The Yokohama Rubber Co., Ltd.

Summary of FY2026 Q1 Results Briefing Q&A Session with Analysts

Regarding the impact from Middle East situation

Q: Please provide us with a breakdown of the negative ¥38 billion impact on annual costs from the situation in the Middle East and your plan to offset that impact.

A: The estimated ¥38 billion increase in costs mainly includes ¥23 billion in our Tire Business (excl. OHT) and ¥13 billion in our OHT Business, the majority of which is caused by the soaring prices of raw materials.

We expect a weaker yen than we had assumed in our initial FY2026 plan will offset about 40% of the higher costs. We believe the other 60% will be covered by various improvement efforts, including already implemented price hikes, an improved sales mix, and strong OHT sales. Our implementation of more optimal prices, already announced in Japan, will also be promoted in Asia, Europe, and regions other than North America. Rather than implementing price optimization at the same levels and methods worldwide, we will carefully consider appropriate levels for each size and tire pattern, while monitoring the positions taken by our competitors.

Regarding Q1 results

Q: While Q1 business profit of ¥44.4 billion is a very strong result, can you tell us if that result was boosted by any temporary factors and if it exceeded your internal plans?

A: As a temporary factor the absence of G-OTR business related acquisition expenses posted last year, which boosted some figures in our OHT business results. Our tire and OHT businesses both produced results that exceeded our internal plans and are performing well .

Regarding 1H and full-year guidance

Q: What do you think the probability is for achieving your unchanged full-year guidance? For example, wouldn't WTI lingering at around $100 pose a risk to your forecasts?

A: Regarding our raw material price assumptions, we expect the price of WTI crude oil from now through 3Q, the period that affects our profit forecast for FY2026, will not rise above $93. If WTI remains at around $100, it would be a negative factor. However, with recent forex market movements weakening the yen even more than our revised assumption, we believe we would be able to absorb the impact from a higher-than-expected WTI.

Q: Is there likely to be any change in your thinking about your annual dividend?

A: There is no change in our current medium-term management plan's policy of a 30% dividend payout ratio and total return ratio of more than 30%. We plan to reconsider our forecast for FY2026's dividend after 2Q results have been finalized. Please understand that as of Q1, the situation in the Middle East and other geopolitical risks have not changed our dividend policy.

Tire Business (excl. OHT)

Q: What are the reasons for the decline in Q1 sales in North America, and what is the likelihood that sales will rebound in 2Q?

A: The decline in Q1 sales reflects an overall cooling off in the North American market. In addition, a severe cold wave in January curtailed operations at some tire distributors, and the increase in 4Q sales last year increased inventories at some of our customers.

We expect market conditions to remain difficult from 2Q onwards, but we believe such measures as an appropriate revision of our relatively high price positioning following price hikes in response to the impact of tariffs up until last year, the launch of a new GEOLANDAR tire in May, and the development of new customers will help us boost sales.

Q: Is there any change in the backorders situation globally?

A: Backorders are still at a high level of just over one million units. The decline in North American sales is being covered by increasing units allocated to other regions and other measures. The main change since February is that a decrease in overall supply to the Middle East has increased our backorders.

OHT Business

Q: Were your strong Q1 results achieved in a difficult market environment supported by any temporary factors, such as a last-minute demand rush?

A: Our extremely strong performance in Q1 is not due to any temporary factors. We understand that producing and selling high-quality products with a high-value proposition, a concept we have promoted for the past two years, began to generate results in Q1. We believe this strong performance will continue for the foreseeable future.

Q: What is the reason for ATG’s very strong sales?

A: ATG’s strong results reflect a large increase in its market share in North America, especially for replacement tires. While many competitors curtailed shipments due to the impact from tariffs in the latter half of last year, we were able to secure new customers by continuing to distribute our tires to customers. TWS also increased its market share in Europe by strengthening its Mitas brand and capturing demand created by premium-brand competitors’ market withdrawal.

Q: Have energy shortages or raw material procurement difficulties hampered production in India?

A: At present, there has been absolutely no disruption in production at our plants in India, which derive more than half their energy needs from solar and wind power generation. In addition, raw material procurement is not a concern at this time, as the plants have diversified their sources for raw materials.

Q: I think that rising fertilizer and fuel costs have reduced farmers' purchasing power. Could you please tell us how you are addressing these issues?

A: In North America, while fertilizer prices have risen about 50% from 2025 levels and fuel prices also have increased, farmers have not been able to increase their grain sales prices to a similar extent, placing them in a difficult situation. To increase or at least maintain our OHT sales levels, we must expand our market share. We aim to expand our shares of the markets for OE and replacement tires by strengthening marketing to existing customers and launching new products. Recently introduced bias tires have been very well received, and sales are strong.