	132%	113%	139%
Total	110%	97%	119%

Region wise sales composition (volume basis)

	composition ratio	
	2023 result	2024 plan
Europe	56%	51%
North America	27%	28%
Others	17%	21%

Region wise OE sales composition (volume basis)

	OE ratio	
	2023 result	2024 plan
Europe	47%	43%
North America	45%	39%
Others	27%	24%

Category wise sales ratio (volume basis)

	2023 result	2024 plan
Agricultural	57%	55%
Construction	13%	13%
Industrial	18%	19%
Others	12%	13%

AG tire replacement Demand YoY (Our Estimate)

	2023 Q4	2023
Europe	90%	70%
North America	89%	65%

# (Reference) Tire Rubber Production Volumes

