

# **FY 2020 First-Quarter Financial Results**

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## **Briefing Material**

May 22, 2020

The Yokohama Rubber Co., Ltd.

# Novel Coronavirus (COVID-19) related matters

## Conditions in our main markets

- Domestic economy has slowed owing to restrictions on people's movement, such as stay-at-home request, and stagnant corporate activity
- Overseas economies also have slowed down owing to strict lockdowns in the US, Europe, China and other countries diminishing consumption activities and disrupting the global supply chain
- Economic activity in China is recovering gradually but it's too early for an optimistic outlook

## Yokohama Rubber's measures to prevent the spread of the virus

### Securing the health and safety of customers, employees and their families

- Set up a task force and the president directs the company's response
- Cancelled a golf tournament and other events and have prohibited non-urgent meetings, business trips, etc.
- Companywide promotion of work from home (WFH) and telework
- Established infection prevention guidelines and instructed employees to strictly observe the guidelines and avoid the "3Cs" (Closed spaces, Crowded places, Close contact)

## Promotion of reforms aided by our coronavirus response

- Measures to strengthen BCP as a response to the coronavirus
- Stepped up promotion of work-style reforms, including improving the WFH environment
- Reducing cash outflow by revising capex and other expenditure plans
- Accelerating consideration of relocating bases to optimize domestic network

## Conditions at main production sites

### Tire Business

- Japan: Closed for several days during May's Golden Week holidays  
Continue to pursue optimal production activity based on the situation
- China: Operations halted during Feb 3-17, as per government order  
Plant shutdowns for several days in March and April for production adjustments, with differing schedules for each region  
Gradually increasing plant utilization; return to normal next month
- Philippines: Operations halted from March 18, as per government order  
Gradual resumption underway since April 8
- Thailand: Shutdowns during Apr 10-15 and Apr 27-May 3 for production adjustments  
Gradual resumption underway; another production adjustment shutdown planned for 2H May
- North America: Mississippi shut down during Mar 28–Apr 26, as per government order.  
Currently gradually resuming operations  
Virginia shut down since April 5, as per government order

## Conditions at main production sites

### MB Business

- Japan: Continuing normal operations. Certain plants plan a 6-day operation halt in May for production adjustments
- North America: Operations halted in Mar–Apr for production adjustments and owing to government orders  
Some operations have been restarted
- China: Shut down in Feb as per government orders  
Operations gradually resumed from March
- Italy: Shut down in Mar–Apr as per government orders. Operations now gradually resuming.

### ATG

- 2 India plants shut down temporarily in Mar-Apr as per government order  
Operations have been resuming gradually since mid-April
- Israel plant has continued operating as usual
- Company continues to meet solid demand for agri-tires

## Strong financial base

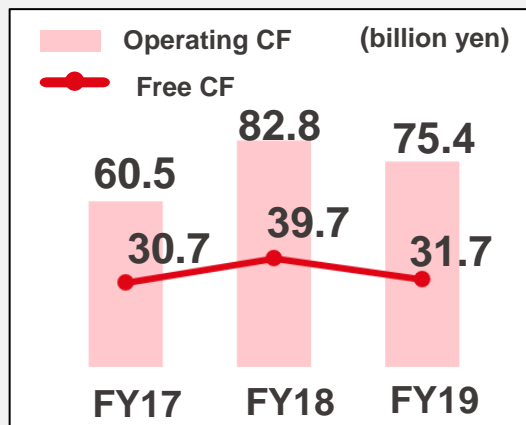
Credit rating (JCR): **A+ (stable)**

### ■ Cash flow creation

Operating CF: **¥218.6bn**

Free CF: **¥102.1bn**

(totals for FY2017-19)

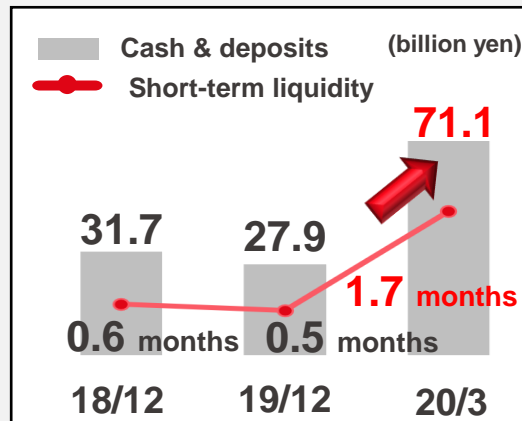


### ■ Liquidity

Cash & deposits: **¥71.1bn**

Short-term liquidity: **1.7 months**

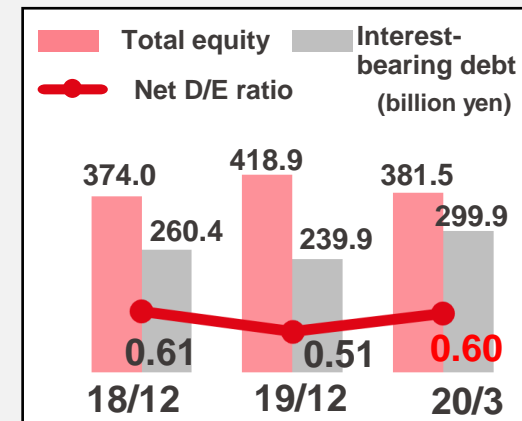
(as of end-March 2020)



### ■ Strong financial condition

Net D/E: **0.6x**

(as of end-March 2020)



## Maintain strong financial base while carrying out timely financial measures

- Increased short-term liquidity through timely financings (short-term liquidity increased to 1.7 months)
- Implementing precautionary financial measures based on stress tests in preparation for prolonged impact from the coronavirus  
Established commitment line; securing liquidity by expanding overseas subsidiaries' borrowing lines

# Results for FY 2020 First-Quarter

## ■ Scope of consolidation

**Consolidated subsidiaries 120 companies  
(1 less than at the end of previous fiscal year)**

**(Breakdown of change)**

**-1 company**

**Japan: -1 company**

**Tire indirectly owned sales subsidiary**



# Profit and Loss (First Quarter)

<b>Exchange Rates</b>	US\$ 109 yen	110 yen (previous year)	-1 yen	
	EUR 120 yen	125 yen (previous year)	-5 yen	
	RUB 1.6 yen	1.7 yen (previous year)	-0.0 yen	
<b>TSR20*</b>	134 cents	140 cents (previous year)	-6 cents	*SICOM TSR20 1M
<b>WTI</b>	46 dollars	55 dollars (previous year)	-9 dollars	

	(billion yen)					
	2020 Jan.-Mar.	2018 Jan.-Mar.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
<b>Sales revenue</b>	<b>129.1</b>	<b>149.5</b>	<b>-20.4</b>	<b>-13.6%</b>	<b>-1.4</b>	<b>-19.0</b>
<b>Business profit*<sup>1</sup></b> (Business profit margin)	<b>1.8</b> (1.4%)	<b>5.8</b> (3.9%)	<b>-4.0</b> (-2.5%)	<b>-68.8%</b>	<b>-0.3</b>	<b>-3.8</b>
<b>Operating profit</b> (Operating profit margin)	<b>1.2</b> (1.0%)	<b>12.9</b> (8.6%)	<b>-11.6</b> (-7.6%)	<b>-90.4%</b>	<b>-0.3</b>	<b>-11.4</b>
<b>Profit *<sup>2</sup></b>	<b>-0.3</b>	<b>9.1</b>	<b>-9.4</b>	<b>-</b>		

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

\*2 Profit attributable to owners of parent

# Business Segment (First Quarter)

(billion yen)

		2020 Jan.-Mar.	2019 Jan.-Mar.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Sales revenue	Tires	87.4	100.1	-12.7	-12.7%	-1.0	-11.7
	MB	24.9	28.9	-4.0	-13.8%	-0.2	-3.8
	ATG	15.5	18.9	-3.3	-17.6%	-0.2	-3.1
	Other	1.3	1.7	-0.4	-23.0%	-0	-0.4
	<b>Total</b>	<b>129.1</b>	<b>149.5</b>	<b>-20.4</b>	<b>-13.6%</b>	<b>-1.4</b>	<b>-19.0</b>
Business profit	Tires	-0.5	1.5	-2.0	-	-0.2	-1.8
	MB	0.9	1.7	-0.8	-46.0%	-0	-0.8
	ATG	1.8	2.4	-0.7	-27.0%	-0	-0.6
	Other	-0.4	0.1	-0.6	-	-0	-0.6
	Intersegment eliminations	0	0	+0	-	-	+0
	<b>Total</b>	<b>1.8</b>	<b>5.8</b>	<b>-4.0</b>	<b>-68.8%</b>	<b>-0.3</b>	<b>-3.8</b>

# Factor Analysis of Business Profit

## 2020 First Quarter

US\$ 109 yen 110 yen(previous year) -1 yen  
 EUR 120 yen 125 yen(previous year) -5 yen  
 RUB 1.6 yen 1.7 yen(previous year) -0.0 yen

(Breakdown)  
 Sales volume -2.3  
 Variable cost +0.6

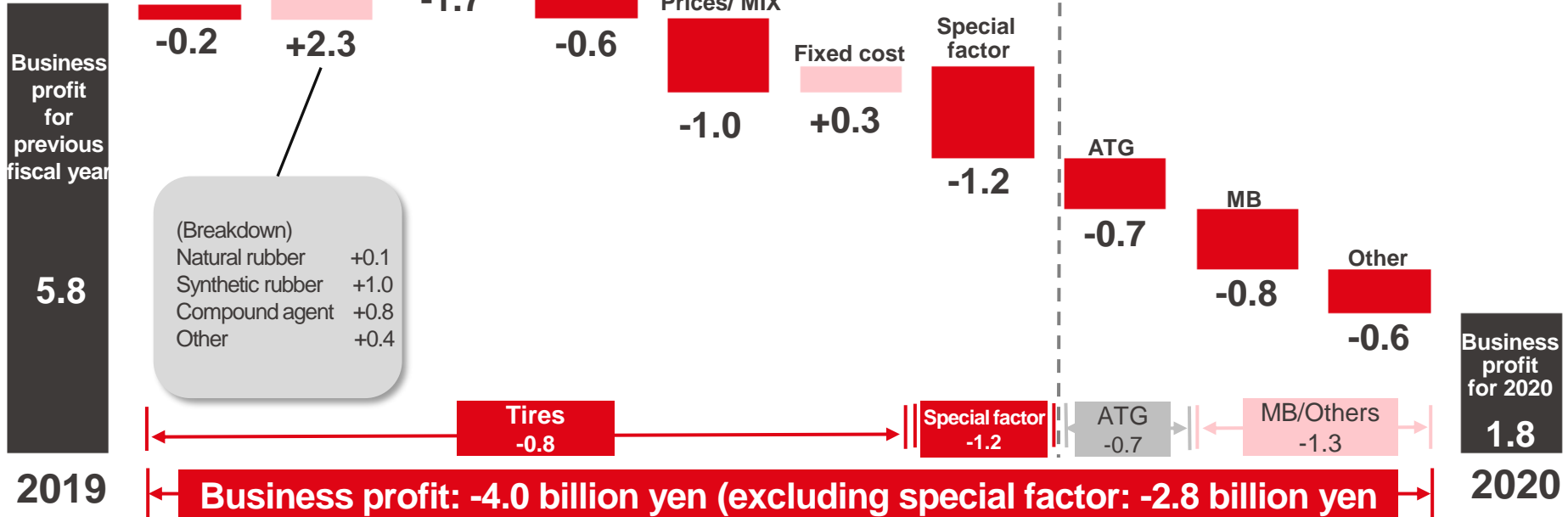
Raw material prices  
 Sales volume

(Breakdown)  
 Natural rubber +0.1  
 Synthetic rubber +1.0  
 Compound agent +0.8  
 Other +0.4

(billion yen)

Factors that boosted business profit

Factors that reduced business profit

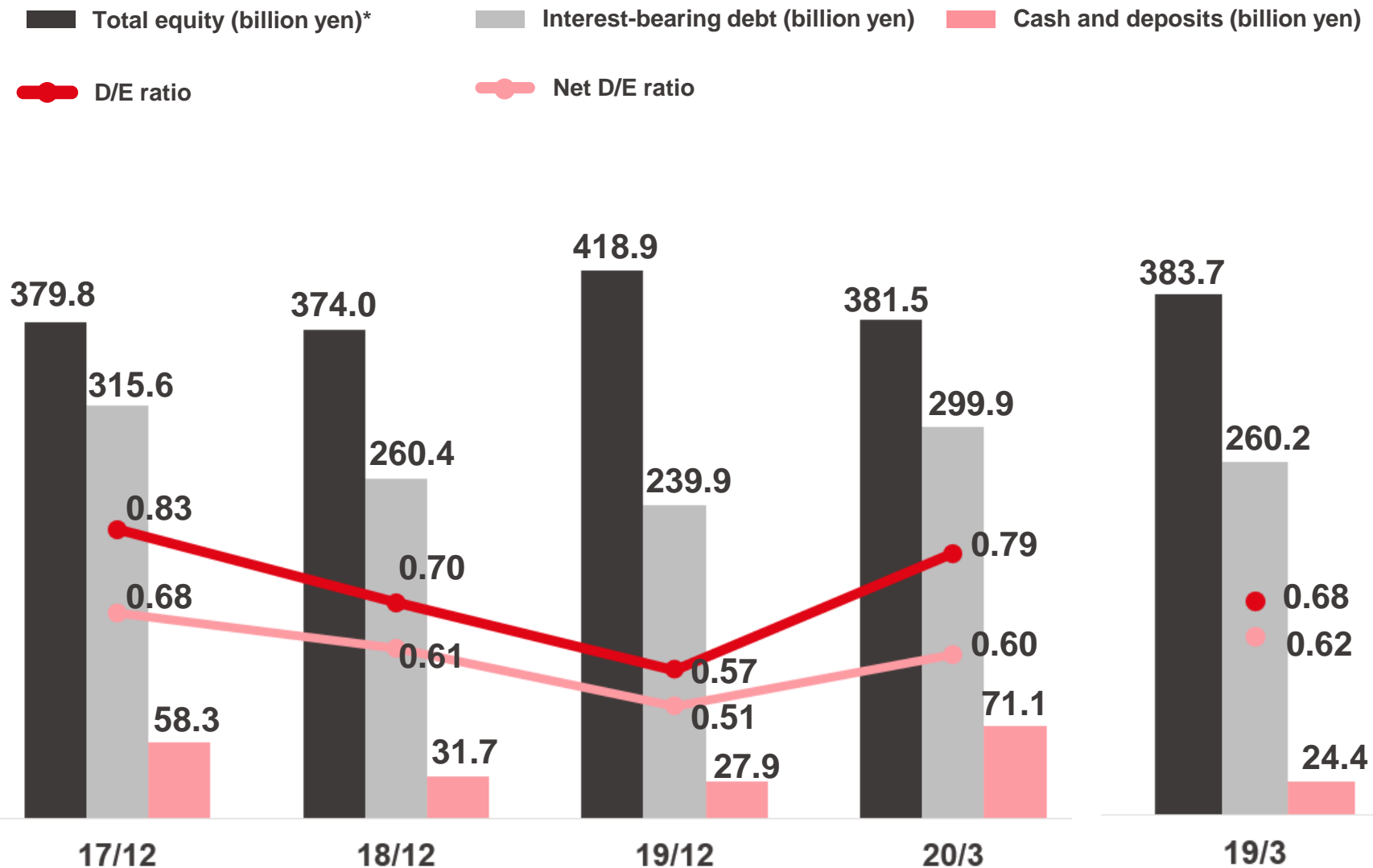


# Financial Position

	(billion yen)		
	Mar. 31, 2020	Dec. 31, 2019	Change
<b>Current assets</b>	356.5	331.5	+24.9
Cash and cash equivalents	71.1	27.9	+43.2
<b>Non-current assets</b>	542.0	576.0	-34.1
<b>Total assets</b>	898.4	907.6	-9.1
<b>Liabilities</b>	509.0	479.9	+29.2
<b>Equity</b>	389.4	427.7	-38.3
<b>Total liabilities and equity</b>	898.4	907.6	-9.1
<b>Interest-bearing debt *</b>	299.9	239.9	+60.0
<b>Ratio of equity attributable to owners of parent</b>	42.5%	46.2%	-3.7%
<b>D/E ratio</b>	0.79	0.57	+0.21

\*Interest-bearing debt does not include lease liabilities

# Changes in Interest-bearing Debt, Total equity, D/E Ratio, and Net D/E Ratio



\* Total equity do not include non-controlling interests.

# State of Cash Flows

(billion yen)

	2020 Jan.-Mar.	2019 Jan.-Mar.	Change
CF from operating activities	2.7	7.5	-4.8
CF from investing activities	-10.0	-7.9	-2.1
Free CF	-7.4	-0.4	-7.0
CF from financing activities	51.4	-7.2	+58.5
Closing balance of cash and cash equivalents	71.1	24.4	+46.7

# Earnings Forecast for FY 2020

## Yokohama Rubber Group's operating environment

With countries around the world adopting measures to prevent the further spread of the novel coronavirus, including lockdowns and requiring people to stay at home, the global economy is deteriorating, rapidly as personal consumption and economic activity remain stagnant.

The Yokohama Rubber Group's corporate activities are being affected by partial suspension of production activities at overseas production bases and restrictions on people's activities outside their home in countries where the Group's products are sold.

## 2Q and full-year earnings forecasts

Given the uncertainties regarding the spread of the novel coronavirus and its containment, it is currently difficult to make a reasonable forecast of the Group's consolidated financial results and dividend for the second quarter of the current fiscal year as well as for the full-year ending on December 31, 2020.

We will disclose a revised guidance as soon as it is possible to make a reasonable earnings forecast.



