FY2017 Financial Results Briefing Material

February 19, 2018
The Yokohama Rubber Co., Ltd.

1

As introduced, I am Gota Matsuo, head of the Corporate Finance & Accounting Department.

I would like to provide a summary of the full-year consolidated financial results for 2017.

Scope of Consolidation, etc.

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■ Scope of consolidation

Consolidated subsidiaries 137 companies (2 more than at the end of previous fiscal year)
(Breakdown of change) Japan: +2 companies (Tire and ATG), -1company (Tire) Asia: +2 companies (Tire and MB), -1company (ATG.) North America: +1 company (MB) Other: -1 company (ATG)

■ Breakdown of transfers

(Tire +2 companies)
Aichi Tire Industry Co., Ltd. (Japan/Tire production and sales company)
Yokohama Asia Co., Ltd. (Thailand/Management company)
(Tire -1 company)
(Japan/Tire sales company)
(MB +2 companies)
Shandong Yokohama Rubber Industrial Products Co., Ltd. (China/MB production and sales company)
Yokohama Aerospace America Inc. (U.S.A/MB sales company)
(ATG +1 company)
Alliance Tire Group B.V. (Japan/Holding company, etc.)
(ATG -2 companies)
Qingdao Alliance Tire Co., Ltd. (China/business company)
Alliance Tire South Africa (Pty) Ltd. (South Africa/business company)

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I will start by explaining the scope of consolidation.

At end-December 2017, Yokohama Rubber had 137 consolidated subsidiaries, two more than at the end of the previous fiscal year.

The change in the scope of consolidation reflects the net addition of one company in Japan, Asia, and North America and the net reduction of one company in the other regions category. Details are as shown in the slide.

These net figures include changes resulting from organizational restructuring at the Alliance Tires Group, or ATG.

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FY 2017 Consolidated Results

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Next, let’s look at our consolidated results in 2017.

The results presented in the following slides are on a Japanese GAAP basis. I will briefly present IFRS-based results later in the presentation.

Profit and Loss (Full Year)

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Exchange Rates	US$ 112 yen	109 yen (previous year)	+3 yen
	EUR 127 yen	120 yen (previous year)	+6 yen
	RUB 1.9 yen	1.6 yen (previous year)	+0.3 yen
TSR20*	165 cents	138 cents (previous year)	+27 cents
WTI	51 dollars	43 dollars (previous year)	+7 dollars

*SICOM TSR20 1M

(billion yen)

	2017 Jan.–Dec.	2016 Jan.–Dec.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Net sales	668.0	596.2	+71.9	+12.1%	+13.3	+58.5
Operating income (Operating income margin)	51.9 (7.8%)	42.3 (7.1%)	+9.6 (+0.7%)	+22.7%	+4.2	+5.4
Ordinary income	52.9	39.1	+13.8	+35.2%	+6.3	+7.5
Profit attributable to owners of parent	35.2	18.8	+16.4	+87.5%		

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As usual, I would like to start by examining the impact of exchange rates and material costs.

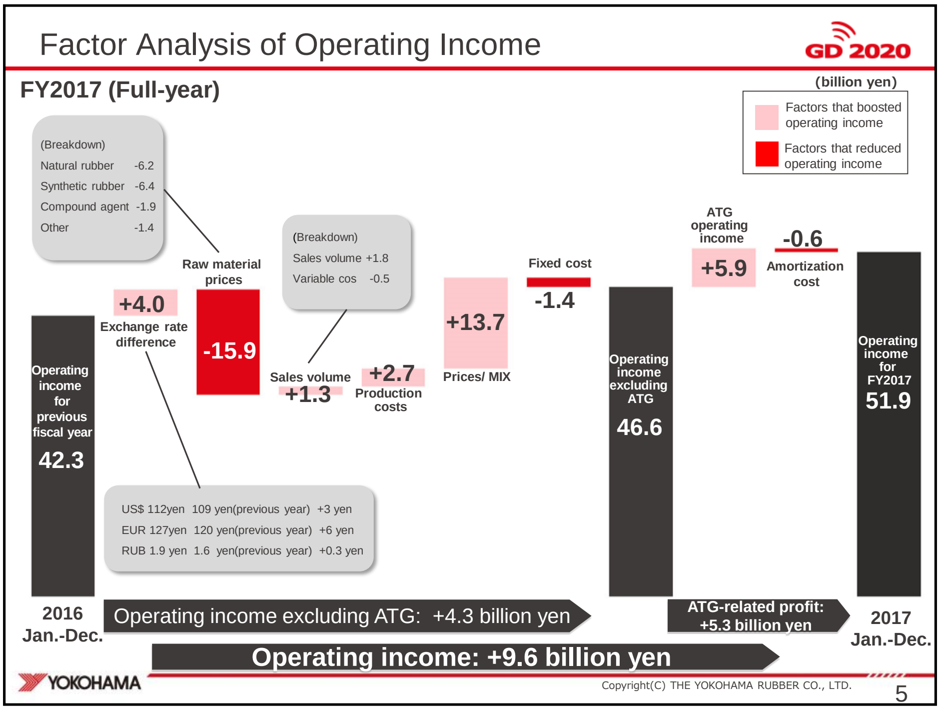
Our average forex rates in 2017 were ¥112/USD, a ¥3 depreciation relative to 2016; ¥127/EUR, a ¥6 depreciation; and ¥1.9/RUB, ¥0.3 weaker.

The positive impact of a weaker yen on earnings, as shown in the second row from the right in the table, increased net sales ¥13.3 billion, operating income ¥4.2 billion, and ordinary income ¥6.3 billion.

Turning to raw material costs, the average price of natural rubber (TSR20) during 2017 was 165 cents, a year-on-year increase of 27 cents. The average crude oil price was $51, $7 more than in 2016. These increases in raw material prices had a net ¥15.9 billion negative impact on our profits.

Next, let’s look at the main income statement items. Net sales totaled ¥668.0 billion, up ¥71.9 billion for a 12.1% year-on-year gain. I will provide a breakdown a bit later. Operating income came to ¥51.9 billion, up ¥9.6 billion or 22.7%. The operating income margin improved 0.7ppt to 7.8%. Ordinary income totaled ¥52.9 billion, an increase of ¥13.8 billion, and profit attributable to owners of the parent, came to ¥35.2 billion, up ¥16.4 billion on the 2016 result.

We posted extraordinary income of ¥5.4 billion, mostly reflecting a ¥4.3 billion gain on the sale of investment securities. On the other hand, extraordinary losses totaled ¥5.6 billion, including a ¥4.2 billion loss caused by the fire at Yokohama Tire Philippines in May 2017.



Next, let's look at the factors that affected operating income.

Operating income totaled ¥51.9 billion, up from ¥42.3 billion in 2016. The ¥9.6 billion increase includes a ¥5.3 billion contribution from ATG. Therefore, on a pro-forma basis, operating income was ¥46.6 billion, up ¥4.3 billion.

This pro-forma increase reflects a positive ¥4.0 billion forex impact; a ¥1.3 billion boost from increased sales volume, mostly at the Tire Segment; a ¥2.7 billion improvement in production costs, including cost reductions; and a ¥13.7 billion boost from price increases and improved product mix. These positive factors were partially offset by higher raw material prices, which reduced operating income by ¥15.9 billion. This negative impact includes ¥6.2 billion owing to higher prices of natural rubber, ¥6.4 billion from synthetic rubber prices, and ¥3.3 billion from increased prices of compounding agents and other materials. The other main negative factor was fixed cost related to sales promotion and other expenses, which reduced operating income by ¥1.4 billion.

As the slide shows, ATG's contribution to operating income increased by ¥5.9 billion, which was partially offset by ¥0.6 billion in related goodwill amortization.

Business Segment (Full Year)

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(billion yen)

		2017 Jan.–Dec.	2016 Jan.–Dec.	Change	Change (%)	Exchange rate impact	Change excluding impact of exchange rates
Net sales	Tires	481.6	450.6	+31.1	+6.9%	+9.8	+21.3
	MB	114.2	112.1	+2.1	+1.8%	+1.6	+0.5
	High-pressure hoses	43.7	42.3	+1.4	+3.3%		
	Industrial materials	28.6	27.2	+1.5	+5.4%		
	Hamatite	26.2	24.8	+1.4	+5.7%		
	Aircraft fixtures and components	15.6	17.8	-2.2	-12.3%		
	ATG	63.4	25.5	+38.0	+149.0%	+1.9	+36.0
	Other	8.8	8.0	+0.8	+9.5%	-	+0.8
	Total	668.0	596.2	+71.9	+12.1%	+13.3	+58.5
Operating income	Tires	40.1	36.3	+3.7	+10.3%	+3.4	+0.3
	MB	7.7	7.5	+0.2	+2.9%	+0.5	-0.3
	ATG	3.2	-2.1	+5.3	-	+0.2	+5.1
	Other	1.1	0.7	+0.4	+56.1%	-	+0.4
	Intersegment eliminations	-0.1	0.1	-0	-	-	-0
	Total	51.9	42.3	+9.6	+22.7%	+4.2	+5.4

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Next, let's look at the results at each business segment.

★Tire Segment sales totaled ¥481.6 billion, up ¥31.1 billion or 6.9% year on year. OE tire sales for new cars in Japan fell ¥2.9 billion, but domestic sales of replacement tires increased ¥9.3 billion and overseas sales expanded ¥24.7 billion, including a ¥9.8 billion positive forex impact. The decline in domestic OE tire sales reflects a drop in the production volume of cars using our tires, although total domestic vehicle production as a whole was up a 5% year on year. Our domestic replacement tire sales business achieved gains in sales and operating income. Sales were boosted by strong demand for our winter tires, supported by heavy snowfalls last winter. Profitability was improved by strengthened marketing of value-added products and cutting back on sales of lower-margin products.

In overseas markets, sales in China increased 11% on a volume basis, led by strong sales of OE tires. We also enjoyed strong sales growth in Russia, where sales expanded 24% amid rebounding demand. However, the May fire at Yokohama Tire Philippines curtailed its output by 1.56 million tires, affecting export volumes to North America and Europe.

★MB Segment sales totaled ¥114.2 billion, a ¥2.1 billion or 1.8% increase. High-pressure hose sales were up ¥1.4 billion, industrial material sales grew ¥1.5 billion, and Hamatite-brand sealants and adhesives sales increased ¥1.4 billion. However, sales of aircraft fixtures and components fell ¥2.2 billion, largely reflecting the completion of shipments on a contract for lavatory modules for civilian aircraft.

★ATG posted sales of ¥63.4 billion. Despite continued adverse conditions in the North American and European markets for agricultural machinery, mainly due to weak grain prices, ATG managed to increase shipment volumes of its tires by 11% over 2016.

Turning now to operating income, the Tire Segment posted a full-year profit of ¥40.1 billion, a ¥3.7 billion year-on-year gain. The factors boosting Tire Segment profits include a ¥3.4 billion forex gain, ¥1.3 billion from increased sales volume, ¥2.3 billion from lower production costs, and ¥12.8 billion thanks to price increases and product mix improvement. Negative factors include a ¥15.4 billion hit from higher material prices and a ¥0.8 billion increase in fixed costs. The MB Segment posted operating income of ¥7.7 billion, a ¥0.2 billion gain. As noted earlier, ATG contributed ¥5.3 billion to operating income even after goodwill amortization and other related costs.

Profit and Loss (Oct.–Dec.)

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Exchange Rates	US$ 112 yen	+3 yen	US$ 113 yen	+4 yen	US$ 112 yen	+3 yen
	EUR 125 yen	+4 yen	EUR 133 yen	+15 yen	EUR 127 yen	+6 yen
	RUB 1.9 yen	+0.3 yen	RUB 1.9 yen	+0.2 yen	RUB 1.9 yen	+0.3 yen
TSR20*	172 cents	+43cents	144 cents	-23cents	165 cents	+27 cents
WTI	49 dollars	+8 dollars	55 dollars	+6 dollars	51 dollars	+7 dollars

(billion yen)

	2017 Jan.–Sep.	YoY Change	2017 Oct.–Dec.	YoY Change	2017 Full Year	YoY Change
Net sales	466.8	+56.6	201.3	+15.3	668.0	+71.9
Operating income (Operating income margin)	26.4 (5.7%)	+7.5 (+1.1%)	25.6 (12.7%)	+2.1 (+0.1%)	51.9 (7.8%)	+9.6 (+0.7%)
Ordinary income	27.5	+13.2	25.4	+0.5	52.9	+13.8
Profit attributable to owners of parent	16.7	+8.2	18.5	+8.2	35.2	+16.4

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Next let’s look at the main income statement items on a quarterly basis. The column highlighted in red in the middle of the slide shows the data for Oct–Dec. Once again, let’s look at the impact of exchange rates and material costs. The average forex rates for the quarter were:

¥113/USD, a ¥4 deprecation from the fourth quarter of 2016;

¥133/EUR, a ¥15 deprecation; and

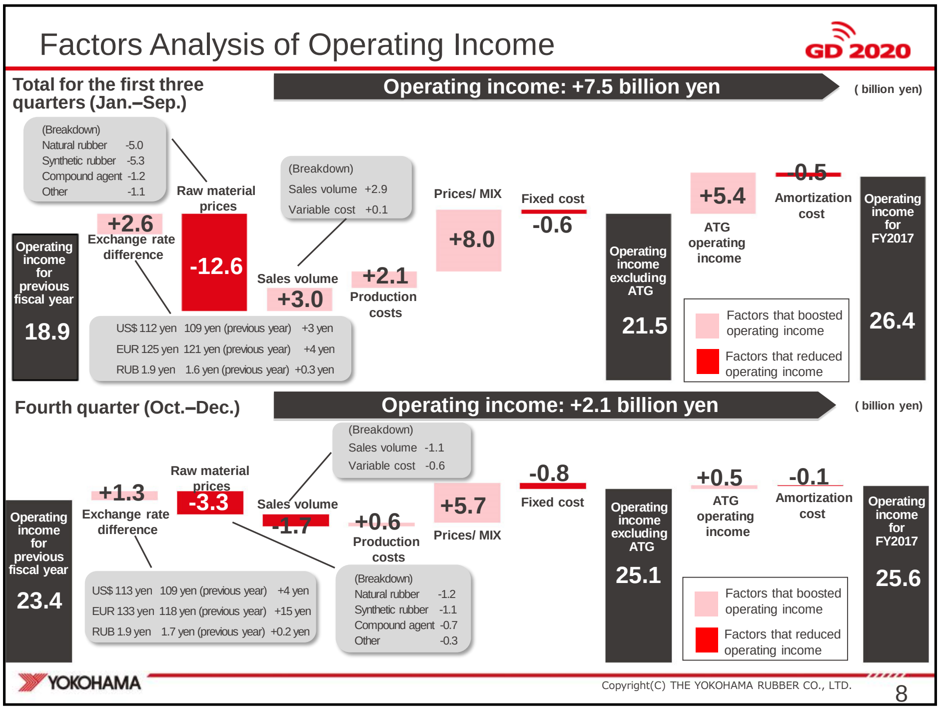
¥1.9/RUB, a ¥0.2 depreciation.

Turning to raw material costs, the average price of natural rubber (TSR20) in the fourth quarter of 2017 was 144 cents, 23 cents cheaper than a year earlier. The average crude oil price was $55, $6 more than in the fourth quarter of 2016. Overall, changes in material prices had a ¥3.3 billion negative impact on fourth quarter profits.

Now let's look at fourth-quarter results, as shown in the lower table on the slide. Net sales totaled ¥201.3 billion, a year-on-year increase of ¥15.3 billion or 8.2%. Tire Segment sales rose ¥8.4 billion, a 6.0% increase, and MB Segment sales expanded by ¥2.4 billion, or 7.8%. ATG accounted for the remaining ¥4.4 billion increase in sales, a year-on-year gain of 35.2%.

Fourth-quarter operating income was ¥25.6 billion, up ¥2.1 billion or 9.1%. Tire Segment profit increased ¥1.3 billion while MB Segment profit was up ¥0.5 billion. ATG contributed ¥0.4 billion to the overall increase in operating income. I’ll explain the factors affecting operating income in a moment, using the factor analysis graph on the next slide.

Ordinary income, at ¥25.4 billion, was up just ¥0.5 billion. The small increase mainly reflects a negative ¥2.3 billion forex impact on nonoperating items. Fourth-quarter profit attributable to owners of the parent, was ¥18.5 billion, a year-on-year gain of ¥8.2 billion. The main profit growth drivers were a ¥4.3 billion gain on the sale of investment securities and a ¥5.9 billion decline in impairment losses compared with a year earlier.



Now let’s look at the factors that affected fourth-quarter operating income, as shown in the lower of the two graphs on this slide. Fourth-quarter operating income was ¥25.6 billion, ¥2.1 billion more than the ¥23.4 billion recorded a year earlier. However, if we exclude the ¥0.4 billion contribution from ATG, operating income comes to ¥25.1 billion, up ¥1.7 billion year on year. The reasons for this gain are as follows.

Forex fluctuations boosted profit by ¥1.3 billion but raw material prices had a ¥3.3 billion negative impact. Higher prices of natural rubber and synthetic rubber reduced operating income by ¥1.2 billion and ¥1.1 billion, respectively. Higher costs of compounding agents and other materials trimmed another ¥1.0 billion more from operating income.

Sales volume–related factors took another ¥1.7 billion off of profits, with ¥1.1 billon of that negative impact caused directly by the decline in sales volumes. Production cost reductions boosted profit by ¥0.6 billion while price hikes and product mix improvement contributed ¥5.7 billion to higher operating income. Fixed cost increases has a ¥0.8 billion negative impact on the change in operating income.

The ATG contribution includes a ¥0.5 billion increase in quarterly operating income, partially offset by a ¥0.1 billion increase in depreciation and goodwill amortization.

Financial Position

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(billion yen)

	Dec. 31, 2017	Dec. 31, 2016	Change
Current assets	370.3	350.4	+19.9
Fixed assets	558.7	552.6	+6.1
Total assets	929.0	903.0	+26.0
Liabilities	537.1	547.9	-10.9
Net assets	391.9	355.0	+36.9
Liabilities and net assets total	929.0	903.0	+26.0
Interest-bearing debt	315.9	336.4	-20.5
Ratio of shareholder's equity to total asset	41.3%	38.6%	+2.7%
D/E Ratio	0.82	0.96	-0.14

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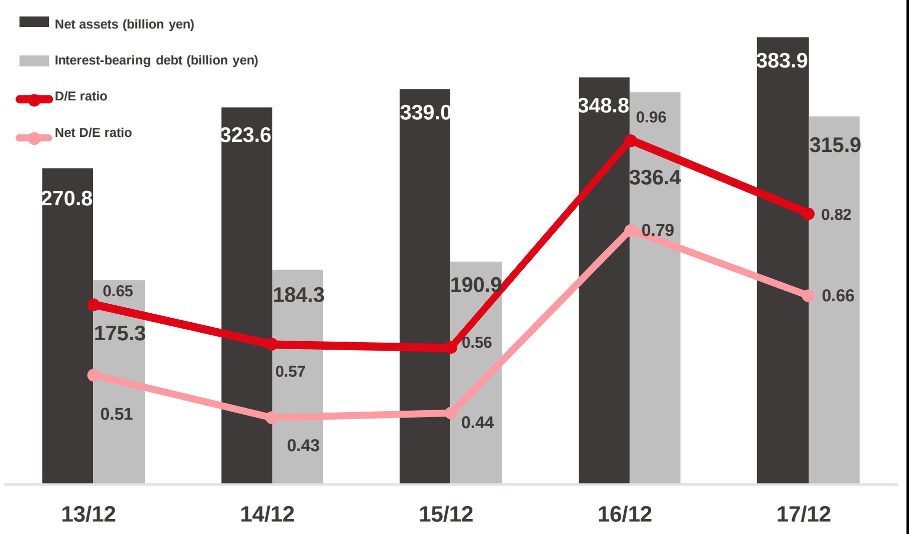
Now let's examine the company's financial condition at the end of December.

Total assets reached ¥929.0 billion, with current assets accounting for ¥370.3 billion of that total, ¥19.9 billion more than a year earlier. The main reason for the increase in current assets is an increase in trade receivables. Fixed assets totaled ¥558.7 billion, up ¥6.1 billion, mainly reflecting an increase in the market value of investment securities.

Liabilities stood at ¥537.1 billion, ¥10.9 billion less than a year earlier, with interest-bearing debt down ¥20.5 billion to ¥315.9 billion. Net assets come to ¥391.9 billion, bringing our shareholders' equity ratio to 41.3%, a 2.7ppt improvement over end-December 2016. The D/E ratio also improved, falling 0.14 point to 0.82.

Changes in Interest-bearing Debt, Net Assets, D/E Ratio, and Net D/E Ratio



*Net assets do not include non-controlling interests.

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This slide shows the trends in interest-bearing debt and net assets.

As noted on the previous slide, the D/E ratio as of end-December was 0.82, a 0.14 point improvement, primarily thanks to the reduction in interest-bearing debt.

The net D/E ratio, based on total debt minus cash and deposits on the balance sheet, was 0.66, indicating a sound financial condition.

State of Cash Flows

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(billion yen)

	FY2017	FY2016	Change
CF from operating activities	59.6	75.4	-15.8
CF from investing activities	-29.6	-166.5	＋136.9
Free CF	30.0	-91.1	＋121.1
CF from financing activities	-27.4	100.2	-127.7
Closing balance of cash and cash equivalents	58.1	54.8	＋3.3

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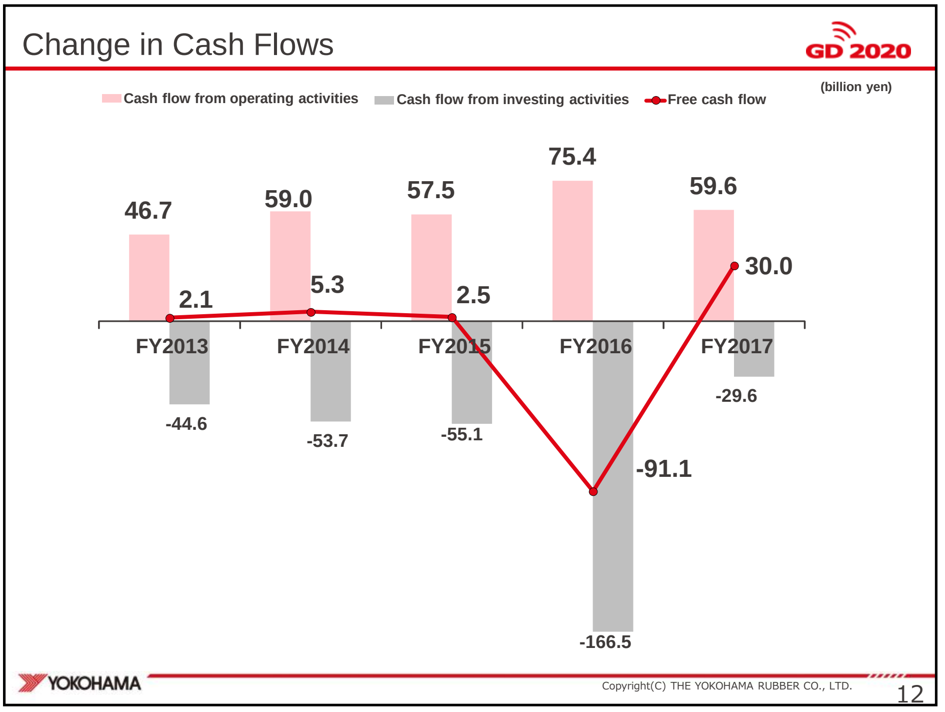
11

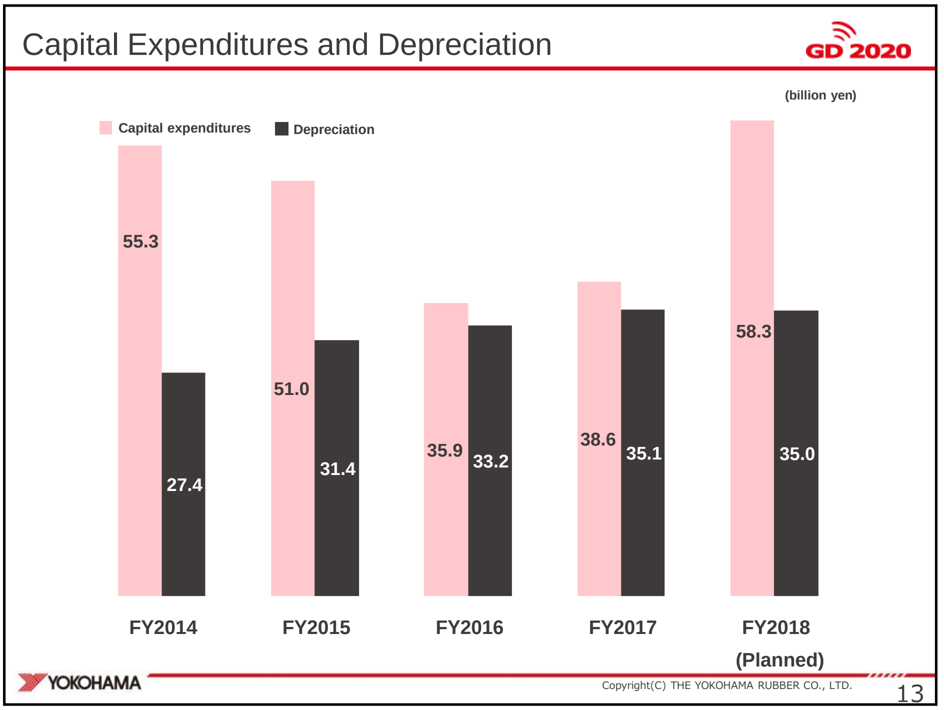
Next, let’s look at our cash flows.

Cash flows from operating activities totaled ¥59.6 billion during FY2017, ¥15.8 billion less than in FY2016 because of an increase in trade receivables. Cash flows used by investing activities amounted to ¥29.6 billion. As a result, our free cash flow was a positive ¥30.0 billion, an all-time high. Meanwhile, cash flow from financing activities was a negative ¥27.4 billion, primarily owing to the repayment of interest-bearing debt. As a result, cash and cash equivalents at end-FY2017 totaled ¥58.1 billion.



This slide shows the recent trend in our cash flows.

Free cash flow temporarily plummeted in FY2016 owing to the ATG acquisition, but it bounced back sharply in FY2017.



Capital expenditures in FY2017 totaled ¥38.6 billion.

In FY2018, we plan to spend ¥58.3 billion, including investment to repair the damages caused by the fire at Yokohama Tire Philippines and, as announced in recent press releases, to expand production capacity at ATG's plant in India and at our passenger-car tire manufacturing subsidiary in the same country.

Regarding disclosure of IFRS-based results

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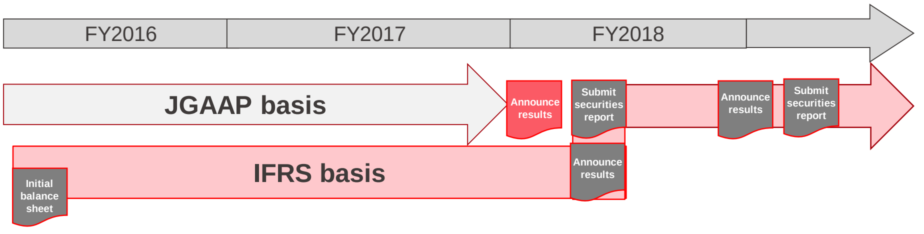
- ✓ Introduce IFRS results from release of FY2017 *yukashoken hokokusho* (securities report), with January 1, 2016, as transition date
- ✓ February 19, 2018: Release FY2017 results on J-GAAP basis
  Disclosure of unaudited IFRS income statement only
- ✓ End-March: Release of audited IFRS results via Tokyo Stock Exchange



Next, I will present our FY2017 results on the IFRS basis.

However, as we announced last year on November 14, we will begin releasing IFRS-based results with the publication of our FY2017 *yukashoken hokokusho* (“yuho” or securities report). The numbers presented here today are on a pre-audit basis.

Reference: FY2017 Results on IFRS basis

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Yokohama Rubber voluntarily applying IFRS from FY2017 securities report. From perspective of timely disclosure, IFRS results (unaudited) shown below are provided as reference information.

(billion yen)

	<JGAAP basis>		<IFRS basis>
Net sales :	**668.0**	⇒	**646.3**
Operating income:	**51.9**	⇒	**54.2**
Profit attributable to owners of parent :	**35.2**	⇒	**39.6**
***Business profit :**	**-**	⇒	**58.3**

Net sales:
- ✓ Negative factors: Subtraction of sales commissions from revenue, etc.

Operating income:
- ✓ Positive factors: Non-amortization of goodwill, retirement benefit expense, net non-operating income (other than net financial income), etc.
- ✓ Negative factors: Losses caused by Philippines fire, etc.

Profit attributable to owners of parent:
- ✓ Positive factors: Non-amortization of goodwill, etc.
- ✓ Negative factors: Gains on sale of investment securities, etc.

*Business profit:
- ✓ Positive factors: Non-amortization of goodwill, retirement benefit expense, etc.

* Business profit : A profit indicator defined by Yokohama Rubber Business profit= Revenue- (Cost of sales + SG&A expenses)

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For starters, IFRS-based net sales in FY2017 are estimated to be ¥646.3 billion. The difference with JGAAP sales is mainly due to the subtraction of sales commissions from revenues.

Operating income comes to ¥54.2 billion, reflecting the non-amortization of ¥4.4 billion in goodwill amortization from the ATG acquisition and the inclusion of nonoperating income and expenses, excluding net financial income and gains or losses on the sale of investment securities, and extraordinary gains and losses, including the losses due to the fire in the Philippines.

IFRS-based profit attributable to owners of the parent is ¥39.6 billion, reflecting the impact from eliminating the need to amortize goodwill and treating gains on the sale of investment securities as comprehensive income.

IFRS-based operating income differs from the JGAAP figure reported in the past. Because certain nonoperating income and expenses are now included in IFRS operating profit, for the purpose of disclosing the real profitability of business activities in segment information and securing continuity with previous JGAAP standards, we are now disclosing a new item called “business profit,” in which the cost of sales and SG&A expenses are deducted from revenues.

We estimate that FY2017 business profit came to ¥58.3 billion.

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Earnings Forecast for FY 2018

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16

I will now present our current earnings forecast for fiscal 2018. The figures are all on an IFRS-basis.

FY2018 Profit and Loss Projections

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Exchange Rates	US$ 110 yen	112 yen (previous year)	-2 yen
	EUR 130 yen	127 yen (previous year)	+3 yen
	RUB 1.9 yen	1.9 yen (previous year)	-0.0 yen
TSR20*	149 cents	165 cents (previous year)	-16 cents
WTI	63 dollars	51 dollars (previous year)	+12 dollars

(billion yen)

IFRS					JGAAP (for reference)	
	FY 2018 Forecast	FY2017 (pre-audit)	Change	Change(%)		FY2017
Revenue	670.0	646.3	+23.7	+3.7%	Net Sales	668.0
Business Profit*	63.0	58.3	+4.7	+8.1%	Operating income	51.9
(Business profit margin)	(9.4%)	(9.0%)	(+0.4%)		(Operating income margin)	(7.8%)
Operating profit	60.0	54.2	+5.8	+10.7%	Ordinary income	52.9
(Operating profit margin)	(9.0%)	(8.4%)	(+0.6%)			
Profit attributable to owners of parent	40.0	39.6	+0.4	+1.0%	Profit attributable to owners of parent	35.2

*Business profit= Revenue- (Cost of sales + SG&A expenses)

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17

Our forecasts assume forex rates of ¥110/USD, ¥130/EUR and ¥1.9/RUB. As for raw material costs, we assume the average price of natural rubber (TSR20) in 2018 will be 149 cents, 16 cents cheaper than in 2017. We forecast crude oil will sell at an average price of $63, $12 more than last year. We estimate the impact of these raw material price changes, excluding the impact on ATG, will boost our profit by ¥3.9 billion.

We forecast revenue will reach ¥670.0 billion, a year-on-year expansion of ¥23.7 billion or 3.7%. We expect business profit to rise ¥4.7 billion to ¥63.0 billion, an 8.1% increase. We forecast operating profit will expand ¥5.8 billion to ¥60.0 billion, a 10.7% gain, and assume profit attributable to owners of the parent will rise to ¥40.0 billion, a ¥0.4 billion increase.

Forecasts for Business Segments (Full-year)

GD 2020

(billion yen)

IFRS						JGAAP (for reference)		
		FY2018 Forecast	FY2017 (pre-audit)	Change	Change (%)			FY2017
Revenue	Tires	470.0	459.9	+10.1	+2.2%	Net sales	Tires	481.6
	MB	120.0	114.1	+5.9	+5.2%		MB	114.2
	ATG	72.0	63.4	+8.6	+13.5%		ATG	63.4
	Other	8.0	8.8	-0.8	-9.0%		Other	8.8
	Total	670.0	646.3	+23.7	+3.7%		Total	668.0
Business profit	Tires	45.0	41.9	+3.1	+7.4%	Operating income	Tires	40.1
	MB	8.8	7.8	+1.0	+13.5%		MB	7.7
	ATG	8.0	7.6	+0.4	+5.7%		ATG	3.2
	Other	1.2	1.2	+0	+2.5%		Other	1.1
	Intersegment eliminations	–	-0.1	+0.1	–		Intersegment eliminations	-0.1
	Total	63.0	58.3	+4.7	+8.1%		Total	51.9

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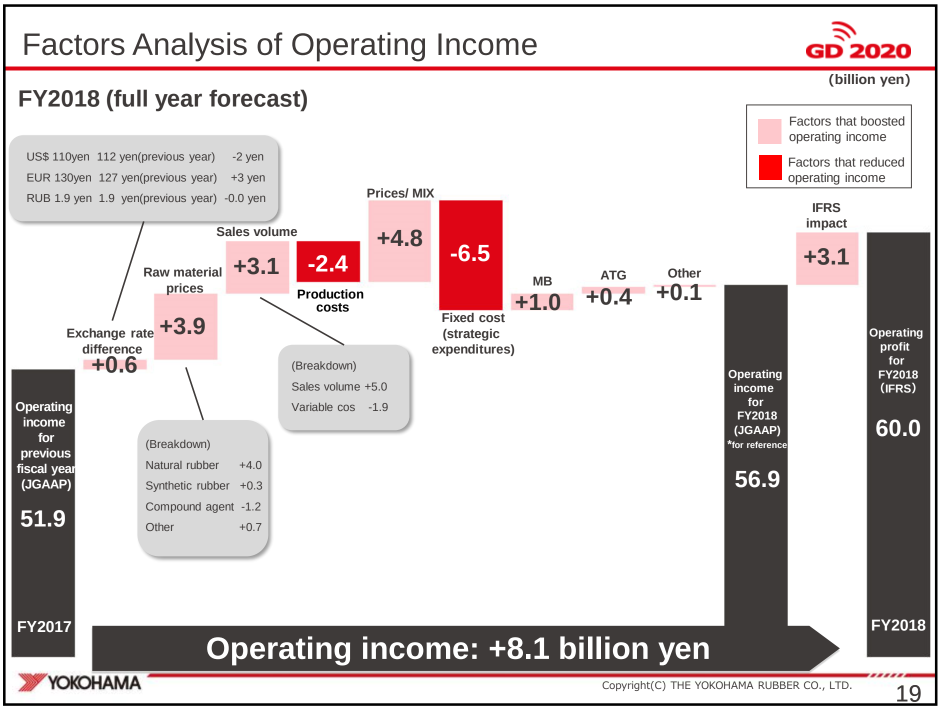
18

Our projections for each business segment are as follows.

We forecast Tire Segment sales will reach ¥470.0 billion, a year-on-year expansion of ¥10.1 billion or 2.2%, on 3% growth in sales volumes. We forecast sales of OE tires for new cars in Japan will decline 12% year on year but expect domestic sales of replacement tires to be about the same as in 2017. Overseas, we look for 4% growth in sales, led by 7% growth in North America and 17% in China. We forecast MB Segment sales will reach ¥120.0 billion, year-on-year growth of ¥5.9 billion or 5.2%. We look for ATG's sales to expand 13.5% or ¥8.6 billion, to ¥72.0 billion.

For the new business profit item, we forecast the Tire Segment will achieve growth of 7.4% or ¥3.1 billion, to ¥45.0 billion. The MB Segment is expected to achieve business profit of ¥8.8 billion, an increase of ¥1.0 billion or 13.5%. We expect ATG’s contribution to business profit to reach ¥8.0 billion, up ¥0.4 billion, including the amortization of fixed assets, etc., at the time of acquisition.



Next, let’s look at the factors expected to affect operating income in 2018. As our FY2017 IFRS-based results are still being audited, allow me to base comparisons on JGAAP operating income just this one time.

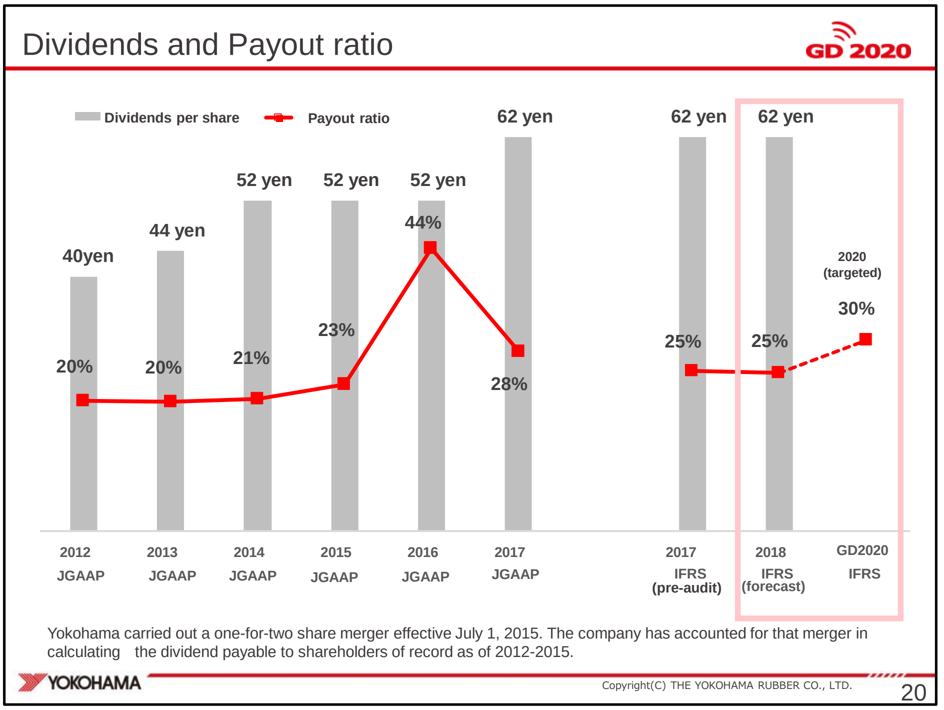
On a JGAAP basis, FY2017 operating income came to ¥51.9 billion. For FY2018, we forecast IFRS-based operating profit will total ¥60.0 billion, an increase of ¥8.1 billion. Excluding the IFRS positive impact of ¥3.1 billion, operating income on the JGAAP basis would be ¥56.9 billion, still a ¥5.0 billion improvement.

Forex fluctuations are expected to contribute ¥0.6 billion of the change in operating income, with changes in raw material prices adding another ¥3.9 billion. The expected impact from raw material prices includes a ¥4.0 billion boost from natural rubber and ¥0.3 billion from synthetic rubber. Higher costs of compounding agents and other materials are expected to have a ¥0.5 billion negative impact.

Sales volume is expected to contribute ¥3.1 billion, with a ¥5.0 billion boost from actual volumes offset in part by a ¥1.9 billion increase in freight and other distribution costs. Production costs are expected to have a ¥2.4 billion negative impact. This deterioration mainly reflects the impact from recording as operating expenses in FY2018 the internal operating losses related to the May 2017 fire at Yokohama Tire Philippines. Similar losses were recorded as extraordinary losses in FY2017.

Prices and product mix are expected to boost operating income ¥4.8 billion. This takes into account price hikes implemented in 2017 and improvements in our tire product mix in particular. Higher fixed costs are expected to trim ¥6.5 billion from 2018 operating income, as we expect increases in strategic expenditures, including sales promotions.

The operating income contributions from the MB Segment and ATG are expected to increase by ¥1.0 billion and ¥0.4 billion, respectively. Lastly, we expect IFRS-based operating profit to be ¥3.1 billion more than the JGAAP figure.



That brings me to the last point in today's presentation—our dividend forecast for FY2018. Based on a comprehensive assessment, including our need for cash to fund strategic investments, we hope to be able to again pay a dividend of ¥62 per share, the same as the 2017 dividend, which included a ¥10 distribution to commemorate our centennial. Our basic dividend policy, as can be seen from the past trend shown in the graph on this slide, is to provide shareholders with a stable dividend. In the new medium-term plan, we have established 30% as a suitable shareholder return and target its attainment by 2020.

That concludes my presentation. Thank you for your kind attention.

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.

YOKOHAMA