20240724031172

Bolagsverket
2024 -07- 23

Årsredovisning

för

Yokohama TWS Holding AB

556739-6998

Räkenskapsåret

2023

20240724031173

Styrelsen för Yokohama TWS Holding AB får härmed avge årsredovisning för räkenskapsåret 2023. Årsredovisningen är upprättad i svenska kronor, SEK. Om inget annat särskilt anges redovisas alla belopp i tusentals kronor (Tkr).

Förvaltningsberättelse

Information om verksamheten

Bolaget bedriver holdingverksamhet. Bolaget har inte haft några anställda under året och några löner eller arvoden har ej utbetalats.

Företaget har sitt säte i Trelleborg.

Väsentliga händelser under räkenskapsåret

Under verksamhetsåret 2023 har bolaget sålts till The Yokohama Rubber Company Ltd.
Yokohama TWS Holding AB ingår därmed inte längre i Trelleborgkoncernen utan ingår numera i The Yokohama Rubber Company-koncernen.
Bolaget har under året erhållit ovillkorade aktieägartillskott motsvarande 12 104,8 MSEK.
Bolaget har under året erhållit utdelning från dotterbolag motsvarande 40 407 TSEK.

Ägarförhållanden

Bolaget är helägt dotterföretag till The Yokohama Rubber Company Ltd, org nr 010401030574 med säte i Hiratsuka City, Japan.

Flerårsöversikt (Tkr)	**2023**	**2022**	**2021**	**2020**
Nettoomsättning	0	0	0	0
Soliditet (%)	100,0	16,4	16,9	23,9
Balansomslutning	14 414 428	14 236 388	764 872	490 302

För definitioner av nyckeltal, se Not 1 Redovisnings- och värderingsprinciper.

Förändringar i eget kapital (Tkr)

	Aktie-kapital	Balanserat resultat	Årets resultat	Totalt
Belopp vid årets ingång	100	2 394 024	-54 012	**2 340 112**
Disposition enligt beslut av årsstämma:		-54 012	54 012	**0**
Erhållna aktieägartillskott		12 104 828		**12 104 828**
Årets resultat			-32 010	**-32 010**
Belopp vid årets utgång	**100**	**14 444 840**	**-32 010**	**14 412 930**

20240724031174

Förslag till vinstdisposition
Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	14 444 840 196
årets förlust	-32 009 705
	14 412 830 491
disponeras så att	
i ny räkning överföres	**14 412 830 491**

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

20240724031175

Resultaträkning
Tkr

	Not	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Nettoomsättning		0	0
Rörelsens kostnader			
Övriga externa kostnader		-3 267	-219
Övriga rörelsekostnader		-352	-7
		-3 620	**-226**
Rörelseresultat		**-3 620**	**-226**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	2	40 407	109
Övriga ränteintäkter och liknande resultatposter		328	38
Räntekostnader och liknande resultatposter		-64 047	-51 145
		-23 312	**-50 998**
Resultat efter finansiella poster		**-26 931**	**-51 224**
Bokslutsdispositioner	3	0	-2 772
Resultat före skatt		**-26 931**	**-53 996**
Övriga skatter		-5 078	-16
Årets resultat		**-32 010**	**-54 012**

20240724031176

Balansräkning
Tkr

	Not	2023-12-31	2022-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	4	14 314 228	14 234 732
Andelar i intresseföretag och gemensamt styrda företag	5	67 440	1 656
		14 381 668	**14 236 388**
Summa anläggningstillgångar		**14 381 668**	**14 236 388**
Omsättningstillgångar			
Kortfristiga fordringar			
		10 070	**0**
Kassa och bank		22 691	0
Summa omsättningstillgångar		**32 760**	**0**
SUMMA TILLGÅNGAR		**14 414 428**	**14 236 388**
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital		100	100
Fritt eget kapital			
Balanserat resultat		14 444 840	2 394 024
Årets resultat		-32 010	-54 012
		14 412 830	**2 340 012**
Summa eget kapital		**14 412 930**	**2 340 112**
Kortfristiga skulder			
Skulder till koncernföretag		0	11 896 276
Upplupna kostnader och förutbetalda intäkter		1 498	0
Summa kortfristiga skulder		**1 498**	**11 896 276**
SUMMA EGET KAPITAL OCH SKULDER		**14 414 428**	**14 236 388**

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Noter

Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar har upptagits till de belopp varmed de beräknas inflyta.

Övriga tillgångar och skulder har upptagits till anskaffningsvärden där inget annat anges.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Finansiella instrument

Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Andelar i dotterföretag

Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Kundfordringar/kortfristiga fordringar

Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Låneskulder och leverantörsskulder

Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet och det belopp som ska återbetalas.

Nedskrivningsprövning av finansiella anläggningstillgångar

Vid varje balansdag bedöms om det finns indikationer på nedskrivningsbehov av någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och prövas individuellt.

Koncernförhållanden

Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnade moderföretaget The Yokohama Rubber Company Ltd, org nr 0104010305 74, med säte i Japan upprättar koncernredovisning.

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Nyckeltalsdefinitioner
Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Balansomslutning
Företagets samlade tillgångar.

Not 2 Resultat från andelar i koncernföretag

	2023	2022
Erhållna utdelningar	40 407	109
	40 407	**109**

Not 3 Bokslutsdispositioner

	2023	2022
Koncernbidrag, erhållna	0	0
Koncernbidrag, lämnade	0	-2 772
	0	**-2 772**

Not 4 Andelar i koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	14 234 731	764 975
Inköp		13 383 670
Kapitaltillskott	79 497	86 087
Utgående ackumulerade anskaffningsvärden	**14 314 228**	**14 234 732**
Utgående redovisat värde	**14 314 228**	**14 234 732**

Not 5 Andelar i intresseföretag och gemensamt styrda företag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	1 656	0
Förvärv	65 784	1 656
Utgående ackumulerade anskaffningsvärden	**67 440**	**1 656**
Utgående redovisat värde	**67 440**	**1 656**

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Resultat- och balansräkningen kommer att föreläggas på årsstämma för fastställelse.

2024-06-17

Masataka Yamauchi
Ordförande

Paolo Pompei

Salvatore Marino

Nitin Ramesh Mantri

Susanna Hilleskog

20240724031180

Fastställelseintyg Yokohama TWS Holding AB

Undertecknad styrelseledamot i Yokohama TWS Holding AB, organisationsnummer 556739-6998, intygar härmed dels att denna kopia av årsredovisningen stämmer överens med originalet, dels att resultaträkningen och balansräkningen har fastställts på årsstämma den 24 juni 2024.

Årsstämman beslöt att godkänna styrelsens förslag till vinstdisposition.

Trelleborg den 11 juli 2024

Paolo Pompei

Styrelseledamot

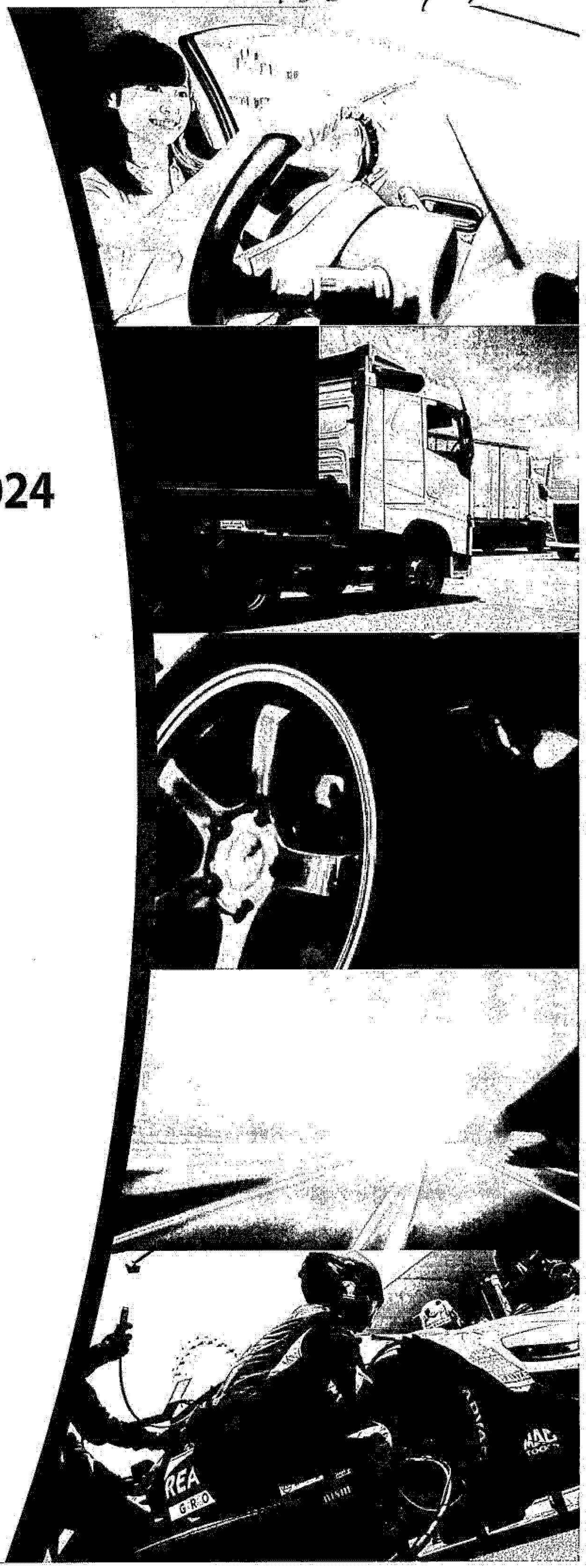
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YOKOHAMA

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INTEGRATED REPORT 2024

CREATING VALUE FOR PEOPLE



2024110801154

Pioneering unknown territory over the next 100 years.

The basic philosophy guiding all that we do here at Yokohama Rubber has been a constant:
"To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products."
To that end, we will continue taking up the challenge of creating new value
and constantly opening up new areas ahead of the times.
That DNA has become the core of Yokohama Rubber-ism,
while our thoughts result in products that we supply to the world.
Yokohama Rubber will continue to take up new challenges energetically
and passionately as we change with the times.



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Editorial Policy

To give all stakeholders including shareholders and investors a proper understanding of the Yokohama Rubber Group's management strategies and business activities in general, we believe it is important to systematically identify and explain non-financial information such as society, the environment, human resources and corporate governance in addition to financial information such as results, business overviews and management strategy. Based on this approach, we have been publishing an integrated report since fiscal 2022 as part of our efforts to further enhance and integrate non-financial information. During the editing process, we have made use of reference sources including the International Integrated Reporting Framework from the IFRS Foundation and the Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry, among other materials, as well as have made every effort to compile the report in a way that places an emphasis on the perspective of stakeholders.

Through this report, we hope to provide even more stakeholders with a deeper understanding of the Yokohama Rubber Group.

THE YOKOHAMA RUBBER CO., LTD.

Corporate Philosophy

Basic Philosophy

To enrich people's lives
and contribute to their greater
happiness and well-being
by devoting our wholehearted
energies and advanced technology
to the creation of beneficial products.

Management Policies

- Take on the challenge of new technologies to produce new value.
- Develop proprietary business fields to expand the scope of business.
- Create a workplace that values, improves and energizes people.
- Deal fairly with society and value harmony with the environment.

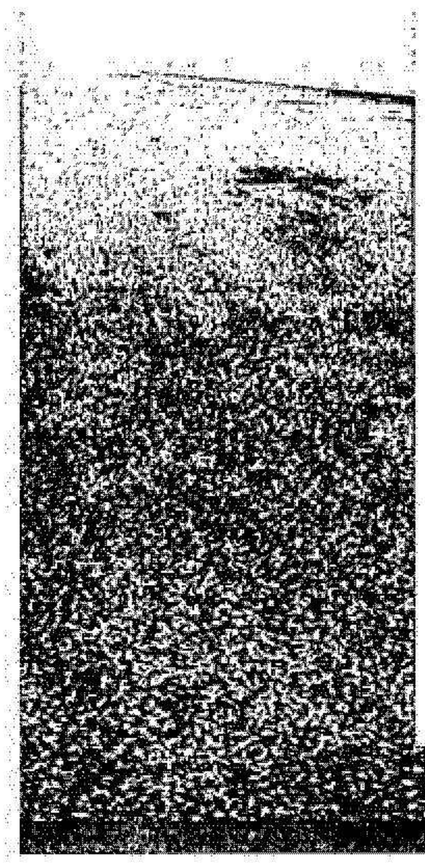
Action Guidelines

- Develop ourselves so that we may give our personal best.
- Trust, challenge and improve one another.
- Nurture a welcoming, open spirit.

Corporate Slogan

Excellence by nature

The Founding Spirit



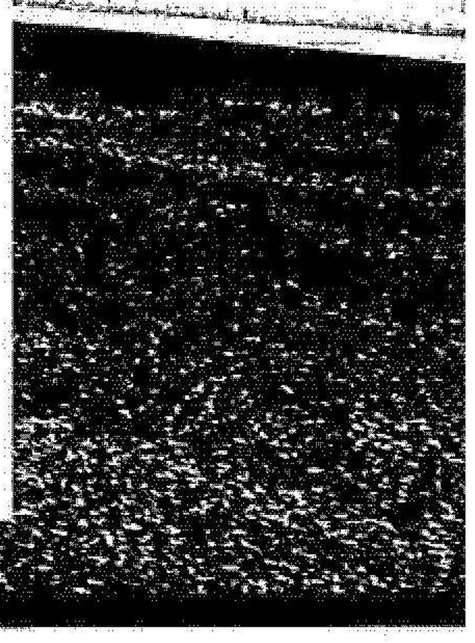
1. Production business is a social service. Its purpose is to make people's lives more convenient and enjoyable. Its aim should be to offer good, useful products at moderate prices.

2. There must be a basic commitment to delivering quality products unrivaled by those of competitors.

3. Management should adhere to the principles of fairness and consideration. The mission of a fair, honest management is to ensure capital, share the fruits of endeavor with its workers, and fulfill its responsibilities to consumers to act, in other words, rationally.

4. A company should have as few employees as possible and make the best use of the productivity of machines.
This is the great secret for improving efficiency.

5. The success or failure of a business depends on how much one is willing to study, and with how much determination, to mutually improve and grow. Accordingly, one must make a great effort.



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Reporting scope The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries

Reporting period January 1, 2023 to December 31, 2023
* Information includes some activities which were conducted in or after January 2024

Month of issue October 2024

Cautionary Note Regarding Forward-Looking Statements

This report contains statements on the Yokohama Rubber Group's projections, targets, plans, strategies and other matters related to the future. These statements are based on determinations made from available information at the time this report was published. Be aware that the actual performance and other metrics may differ from these forward-looking statements due to a variety of factors.

Contributing to the Solution of Social Issues by Supporting Mobility

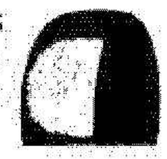
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Through the development of environmentally friendly tires, the improvement of recycling technologies, and the promotion of traffic safety, Yokohama Rubber is working on initiatives to achieve global environment protection and the safe, secure and comfortable movement of people. In addition, by utilizing rubber polymer technology and rubber processing technology cultivated in our tire business, we are working on the development of various products including hose and couplings, industrial products, aerospace products, and golf gear. Our products are used in various industries of land, sea and air.

Port

Tires for large port vehicles

Improving operational efficiency by supporting safe movement at ports



Marine hoses

Providing highly reliable hoses that support safe marine transport of petroleum and crude oil, and prevent oil leakage



Fenders

Protecting the safety of ships and maintaining marine environments

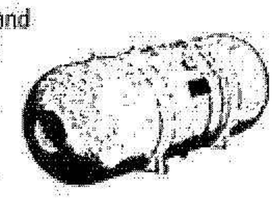


Aircraft

Products for aircraft

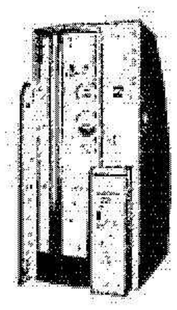
Water tanks

Contributing to the safe and secure water supply with resin material conforming to the specifications of drinking water and the improvement of fuel economy in aircraft



Lavatory modules

Contributing to the improvement of fuel economy in aircraft by providing significant cost and weight savings while securing comfortable spaces



Agricultural land

Tires for agricultural machinery

Improving agricultural productivity by balancing high traction performance and the suppression of soil compaction



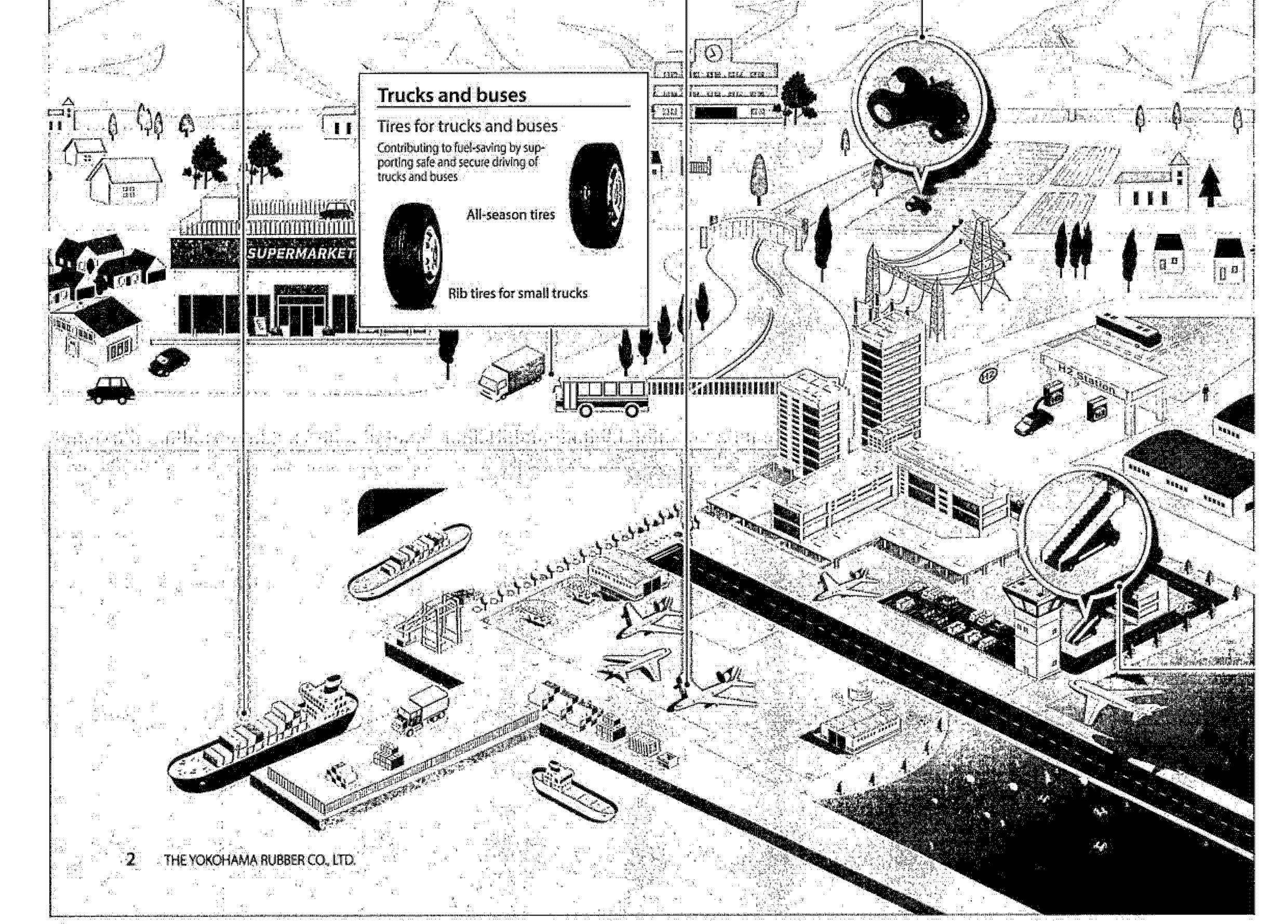
Trucks and buses

Tires for trucks and buses

Contributing to fuel-saving by supporting safe and secure driving of trucks and buses

All-season tires

Rib tires for small trucks



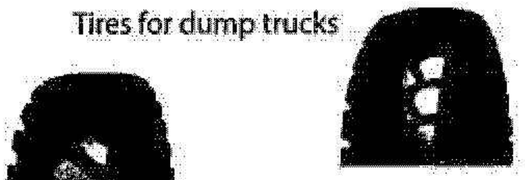
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Mining sites

Tires for construction vehicles

Improving operational efficiency by supporting safe movement at construction sites

Tires for dump trucks



Tires for wheel loaders

Conveyor belt

Contributing to the productivity of mineral transport and energy saving with belts allowing reduced power consumption that are environmentally friendly and economically efficient

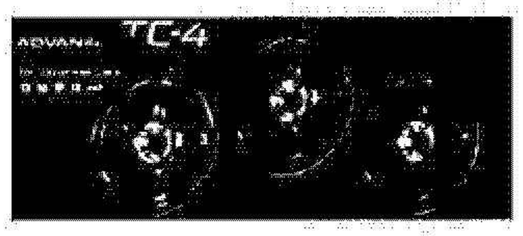


Passenger cars

Tires and wheels for passenger cars

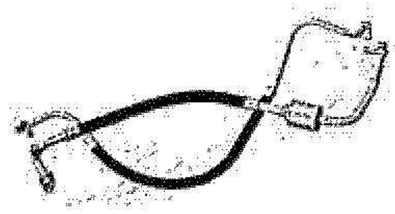
Contributing to fuel-saving by supporting safe and secure driving of passenger cars





Automotive air-conditioner hoses compatible with next-generation environment

Contributing to the fuel-saving of passenger cars by making the hose thinner and achieving a significant weight reduction of 50% compared to conventional hoses



Transport companies

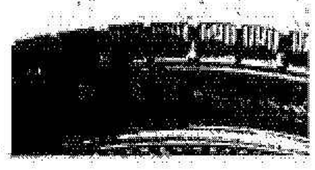
Tire Management System (T.M.S)

Contributing to the safety of drivers and the reduction of burden of tire maintenance by grasping the conditions of tires installed on vehicles on a real-time basis



Retreading

Contributing to effective resource utilization by producing retread tires from well-worn tires



Factories

Tires for forklifts

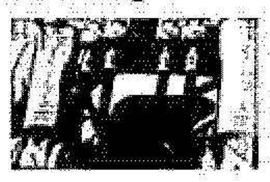
Improving operational efficiency by supporting safe cargo movement within factories



Construction sites

Hydraulic hoses and fittings

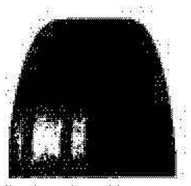
Improving operational efficiency at construction sites by supporting the power of construction machinery with high performance and durability



Airports

Tires for airport special vehicles

Supporting safe movement of aircraft



Golf courses

Golf clubs

Improving the joy of playing golf by applying technology for metal and composite materials, and delivering the full potential of golfers scientifically



Message from the CEO



We aim to achieve further through the "Exploitation

Masataka Yamaishi

Chairman & CEO, Chairman of the Board

We launched the Medium-term Management Plan "Yokohama Transformation 2026 (YX2026)" under our new management structure. We aim to overcome market competition in Japan and overseas to achieve sales revenue of ¥1 trillion, and be a sustainable company that will continue over the next 100 years.

Aiming for Sustainable Growth under the New Management Structure

I was appointed president in 2017, when Yokohama Rubber celebrated its 100th anniversary.

We have continued to grow based on our Corporate Philosophy of "To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products." However, to put it a bit harshly, a bit of dust has accumulated over the past 100 years.

I am thinking specifically of the technology and production departments that are the foundation of Yokohama Rubber's business. We still hold to the mindset that so long as we make good products we will succeed, without considering the cost. With the automotive industry facing a once-in-a-century major transformation, this complacency on the technological and production fronts has caused our competitiveness to wane, and we are now being threatened by makers from emerging countries such as China and India.

I believe that my mission is to sweep away this dust to create an organization that can survive for another 100 years. As such, I have been implementing reforms over the past seven years.

We have made progress in transforming our business structure, particularly in the planning, sales, and marketing departments. However, there is still room for improvement in the technology and production departments. I believe that if we can change the mindset of all departments across the board, from planning to development, production, logistics, and sales, we will be able to survive.

When I became president, sales revenue was about ¥600 billion. We are now close to achieving sales revenue of ¥1 trillion through business acquisitions and other measures. However, due to the rapid expansion of overseas sales and significant changes in the organization, certain aspects of our business have become sluggish.

To address these management issues, we decided to appoint a new management team. As CEO and Chairman of the Board, I will handle major decisions regarding overall management and our business in North America. Shinji Seimiya was appointed President & COO, responsible for technology and production, quality assurance, and business in Japan, China and elsewhere in Asia. Nitin Mantri was appointed Senior Managing Officer & Co-COO, responsible for our prized OHT (off-highway tire) business and operations in other overseas regions.

We will each carry out our roles responsibly, supporting the rapid expansion of Yokohama Rubber.

2024110801159

growth by completing our transformation × Exploration" strategy

Societal Issues Facing Yokohama Rubber Group and Our Purpose

There is a growing sense of crisis around the world about environmental, economic, and social sustainability issues, such as climate change, biodiversity, and human rights. As such, it is important that we create shared value with stakeholders. With the formulation of the new YX2026 management plan launched in fiscal 2024, the Yokohama Rubber Group reviewed its materiality in light of changes in the business environment and societal issues, and identified new materiality that takes into account the impact that our business activities have on society and the environment, as well as how society and the environment affect our business activities. In line with this materiality, we will implement initiatives aimed at achieving our vision.

In recent years, the production capacity of Chinese tire makers has gained momentum. For example, one-third of the world's consumer tires are now being produced in China, and nearly half of this output is exported. The commercial TBR (truck and bus tire) business in China is gaining even further, with Chinese makers accounting for nearly half of the world's production volume, half of which is exported.

Nevertheless, the position of Japanese tire makers remains firm. The four major tire makers (Bridgestone, Sumitomo Rubber, Yokohama Rubber, and TOYO TIRES) together hold a 25% share of the ¥20 trillion global tire market. Japanese tire makers are still in a strong market position, even as the market share of Japanese companies in many automotive-related industries is declining. Further, although our overseas network is expanding, keeping production in Japan creates employment, and exports bring in foreign currency. Having served as Chairman of the Japan Automobile Tyre Manufacturers Association (JATMA), I can affirm that all four of Japan's major tire makers, as well as the Ministry of Economy, Trade and Industry, hold a similar view. Therefore, I believe that our purpose as a technology-oriented Japanese company remains firm.

A particular strength for the Yokohama Rubber Group is the OHT business. The OHT market is currently worth about ¥4 trillion, and we anticipate an annual growth rate of about 6%, compared to just 2% for the consumer tire market. We estimate that agricultural and forestry machinery will account for about 40% of global OHT demand. The Yokohama Rubber Group has the top share in these areas, overtaking Michelin. We also have the second-largest share in industrial and port-use machinery tires, which accounts for 25% of the OHT market.

While maintaining these market positions, to address societal issues, we will fulfill our responsibilities as a maker by applying our Corporate Philosophy: "To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products."

Review of the YX2023 Plan

The YX2023 management plan covered the three years from 2021 to 2023 as the "Culmination of the past 100 years." We came close to achieving 100% of the aims of this plan.

During each fiscal year, we were able to significantly exceed our initial sales revenue and business profit targets. In fiscal 2023, although sales revenue did not reach ¥1 trillion, we posted sales revenue of ¥985.3 billion, greatly surpassing our initial target of ¥700 billion. Business profit was ¥99.1 billion, surpassing the initial target of ¥70 billion. The D/E ratio fell short of target due to the acquisition of Trelleborg Wheel Systems Holding AB (TWS), while ROE was also below target at 9.9%. However, operating cash flow expanded to ¥267.2 billion (cumulative total for three years), *surpassing the target of ¥250 billion.*

We achieved our grand strategy of restructuring the Tire Business. In 2020, the year when the YX2023 plan was formulated, our consumer tire to commercial tire sales ratio was 3:2, while the global market ratio was an even 1:1. The acquisition of TWS in fiscal 2023 dramatically increased both production capacity and revenue for commercial tires. In addition, we were able to offer a top-class product lineup in the OHT category, achieving a 1:1 consumer tire to commercial tire sales ratio, the same ratio as the general market. In addition, the composition of our commercial tire business is now more heavily weighted toward the more highly profitable OHT, with an OHT to TBR ratio of 2:1, the reverse of the

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global market's 2:1 ratio favoring TBR.

Structural reforms of our MB Business were completed with the sale of the Hamatite business in November 2021, and the integration of the aerospace products division into the industrial products division in March 2022. We now have a solid foundation for growth under the new management plan.

Cross-shareholdings have also been steadily unraveled since I became president in 2017. We have reduced our position from 122 issues with a total balance sheet value of ¥96 billion to 86 issues worth ¥77 billion as of the end of 2023. We also sold idle assets, businesses, and subsidiaries, generating a total of more than ¥100 billion over the past seven years. These funds have been allocated to strategic investments for further growth that will enhance our corporate value.

Overview of the New YX2026 Plan and Longer Term Vision

I do not think that we were able to fully transform Yokohama Rubber under the YX2023 plan. Accordingly, we launched the YX2026 plan in fiscal 2024 with the intent of continuing the "exploitation" and "exploration" strategies implemented during YX2023, and completing the transformation of the Yokohama Rubber Group, leaving no negative legacies for the next generation.

The YX2026 plan aims to establish a foundation to address two major concerns: 1) How to respond to China's aggressive rise in the passenger car tire market, which is one of our priority areas, and 2) How to move away from competitive Red Ocean areas, and develop business in more open Blue Ocean markets.

Our fundamental policy for increasing corporate value is to pursue a growth strategy. Rather than the gradual gains we have made to date, we are aiming for "Hockey Stick Growth" that we think matches our stakeholders' expectations.

First, we aim to achieve sales revenue of ¥1,000 billion with business profit ¥100 billion, levels that show that we are a leading Japanese company. We expect to achieve that level this fiscal year, and have set targets for fiscal 2026 of ¥1,150 billion in sales revenue, with business profit of ¥130 billion.

By the end of the YX2026 plan, in the passenger car tire business, we expect that our high value-added products ADVAN, GEOLANDAR, and winter tires, (which we collectively refer to as "AGW"), will account for half of the total production volume, and generate a high profit margin. Regarding Yokohama brand standard tires, which account for the remaining 50% of our passenger car tires, we will increase revenue and earnings by reducing costs, generating profits, and firmly competing against China. As part of these efforts, we are building a new factory for passenger car tire production in Mexico to increase our local production capacity to meet local consumption in the North American market. This factory is scheduled to start production in the first quarter of 2027 with a capacity of five million tires per year, with the potential for future expansion.

In the commercial tire business, since Chinese makers are emerging in the TBR business, we will increase sales and profits by concentrating resources on business areas where Yokohama Rubber has competitive advantages. Growth of sales in its commercial tire business is gradual but steady, and we hope to expand in such areas. In the OHT business, the acquisition of TWS has provided us with production bases in the major OHT markets of Europe and the US, which will generate synergies going forward.

Sustainability Initiatives and Corporate Growth

Companies must grow with a focus on increasing revenue and earnings, but we also view sustainability initiatives as a strategy to strengthen our business. Through a variety of activities from an ESG (environment, society, and governance) perspective, we aim to achieve sustainable growth in corporate value.

Sustainability initiatives, as corporate activities, should contribute to corporate growth. Instead of making excessive investments now that will place a burden on future management, we need to ensure that our environment-related investments conform to normal investment recovery standards, and are compatible with our efforts to generate earnings.

For reducing greenhouse gas emissions, which includes efforts by our sales subsidiary Yokohama-TWS (Y-TWS), we plan to reduce greenhouse gas emissions by 30% by 2026 versus 2019 levels, and 40% by 2030, while also lowering costs. We will continue this effort after 2030, aiming to achieve carbon net zero by 2050.

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To further the use of sustainable raw materials, we have set a usage target of 28% by 2026 and 30% by 2030, without increasing costs. Utilizing our technical capabilities, we believe it is possible to expand sustainable raw material use to 40% by 2030 without any additional burden.

In addition, we plan to conduct an employee engagement survey starting in fiscal 2024. As we begin to clarify the mechanisms and methods that make our company profitable, we want to create an organization where employees understand these processes, work toward achieving targets, and share in the rewards. Further, as KPIs for human resource development, by fiscal 2026 we aim for 15% of department heads to have participated in MBA programs or received other types of management education, and 10% of administrative and technical staff to have participated in DX leadership training.

We are committed to pursuing these initiatives to achieve our goals of sustainable growth and increasing corporate value.



Initiatives for Strengthening Corporate Governance

With the aim of strengthening the supervisory function of the Board of Directors and further enhancing corporate governance, in 2023, we transitioned our governance structure from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee.

We believe governance effectiveness will be ensured by the composition of our Board of Directors, which has eight internal directors and seven external directors. Two internal and three external directors serve on the Personnel and Remuneration Committee for Corporate Officers and Directors. Our challenge for the future is to change our consciousness while respecting our history. When a Yokohama Head Office employee assumes the position of president of an overseas subsidiary or sales company, he or she is likely to make decisions based on a Japanese way of thinking. To change this mindset and achieve better execution of our global strategy, we need to appoint management personnel who understand the local market and staff. We also are considering increasing the number of non-Japanese directors, which currently is only one - Mr. Nitin Mantri.

To Our Stakeholders

Soon after Yokohama Rubber was founded, it boasted the top tire sales in Japan. We have since fallen behind the wave of motorization, and are now in third position. Although sales are not everything, in the tire industry, where economies of scale are important, we believe that raising our market position even one rank will benefit our shareholders, employees, and all stakeholders.

We have established our Corporate Philosophy and Management Policies based on our Founding Spirit, which begins with the words "Production business is a social service." We have conducted our activities in accordance with this spirit for over 100 years, and will not change for the next 100 years. We must continue to march forward. Under our new management structure, we will first show our stakeholders how much we can do and how we can achieve results over the three years of the YX2026 plan. We look forward to your continued support as we continue to grow as a sustainable and trusted company that can survive for the next 100 years.

Message from the COO



Pursuing innovation

Shinji Seimiya

President & COO

The watchword for the new medium-term management plan is "Low cost, speedy development of quality products." To stay ahead of the competition, I will take the lead in addressing challenges and ensuring that Yokohama Rubber continues to create distinctive products.

On Becoming President

I assumed the position of President & COO in March 2024. Since I first joined the Company, I have been involved in tire design and development. From that perspective, my primary focus for Yokohama Rubber is the distinctive quality and performance of our products.

The automotive industry is currently undergoing a major transformation, and it is essential that we respond to the various technological demands involved, such as environmental performance and electrification. Looking at the tire industry overall, customer needs are diversifying in a global market, competition from China and India is intensifying, and supply chains are increasingly complex. To stay ahead of the competition, we must maintain a sense of urgency, without being bound by the conventional thinking of Japanese manufacturing.

In such an environment, looking at the Company overall, I felt that to further enhance the corporate structure reformed under the leadership of Chairman Yamaishi, we needed to strengthen the production and technology department. As a manufacturing company, technology and production must take center stage, with sales, logistics, and other departments providing support. I am taking decisive action for reform so that we can continue to stay ahead of the competition in the future.

The Technological Superiority Cultivated by Yokohama Rubber

Yokohama Rubber's strength is its advanced rubber blending and mixing technology, used in high value-added products such as ADVAN ultra-high performance tires, GEOLANDAR tires for SUVs and pickup trucks, and winter tires.

In 2022, to further advance the HAICoLab AI Utilization Concept, we developed and implemented a proprietary rubber compound design system that incorporates AI compound generation technology. This system provides us with new insights, such as compound formulas that human engineers are unlikely to consider. We are working to further refine the system, while utilizing it to accelerate development of high-performance products.

≫P.46-49 "A Roundtable Discussion between Our COO and Young Engineers"

We are also highly skilled at fine-tuning products to meet the demands of automakers. In addition to Japanese car makers, Yokohama tires are fitted on new premium cars from prominent firms such as Porsche, Mercedes-AMG, and BMW-M.

Further, synergies derived from acquisitions have enhanced our competitiveness in the global market. Yokohama Rubber acquired Alliance Tire Group B.V. (ATG) in 2016, Aichi Tire Industry Co., Ltd. in 2017, and Trelleborg Wheel Systems Holding AB (TWS) in 2023. Yokohama Rubber and TWS are focused on quality and performance, while ATG's strengths are productivity and cost competitiveness. Combining these areas of expertise and learning from each other has generated synergies in terms of productivity and quality, making Yokohama Rubber Group stronger overall.

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through technical and production reforms

Achieving "Low Cost, Speedy Development of Quality Products"

The new Yokohama Transformation 2026 (YX2026) management plan was designed to strengthen the foundation of the Yokohama Rubber Group overall. The watchword for this plan is "Low cost, speedy development of quality products." Quality is the most important factor for expanding sales of high value-added products. Our focus is on the things that matter, such as ensuring that our tires are chosen for next-generation new premium vehicles, so we pursue development without compromising performance. Yokohama Rubber leads the industry in the number of tire sizes with grade "a" traction ratings for wet surface performance in the Japanese replacement tire market. We will continue to focus on maintaining this position, and with the full-fledged shift to electric vehicles now underway around the world, ensuring full compliance with environmental guidelines and other regulations.

At the same time, the market environment is rapidly changing, so speed has become increasing important. Yokohama Rubber needs a sense of urgency that is second to none. For example, as a manufacturing company, we inevitably tend to focus on making products that will receive a perfect score.

At one time, Japanese makers paid little heed to the inexpensive products made by companies in China and other emerging markets, taking the time to repeatedly make prototypes for every component, and creating products that scored 100% in terms of quality. However, as emerging market makers have gained experience, rapidly honed their technological capabilities and expanded their market share around the world, we have no choice but to compete with them. We need to increase our cost competitiveness in certain areas, and launch new products with an emphasis on speed.

Through the YX2026 plan, we aim to achieve low cost and high efficiency. As the centerpiece of our "Hockey Stick Growth" plan for consumer tires, we have adopted a "1-year plant" strategy to establish within a year new factories or production lines that are more than just makeshift facilities. Further, to achieve the aim of "Low cost, speedy development of quality products," we will accelerate tire development by utilizing AI and simulation technology, strengthen the development of tires for next-generation premium vehicles, and substantially reduce manufacturing costs by applying ATG's low-cost production model. As head of the Company, I will take the lead in implementing these reforms.

To Our Stakeholders

As a company, our responsibility to stakeholders is to achieve growth, with the aim of increasing sales and profits regardless of the market environment. For this reason as well, we must strengthen Yokohama Rubber's foundations. It is essential for us to create products that customers will use, and to help realize a sustainable world. This is our mission and purpose.

We absolutely do not want to compete on cost with makers in China and other emerging markets. Our aim is to reduce costs and strengthen the foundations of profitability while maintaining the distinctive quality of Yokohama Rubber, and never forget our commitment to developing and producing the sort of high value-added products that so many stakeholders appreciate.

The key to realizing this ambition is the distinctive qualities of Yokohama Rubber. It is essential that people think of YOKOHAMA as a trusted brand that differs from the competition. We will continue to strive to increase our corporate value, without forgetting the perspective of stakeholders. Thank you for your continued support.



Message from the Co-COO



Contributing to and overseas tire

Nitin Mantri

Member of the Board and Senior Managing Officer & Co-COO

We are building upon our solid legacy to create value and transform society through the tire business. As we leverage our strong global presence, technical know-how and adaptability, we are well-positioned to implement the strategies that will lead to further, more sustainable growth.

My Journey to Co-COO

Building profitable businesses comes naturally to me but, over the years, I have come to realize that fulfillment for me comes not just from financial success, but from making a positive difference in the lives of others. I have held many fulfilling jobs during my career, but one period that helped define my leadership purpose was when I was leading Yokohama India (YIN). This was a perennially underperforming business, but in a short span of three years, we more than doubled our market share and improved profits by over five times. The impact this success had on the confidence and morale of the team was palpable. I was also amazed by the impact on the larger community where we created hundreds of jobs and literally changed lives by moving families into middle class. This is when my leadership purpose started to become clear: "build successful businesses that make a positive difference in the lives of others."

Growing up, I could not have even dreamt that I would end up where I am now. I strongly believe that this was possible thanks to the support of great mentors and champions who took a risk and put me into challenging roles that helped me grow. I am always on lookout for opportunities where I can do the same for others and help them succeed. Therefore, my management style is based on delegation and empowerment. I like to divide a business into manageable chunks and assign leaders who are empowered to take decisions and are fully responsible for the results. In my view, this allows leaders to grow and reach their full potential.

The OHT Business: Strengths and Outlook

With the acquisitions of Alliance Tire Group in 2016, Aichi Tire Industry in 2017 and TWS in 2023, we now have the third largest share in the global OHT business. We may also be the only company in the OHT business that has strong brands and market share in both premium and value segments. We run these companies as separate entities with strong leadership teams. From the point of view of customers, this means that they get the same experience that they were getting before, but we are still able to harness synergies in the back end in areas such as raw materials procurement and manufacturing.

As we continue our growth trajectory, we are entering new product segments and new markets. Yokohama TWS (Y-TWS) the agricultural tracks segment, which has huge growth potential, using their in-house R&D expertise. They have already homologated these tracks with a key OEM who is very happy with the performance as compared to the competition. Yokohama ATG (Y-ATG) team is re-entering the huge Indian market, which it could not serve in the past due to capacity constraints. They have developed "fit for market" products for this market that provide best in class performance at an attractive price. Finally, Yokohama OTR (Y-OTR) team is working on developing three star products that will provide best in class cost/hour performance to the end customers.

The OHT business is expected to grow at a healthy clip of 6%

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sustainable growth with stronger OHT businesses

a year due to positive tail winds. As the growing population and improved standard of living require food, grains, new roads and infrastructure, the demand for agricultural and construction equipment is expected to remain strong. Due to the attractiveness of this business, we are seeing increasing competition from new players from Asia in the value segment. Interestingly, some of the premium brands that had left this business are also re-entering the market. But with our strong brands and "fit for purpose" business models, we believe that we can continue to grow at a pace that is faster than the market.

Growth Strategy for the YX2026 Plan and Beyond

In the Medium-term management plan YX2026, programmatic M&A is a key element of our "offense" strategy. While we continue to grow organically, as seen by our new plant additions in Vizag (India) and Saltillo (Mexico), we continue to look for opportunities to enter new product segments and markets using acquisitions. We have already been able to generate significant financial value with past acquisitions and got access to global management talent that is helping broader YRC. Y-TWS, for example, brings in a few unique elements to YRC. With superior technology and strong brands, it has built a solid premium position in the marketplace. It is also a truly global organization with a "local for local" mindset. We are now using some of the learned lessons and techniques to move other brands up a tier. We plan to leverage these assets and infrastructure to repeat this success story with future acquisitions.

We will maintain our multi-brand strategy of having brands in every tier of the OHT business and will manage these brands separately so as to maintain their brand promise. We will continue to aggressively grow our Interfit centers, which deliver services to the end customer and improve our understanding of customer needs and provide additional outlets for our premium offerings.

One of the key issues we face in promoting these growth strategies is the integration of new acquisitions into YRC. For an acquisition to be successful, it is important to maintain the brand integrity and provide freedom to the incoming management team so that they can operate effectively. However, we also need to realize synergies from these acquisitions by leveraging YRC's scale and global footprint. We have gained many insights in this area which has helped in fine-tuning our approach for future acquisitions. We now proactively create a detailed plan of how an acquisition will be integrated into YRC and communicate this future structure with all involved to get them aligned.

Going forward, in the OHT business, I would like us to maintain the growth trajectory and become a strong No.3 player in the world. There are many segments and markets that are still untapped, and I would like to gain significant share in those areas. Regarding the overseas tire business, we will have to fundamentally change how we go to market in many countries. Today, the business is run as an export business out of Japan, which prevents it from reaching full potential in many regions. We have come to experiment in a few markets and have seen significant success in Europe and India, where we built leadership teams with local experts and empowered them to grow the business. I would like to replicate this model of a "global brand with local management" in other parts of the world so that we can achieve a step change in our PCR/TBR growth trajectory.

To Our Stakeholders

In line with the vision set by our Chairman, we are making good progress in transforming society and creating value with tires during the once in a century transformation that started in 2017. While we plan to respect and build on our legacy of over 100 years, YRC will be a very different company at the end of YX2026. We also continue to regard sustainability management as one of our practical business strategies to strengthen our business. These efforts will lead to improvements in our corporate value through various activities from an environmental, social and governance perspective.

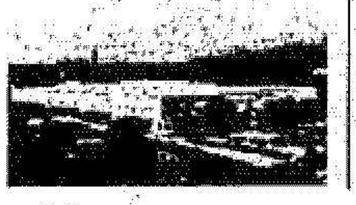
Pioneering History and Changes in Our Business Portfolio

Yokohama Rubber's history of over 100 years is also a history of pioneering, leading the times with pride as a manufacturer and strong ambition as a challenger. For the next 100 years, we will continue to contribute to solving social issues through our business activities by carving out unique areas through the creation of new value.

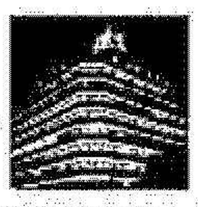
Strengthening of the Management Base

1917
Established.

1952
Completed Phase 1 of the Hiratsuka Plant in Kanagawa Prefecture and started production there of belts, large tires, and vinyl products.



1961
Completed construction of the new corporate headquarters, the Yokohama Rubber Building.



1969
Established Yokohama Tire Corporation, a US tire sales company.

1974
Started operations at the Ibaraki Plant. Started production of high-pressure hoses.



1986
Built the D-PARC comprehensive tire proving ground in Ibaraki Prefecture.



Business Transitions

1954
Launched the Y-29, Japan's first snow tire.



1955
Launched the HAMA SAFETY and HAMA LINER, Japan's first tubeless tires.



1965
Launched sales of Unicon Belt, a commodity conveyor belt.

1967
Launched sales of G.T. SPECIAL, a radial tire for passenger cars (left photo).
Launched sales of the Surge Series of high-pressure hoses (right photo).

1971
Launched sales of G.T. SPECIAL STEEL, Japan's first steel radial tubeless tire.



1978
Developed Japan's first sports radial tire, ADVAN HF.

PRGR

Changes in Society

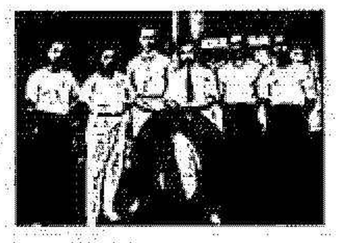
1950
Start of the Korean War.

1964
Tokyo Olympics held.

1973
Oil crisis.

1983
Birth of the Internet.

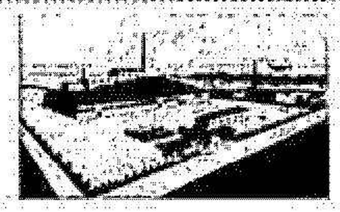
Topics



▶1920 Completed Hiranuma Plant (located in Hiranuma-cho, Yokohama City). Started production of belts, tires, etc.

▶1928 Completed the Yokohama Plant (located in Tsurumi-ku, Yokohama City).

▶1929 Started operations at the Yokohama Plant (the cautionary tale by Suekichi Nakagawa, who was president at the time of the inauguration, would later become our Founding Spirit).



▶1963 Japanese company name changed to match the English, The Yokohama Rubber Co., Ltd.

▶1976 Rally cars equipped with G.T. SPECIAL tires won the Safari Rally Championship and the Southern Cross Rally. The Southern Cross victory marked the fifth victory in a row (1972-76).

▶1987 Racing car equipped with ADVAN racing tires won the Japan Endurance Championship series for the third consecutive year.



1917 1950 1960 1970 1980

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1991
Completed R&D Integrated center (RADIC) at the Hiratsuka Factory.



1996
Established Yokohama Tire Philippines Inc., a tire manufacturing and sales subsidiary.

2006
We aimed to become a company with top-level contributions to the environment with Environmental GD100 as our guiding principle, and enhanced our CSR management under our medium-term management plan GD100.

2009
Merged with domestic tire sales companies and established Yokohama Tire Japan Co., Ltd.

2016
Acquired the Alliance Tire Group B.V. (ATG), a Dutch company that manufactures and sells tires for agricultural and construction machinery.

2017
Our 100th anniversary.

100th Anniversary
おかげさまで100周年

2023
Acquired Trelleborg Wheel Systems Holding AB, a Swedish company that manufactures and sells tires for agricultural and industrial machinery.

1990
Launched sales of SY101, a studless tire for trucks and buses.



1994
Developed components for H-II rocket engines.



2000
Launched sales of DNA dB, a fuel-efficient tire for passenger cars.

2009
Developed AIRTEX Advanced liner, enabling lighter weight tires.

AIRTEX

2023
Introduced our original "E+" mark, which signifies that the tire is compatible with electric vehicles.

E+



2023
E+
Launched sales of ADVAN Sport EV, an ultra-high performance summer tire for EVs.



1992 Collapse of the economic bubble.

1997 Adoption of the Kyoto Protocol.

2008 Lehman Brothers collapse.

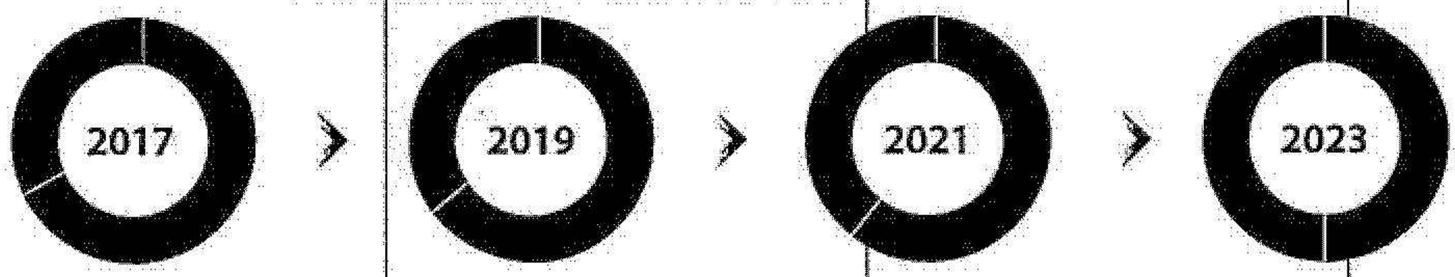
2011 Great East Japan Earthquake.

2015 SDGs adopted.

2020 Outbreak of COVID-19.

Changes in Our Business Portfolio

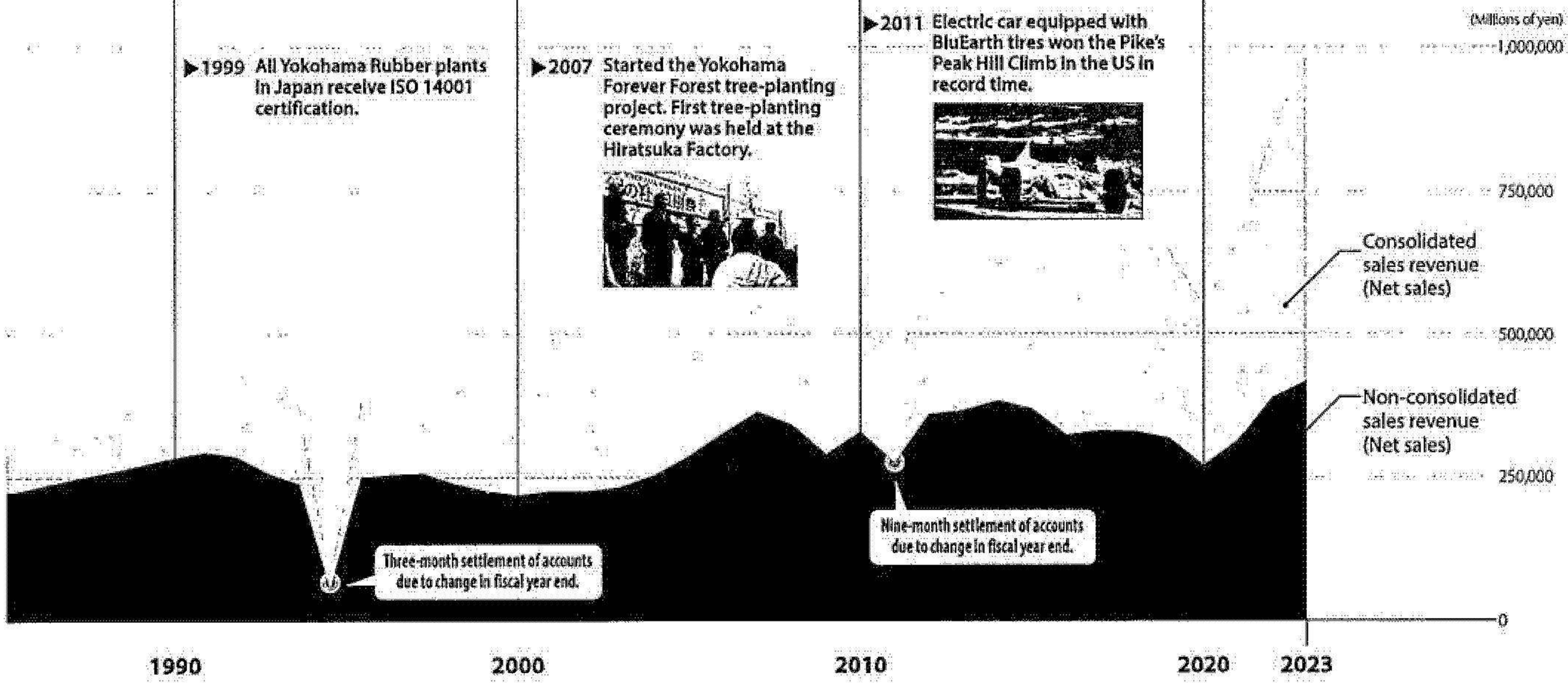
■ Consumer Tires ■ Commercial Tires



▶1999 All Yokohama Rubber plants in Japan receive ISO 14001 certification.

▶2007 Started the Yokohama Forever Forest tree-planting project. First tree-planting ceremony was held at the Hiratsuka Factory.

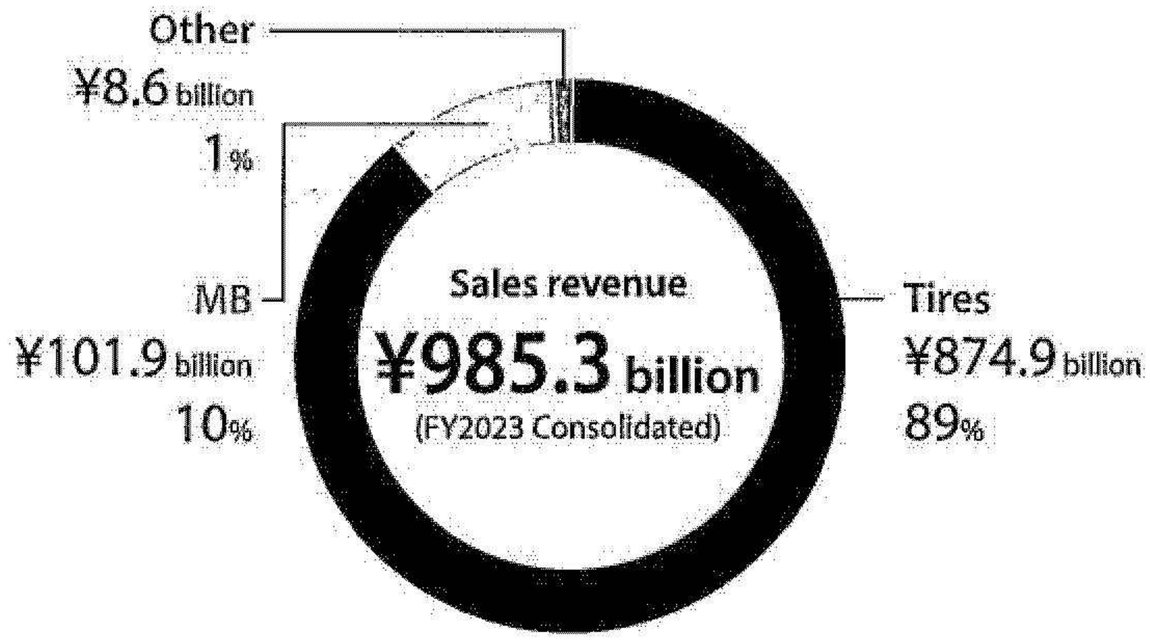
▶2011 Electric car equipped with BluEarth tires won the Pike's Peak Hill Climb in the US in record time.



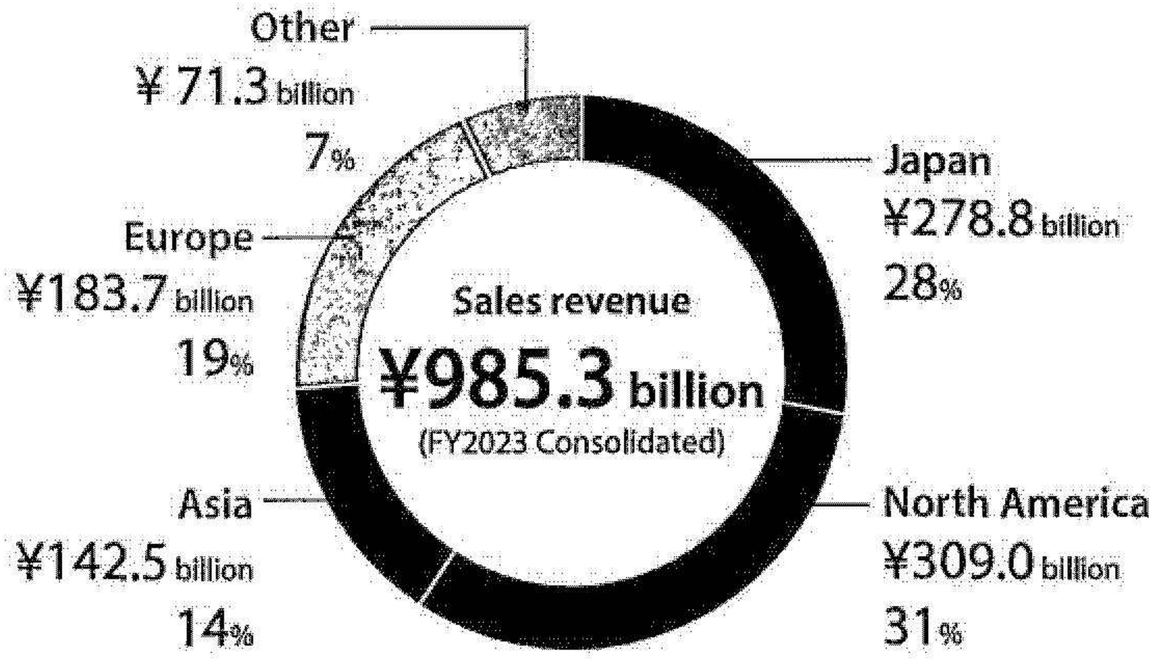
At a Glance

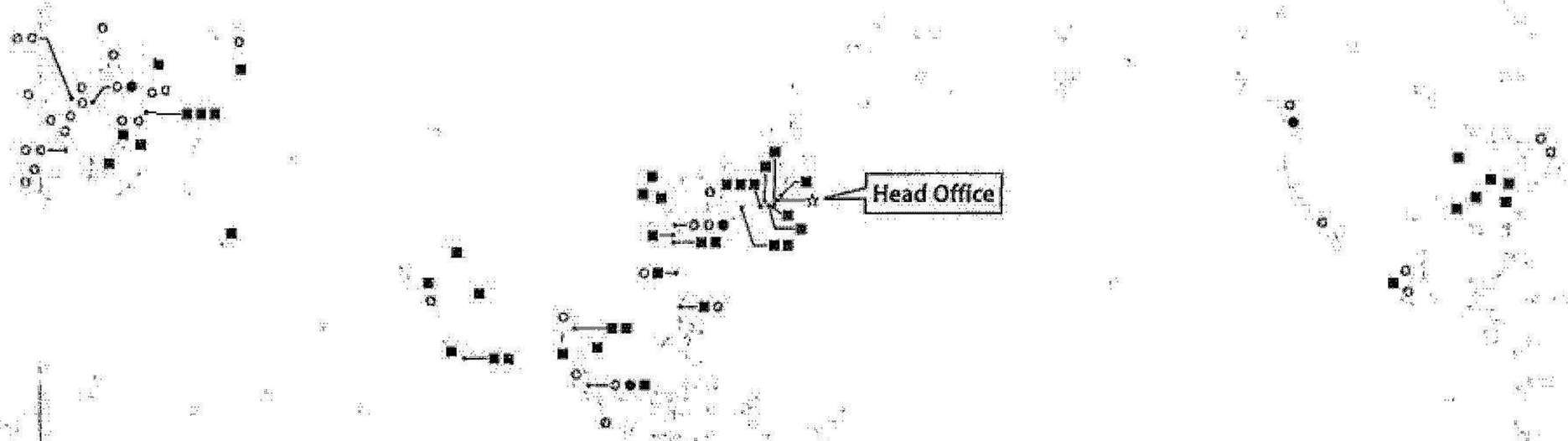
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Sales Revenue by Business Segment



Global Expansion (Sales Revenue by Region)





47 production sites
(Tires: 35 / MB: 11 / natural rubber processing: 1)

More than **50** sales offices

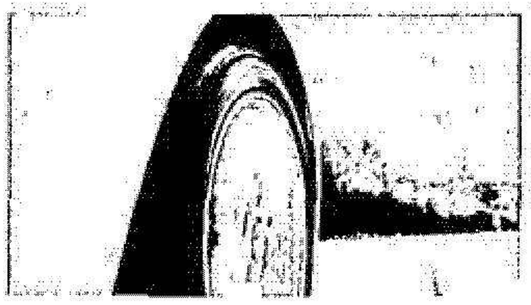
(As of July 31, 2024)

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Tire Business

Yokohama Rubber develops, manufactures, and sells high quality tires used in almost every aspect of our world, from tires for passenger cars for everyday use, truck and bus tires supporting people's mobility and logistics, tires for construction and mining vehicles at work on construction sites and in resource development, tires for industrial machinery to tires for agricultural and forestry machinery.

Consumer Tire Business



In the Consumer Tire Business, we develop, manufacture and sell high value-added tires for passenger cars, meeting diverse needs of drivers.

ADVAN Sport V107



ADVAN, Yokohama Rubber's global flagship tire brand

Strengths and competitive advantages	Customers
Proprietary technology, quality, product performance, product lineup and global sales network	Car makers and drivers

Commercial Tire Business



In the Commercial Tire Business, we develop, manufacture and sell tires for trucks, buses, construction, mining and industrial machinery, and agricultural and forestry machinery.

507U E+

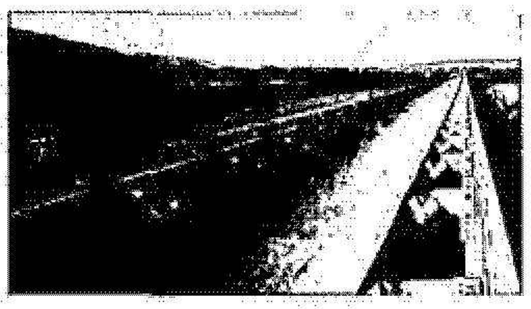


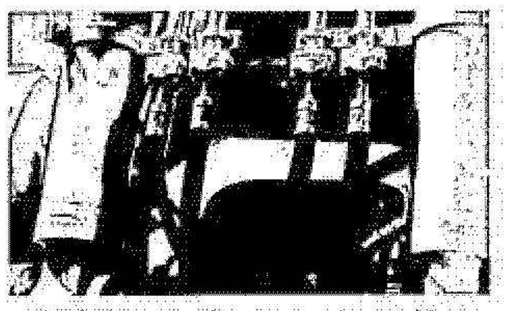
507U, an EV-compatible Rib-Lug tire for low-floor buses

Strengths and competitive advantages	Customers
Proprietary technology, quality, durability, product lineup, cost competitiveness, global sales and service network	Vehicle makers (truck and bus, construction, mining and industrial machinery, and agricultural and forestry machinery) and companies

MB Business

We also carry a broad range of other products including hydraulic hoses and fittings for construction vehicles and various machine tools, automotive hoses, conveyor belts, marine products and aerospace products. Yokohama Rubber has played a significant role around the world for many years contributing to the development of a host of industries, including automobiles, petroleum, gas, mining, construction and aviation.





Hydraulic hoses used in construction machinery

Strengths and competitive advantages	Customers
Proprietary technology, quality, product performance, product lineup and global sales network	Makers (automobiles, construction machinery, machine tools, aircraft, etc.), petroleum, steel and other industries

Other Business

In other business, we manufacture and sell golf gear under the PRGR (Pro Gear) brand.



RS X



RS X series

Strengths and competitive advantages	Customers
Proprietary technologies, innovative ideas and analyzing hitting data at directly operated stores	Golfers around the world

Brands Supporting Yokohama Rubber's "Exploitation" and "Exploration"

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Consumer Tire Business

With the aim of maximizing the sales ratio of high value-added tires, we are making efforts in three categories: ultra-high-performance tires, tires for SUVs and pickup trucks, and winter tires. We are actively developing products, with a main focus on high value-added tires for ADVAN, GEOLANDAR, and winter tire lineups.

ADVAN

ADVAN is a global flagship tire brand delivering a high level of driving performance by bringing out the full potential of passenger cars.



GEOLANDAR

GEOLANDAR is a brand of tires for SUVs based on the concept of "driving freely on all roads and terrain across the planet."



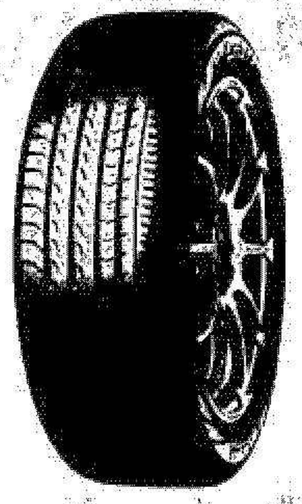
iceGUARD

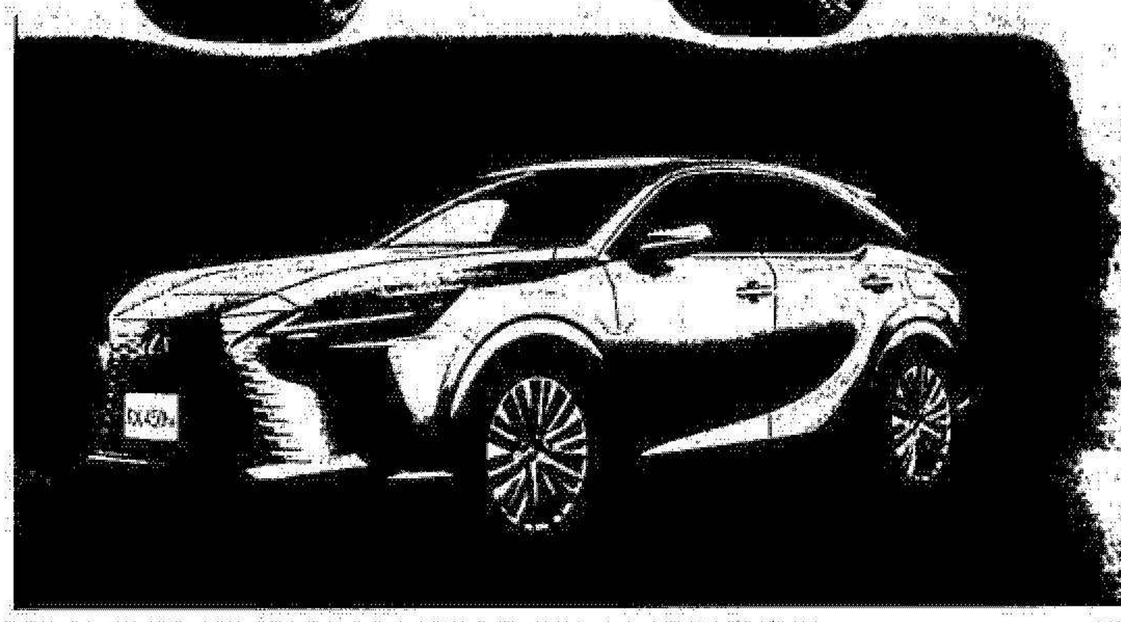
The iceGUARD brand of winter tires offers a wide selection of products, as well as unique compound and design technologies of tread pattern realizing high performance on ice and snow.



BluEarth

The BluEarth brand of fuel-efficient tires balances basic performance with enhanced fuel efficiency, wet surface and tread life, making it suitable for a wide range of uses, from city driving to leisure activities.





The OE installation of our tires on new premium cars, including renowned brands such as Porsche, BMW, Mercedes-AMG, and LEXUS, is a testimony of confidence in our world-class quality and technological capabilities.



We are accelerating the expansion of our GEOLANDAR tire brand product lineup for SUVs and pickup trucks to meet increasingly diverse needs in the SUV market.

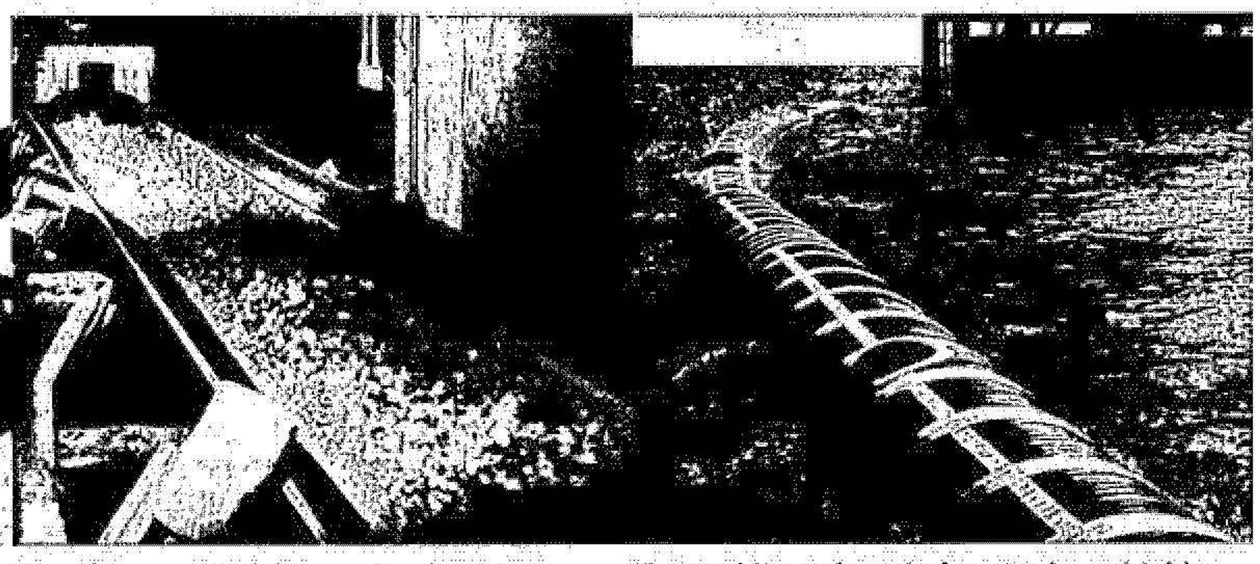
MB (Multiple Business)

Versatran



This brand of hydraulic hoses for overseas markets was created by integrating three main series of hoses. The performance of the products has been greatly improved, and they are now available for use in mines and other challenging operating environments.

HAMAHEAT



One of the most widely recognized conveyor belt brands both in Japan and overseas. These products have a strong reputation for their heat resistance performance, especially in the steel and cement industries.

Seaflex

The world's top brand of marine hose, highly valued by major oil companies and other users around the world for its outstanding quality.

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Commercial Tire Business

We provide a wide range of tires, including tires for trucks and buses and off-highway tires for construction and industrial vehicles, and for agricultural and forestry equipment. As one of the world's leading commercial tire specialists, we contribute to improving safety and productivity on the most demanding worksites.

Truck and bus tires (TBR) Light truck tires (LTR)

YOKOHAMA

Truck and bus tire brand provides not only basic performance such as fuel economy, tread life, and durability, but also improves the load-bearing performance required for EVs.

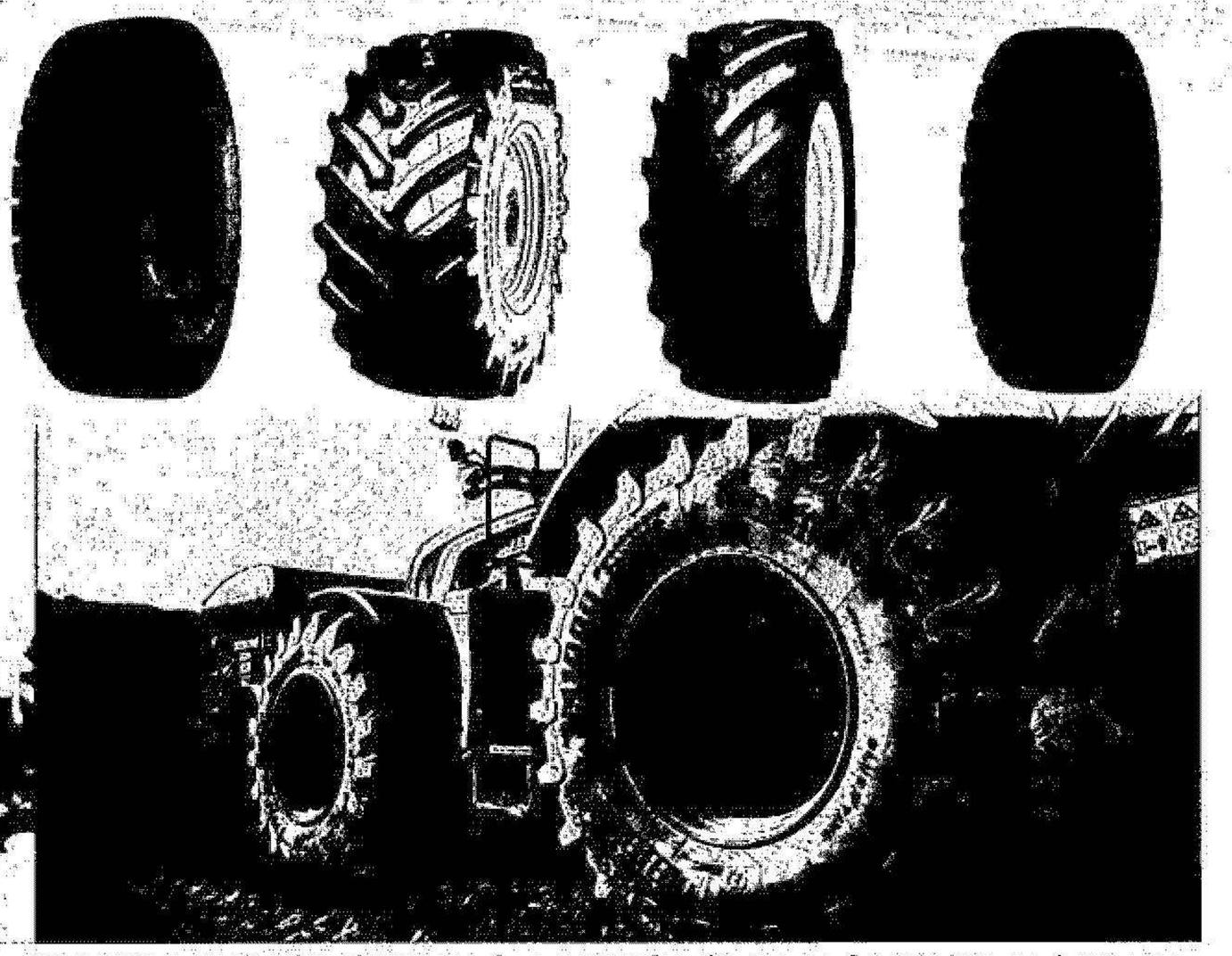


We will contribute to the new era of logistics with tires for trucks and buses designed with safe operation, environmental friendliness, cost reduction, and efficiency.

Off-highway tires (OHT)

YOKOHAMA TRELLEBORG Mitas MAXIMO Cultor ALLIANCE GALAXY PRIMEX AICHI TIRE

Off-highway tire brands comprise product lineups in all categories, from basic and standard, to premium, providing powerful traction support for vehicles used on agricultural, mining, and construction sites, and in other locations.



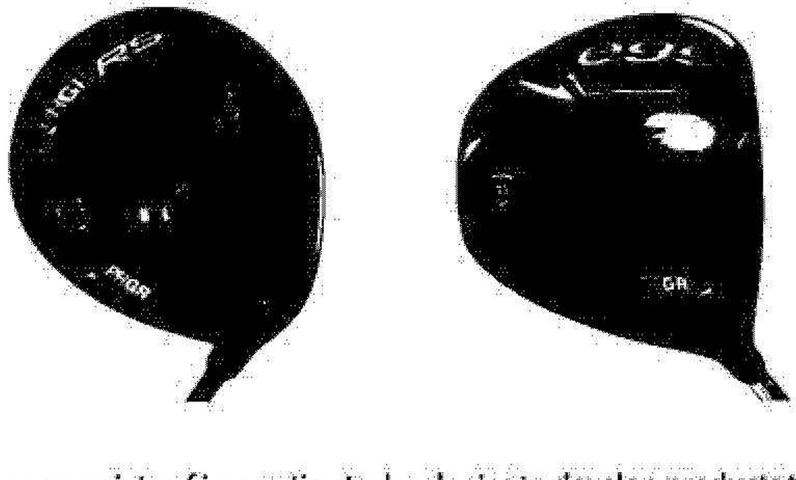
We provide agricultural machinery tires for a variety of applications on farms in Japan and overseas, contributing to the improvement of overall agricultural productivity.

PRGR (Pro Gear) Business



Viewing golf from a scientific perspective, we proposed the industry's first "head speed (H/S) theory," and have created numerous hit products that have been popular with golfers for the past 40 years.

RS egg



We leverage a variety of innovative technologies to develop products that enable people to experience the fun and joy of golf.

Yokohama Rubber's Strengths

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Since the establishment of Yokohama Rubber Manufacturing Co., Ltd. in 1917, Yokohama Rubber has overcome difficulties and opened up a new era in the face of any trial by always being a challenger and pioneer. What has supported this passion is our pride as a domestic maker and strong ambition as a challenger to develop high-quality rubber products with our own hands competing with the US and European countries that have been taking the lead in technological capabilities. Always foreseeing the changes of the times, Yokohama Rubber has developed innovative technologies and products. This history constitutes Yokohama Rubber's strength.

Advanced technical prowess validated by an extensive track record of success

Yokohama Rubber has accumulated know-how in tire development technology that delivers advanced and safe handling even in the harshest conditions. Our long-standing tire making technology and high reliability in quality have been recognized worldwide, with our tires used not only on Japanese automakers' vehicles, but also European luxury brands such as Porsche, Mercedes-AMG, and BMW. In addition, our rubber technology cultivated in tire business is also utilized in the Multiple Business (MB) segment. For example, Yokohama Pneumatic Fenders, which represent a world-first product developed with our rubber technology, are widely used around the world as shock absorbing materials for ships to berth at sea and within port in a number of fields such as petroleum, mining, fisheries, and offshore drilling.



Specialty commercial tires supplied only by a handful of companies around the world

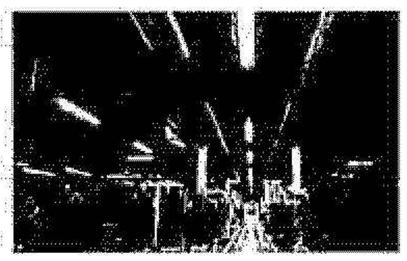
Commercial tires are a highly profitable and growing segment where demand is expected to increase further in the future due to increased food production and expansion of logistics following economic development. Yet, the number of makers that offer commercial tires is limited due to the particularly advanced technological capabilities required for development and production. With the completion of the acquisition of Trelleborg Wheel Systems Holding AB (TWS) in 2023, we completed the brand portfolio of OHT covering all categories from basic to premium, and our sales ranking in the OHT market has risen to the third largest in the world (Yokohama Rubber estimate). Making our position in this market a competitive advantage, we will accelerate the further enhancement of the business of commercial tires including those for trucks and buses.

■ After TWS joining: Tire product portfolio

	Passenger Light Trucks Vans	Trucks Bus	Agriculture	Construction	Earthmover and Mining	Forestry	Lawn Garden & Turf	ATV UTV	Material Handling	Truck (off highway)	Two-wheelers	Rims
YOKOHAMA / AICHI TIRE	✓	✓		✓	✓				✓	✓		
ALLIANCE GALAXY	✓	✓	✓	✓	✓	✓	✓		✓	✓		
After TWS joining												
YOKOHAMA / AICHI TIRE / TRELLEBORG / Mitas	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓
			✓	✓	✓	✓	✓		✓		✓	
ALLIANCE GALAXY	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Production system compatible with high-mix, low-volume production

With the motto "Low cost, speedy development of quality products," we are ready to provide a wide range of production lines that support various product lineups globally. In order to respond to the different needs of each region, including summer, all-season and winter tires for passenger cars, and trucks and buses, we adopted our unique high-mix, low-volume, small-scale production system that allows us to quickly and flexibly expand our production capacity. We also became the first Japanese tire maker to set up business operations in Vietnam. This high-mix, low-volume production system, which can respond finely to demand, has led to the establishment of a competitive advantage as one of our strengths. At production sites, by combining just-in-time production and other methods, we can efficiently produce a variety of products while responding quickly to fluctuations in demand. We are also actively using digital technology in production, and we use real-time information to visualize and optimize production processes in production planning and production line monitoring. By utilizing data analysis and forecasting models, we optimize demand forecasts and production plans, and realize a high-mix, low-volume production system with greater accuracy.



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Research & development system that can address market needs in a timely manner

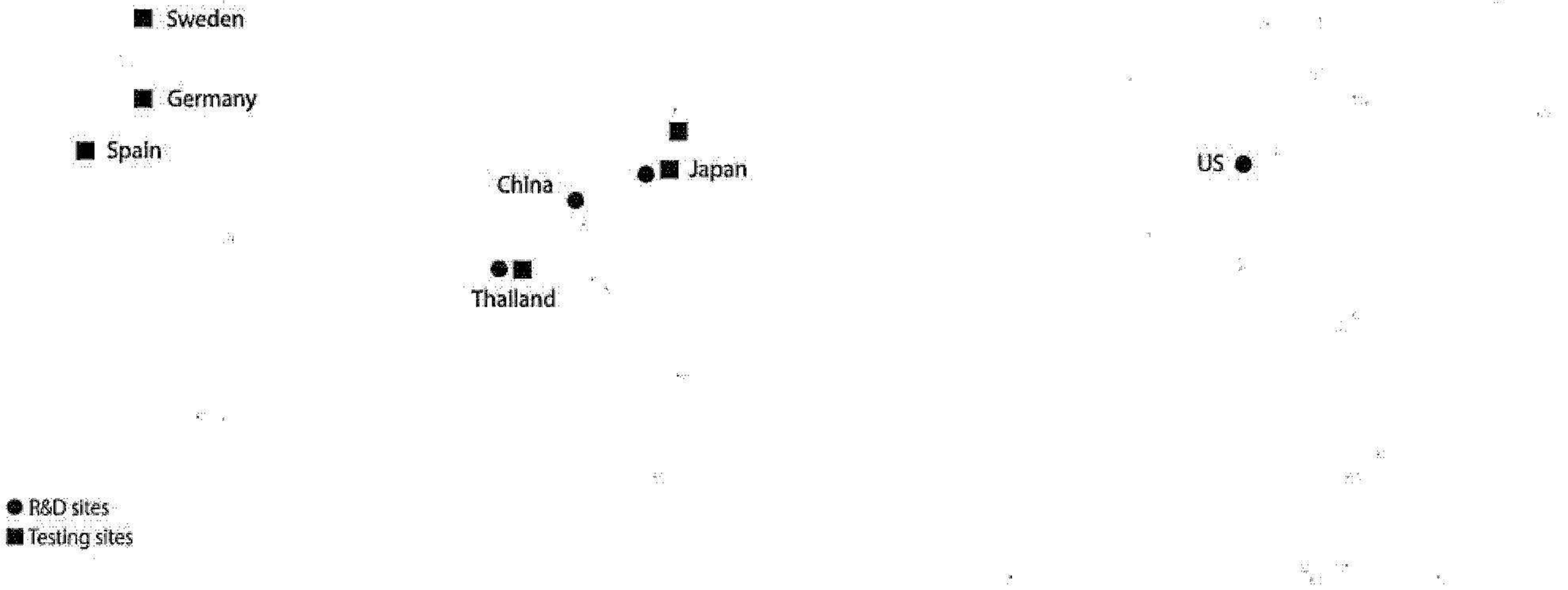
By establishing tire R&D centers in regions close to the market, Yokohama Rubber is promoting the speedy launch of new products that meet local needs. The Group as a whole has tire R&D centers in Japan, Thailand, China and the US, and a four comprehensive tire test courses in Japan, Thailand and Sweden.

In addition, we have been working on the development of new technologies and materials from an early stage, and making efforts in technological innovation to meet market needs and address social and environmental issues, such as the growing demand for sustainable materials with low environmental impact, the improvement of energy efficiency, and the digitalization of the automotive industry. In 2014, we became the first company in the world to create simulation technology to visualize the "sound" around tires, and we have pioneered other technologies ahead of our peers by making full use of our advanced simulation technology. We have incorporated aerodynamic technology, a new perspective in tire design, and are working to develop products that not only reduce the air resistance of tires but also reduce the air resistance of the entire vehicle.



Additionally, we are using IT to strengthen our information management system and data analysis capabilities. As part of this, we have independently developed a tire characteristic value prediction system that utilizes digital AI to enable a huge number of virtual experiments, and we are using this system for a wide range of tire development.

▪ Map of Sites



Extensive global network

Yokohama Rubber engages in business in countries around the world, and has 47 production and sales bases, not to mention more than 50 sales offices* as part of its extensive global network. This presence supports corporate growth and contributes to local communities by providing products and services tailored to local needs, efficient production systems, and innovative technological development. We are providing ample production capacity to meet local demand. In addition to Japan, we have production bases in every corner of the globe, such as Asia, Europe, and the US, to meet the demands of each region. In 2022, production began at the newly constructed Visakhapatnam plant in India to increase YOHT's production capacity. In 2024, we plan to further bolster our production lines for passenger cars.

Our global sales network includes sales offices, agents and distributors to serve automotive makers, consumers and companies around the world by providing our products. Yokohama Rubber is developing products and sales strategies tailored to products features and market needs in many regions. Furthermore, we have established partnerships with makers, parts suppliers, research institutes, and others. Thus, we have established a system that allows us to respond quickly to the environment in the fiercely competitive global market and reflect this in our products and sales.

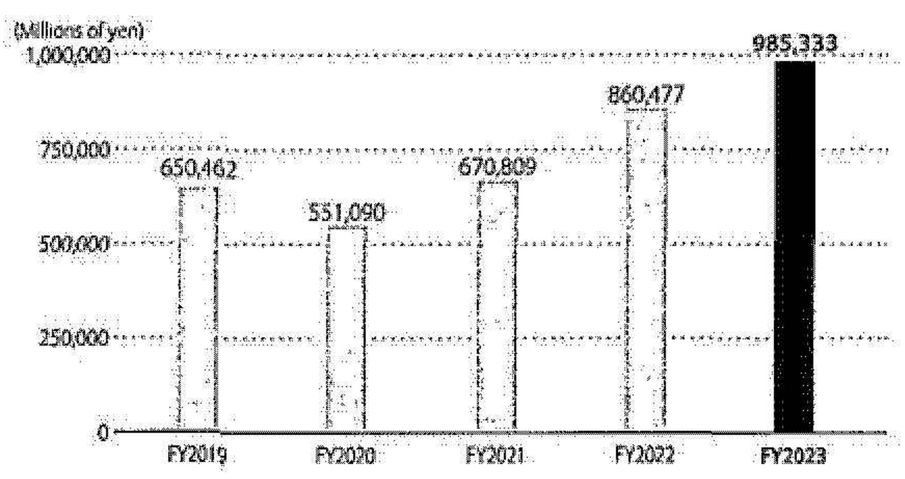
*As of July 31, 2024

Financial & Non-Financial Highlights

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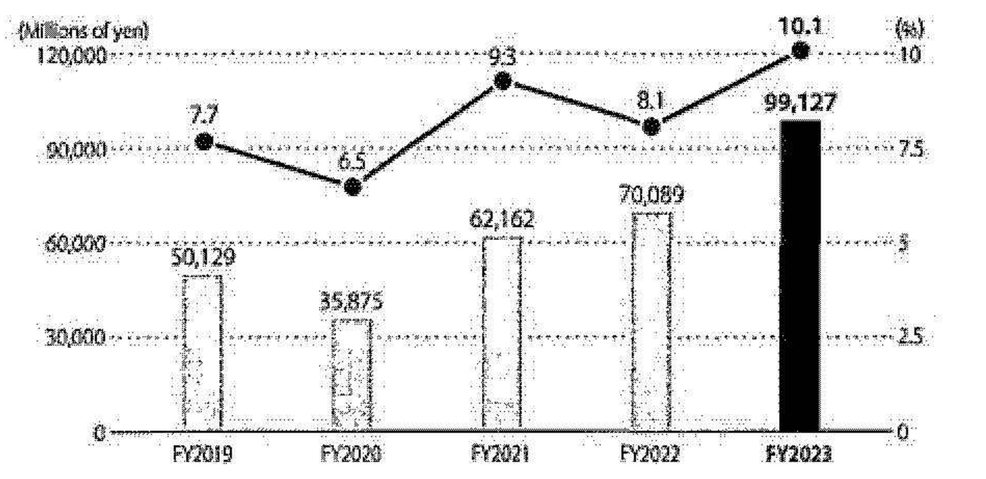
Financial Highlights

Sales Revenue



Sales revenue reached a record high of ¥985,333 million (14.5% increase year on year), reflecting the expanded sales of high value-added products such as ADVAN and GEOLANDAR, the spread of price rise, and the influence from the yen's gradual fall in the foreign exchange market, as well as the effect of the new consolidation of Y-TWS's performance in the tire business.

Business Profit / Business Profit Margin



Business profit increased as much as 41.4% year on year to ¥99,127 million, reflecting the improvement of costs such as ocean freight and adherence to price discipline, despite an increase in unrealized profit on inventories and transient expenses due to the acquisition of TWS. The business profit margin increased 2.0 points year on year to 10.1%, exceeding 10% for the first time.

Profit Attributable to Owners of Parent / ROE (Return on Equity)*1

Profit attributable to owners of parent increased 46.4% year on year to ¥67,234 million due to recording proceeds from the sale of a subsidiary involved in tire sales in the US. ROE (return on equity attributable to owners of parent) greatly improved, increasing 1.8 points year on year to 9.9%.

1 ROE (return on equity) = Profit attributable to owners of parent / Average total equity attributable to owners of the parent × 100
* Simple average of amounts at beginning and end of year

Net Income per Share / Cash Dividends per Share / Consolidated Payout Ratio*2

Net income per share was ¥419.32, an increase of ¥132.94 year on year. Cash dividends per share were ¥84, an ¥18 year-on-year increase. The consolidated payout ratio was 20.0%, a year-on-year decrease of 3.0 points.

(Note) Net income per share and the consolidated payout ratio in fiscal 2021 are calculated based on an amount that excludes extraordinary factors such as the sales of the head office and the Hamatite business.
*2 Consolidated payout ratio = Cash dividends per share / Net income per share

Total Equity Attributable to Owners of Parent / Ratio of Equity Attributable to Owners of Parent*3

Equity attributable to owners of parent rose ¥125,141 million compared with the end of the previous fiscal year to ¥739,565 million because of an increase in retained earnings and other components of equity. The ratio of equity attributable to owners of parent decreased 7.2 points year on year to 46.2% due to increase in interest-bearing debt.

*3 Ratio of equity attributable to owners of parent = Total equity attributable to owners of the parent / Total assets × 100

Interest-bearing Debt / D/E Ratio (Debt-to-equity ratio)*4

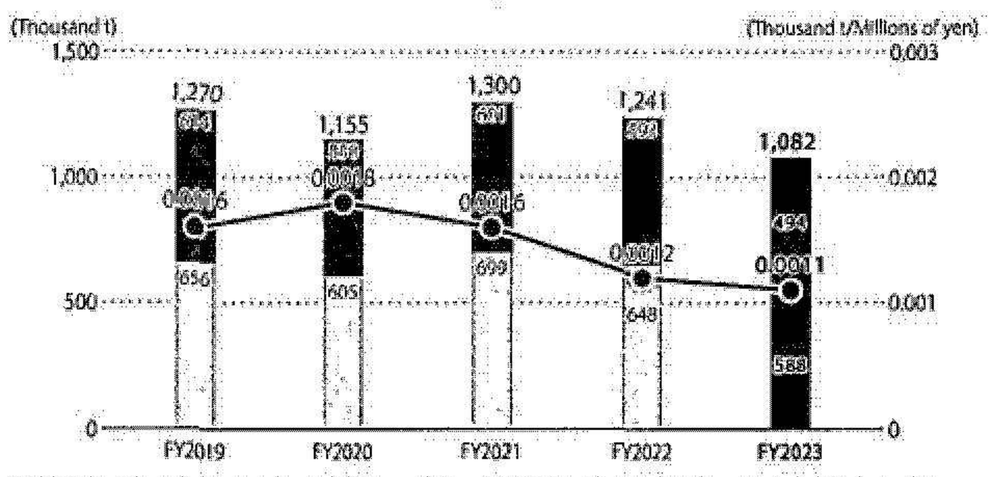
Interest-bearing debt increased ¥230,655 million year on year to ¥469,356 million. Interest-bearing debt as a percentage of total assets of the Yokohama Rubber Group was 29.3% (as of December 31, 2023). The D/E ratio (debt-to-equity ratio) increased 0.24 points to 0.63 times.

*4 D/E ratio (debt-to-equity ratio) = Interest-bearing debt / Total equity attributable to owners of the parent

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Non-Financial Highlights

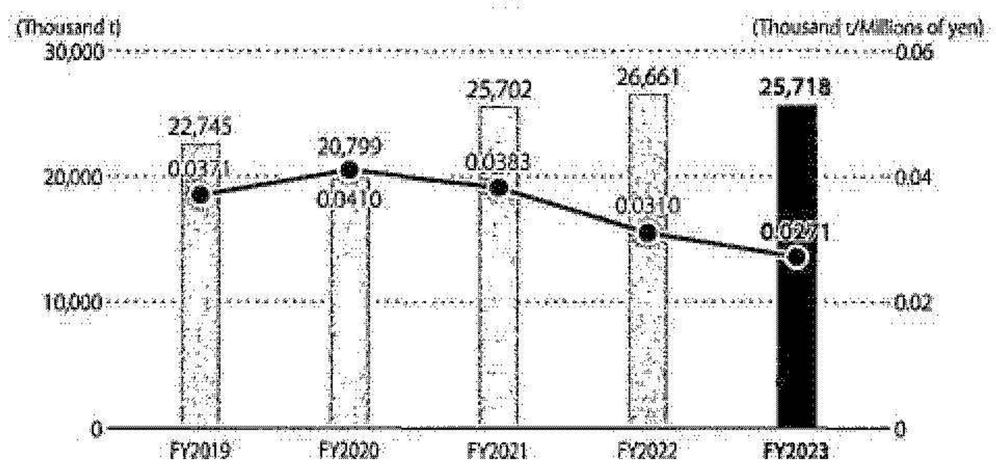
Greenhouse Gas Emissions (Scope 1-2) (Consolidated)



Greenhouse gas emissions (Scope 1 and Scope 2) decreased year on year, with Scope 1 emissions decreasing 9.3% and Scope 2 emissions decreasing 17%, as a result of promoting reduction efforts. Emissions per unit of sales of Scope 1 and Scope 2 showed slight improvement.

(Note) Actual greenhouse gas emissions of each fiscal year (Scope 1 and 2) include actual emissions from Yokohama TWS before its merger.

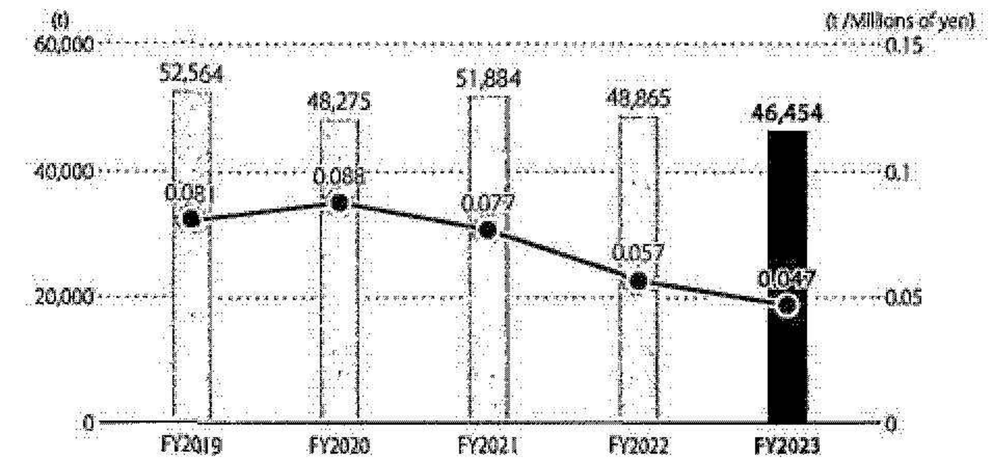
Greenhouse Gas Emissions (Scope 3) (Consolidated)



Greenhouse gas emissions (Scope 3) decreased 4% year on year due to decrease in category 1 (purchased goods and services), category 11 (use of sold products), etc. Emissions per unit of sales of Scope 3 improved 13% year on year.

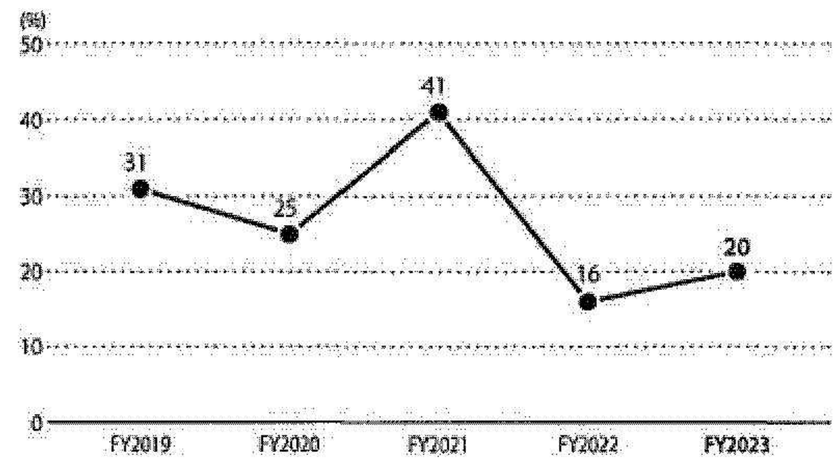
(Note) Actual greenhouse gas emissions of each fiscal year (Scope 3) do not include actual emissions from Yokohama TWS before its merger. In addition, there were no actual emissions classified in the categories of 8, 13 or 14.

Total Waste Volume (Consolidated)



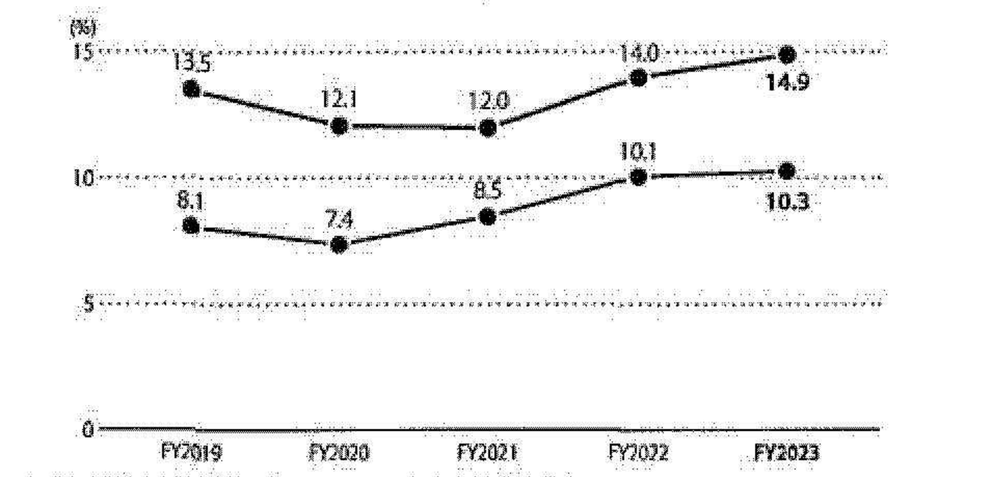
As a result of Group-wide efforts to strengthen waste reduction and resource recycling, total waste volume decreased 5% year on year.

Percentage of Women Employed in Comprehensive Work Positions (Non-Consolidated)



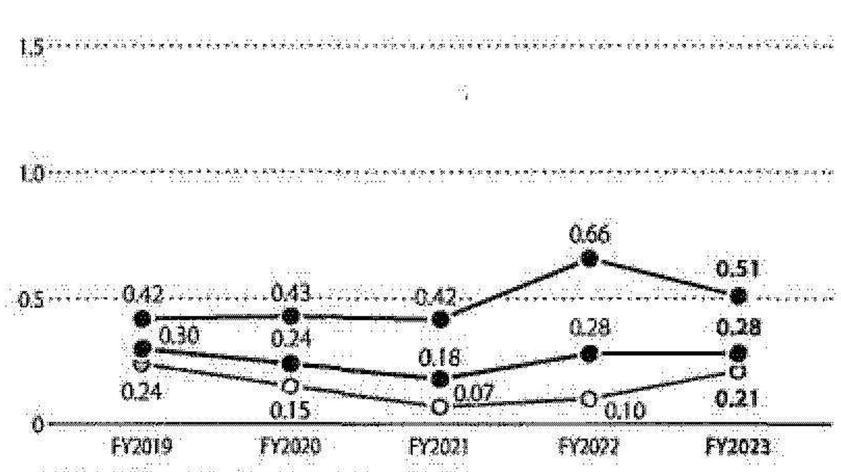
As result of aiming to improve the percentage of women employed in comprehensive work positions to promote Diversity & Inclusion, the percentage of women employed in comprehensive work positions (non-consolidated) rose 4 points year on year to 20%.

Percentage of Female Employees (Consolidated) / Percentage of Managerial Positions Filled by Women (Consolidated)



As a result of positioning the promotion of active participation by women as one of the important measures and promoting the creation of a workplace in which all women can play an active role, the percentage of both female employees and managerial positions filled by women increased year on year in fiscal 2023 results.

Lost-Time Injury Frequency Rate (LTIFR)



As a result of ongoing efforts to reduce the lost-time injury frequency rate (LTIFR) globally, the LTIFR remained at 0.28.

Value Creation Process

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Basic Philosophy

To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products

Social Change and Issues

Products and Technologies

- The spread of CASE and MaaS in the automotive industry
- Innovation through the utilization of technology
- Increasingly diverse customer needs (cost, performance, quality, environmental and social contributions)
- The safety and security of customers

Environment

- Climate change challenges
- Achieving carbon neutrality
- Promoting a circular economy
- *Achieving a nature positive world*
- Preserving biodiversity
- Sustainable use and management of natural resources
- Prevention of pollution and chemical substance management
- Conservation of water and marine resources

People

- Respect for human rights
- Diversity and inclusion
- Workstyle reforms
- Human resources development
- Occupational health and safety

Community

- Regional environmental issues, such as water and air pollution, and environmental destruction
- Regional social issues such as respecting the land rights of indigenous peoples, human rights violations, disasters, healthcare, trading irregularities and conflict minerals
- Revitalizing local communities, creating economic effects
- Communication with local communities

Governance

- Maintenance and strengthening of foundation for proper organizational governance
- Sustainable improvement of corporate value
- Effectiveness and diversity of meeting bodies such as the Board of Directors and committees (requirements, etc.)
- Strict adherence to compliance
- Sophistication of risk management
- Dialogue with stakeholders and disclosures
- Independence, diversity and transparency

Inputs

(FY2023 results)

Financial Capital

- Total capital: ¥748.8 billion
- Interest-bearing debt: ¥469.4 billion (excluding lease liabilities)
- Cash and deposits: ¥97.6 billion

Manufactured Capital

- Tire production sites: 8 domestic plants, 27 overseas plants
- MB production sites: 3 domestic plants, 8 overseas plants
- Natural rubber production site: 1 overseas plant
- Research and development bases: 1 domestic site, 3 overseas sites
- Test courses: 2 domestic courses, 2 overseas courses
- Capital expenditures: ¥62.4 billion

Intellectual Capital

- R&D expenses: ¥18.0 billion
- Number of patents held: 6,479

Human Capital

- Number of employees: 33,617 (consolidated) (overseas: 23,575, Japan: 10,042)
- Employee training cost: ¥612 million (consolidated)
- Percentage of managerial positions filled by women: 2.0% (non-consolidated), 8.1% (consolidated)
- Percentage of female employees: 7.3% (non-consolidated), 13.8% (consolidated)
- Continued employment rate of employees after reaching 65 years of age (non-consolidated) FY2021–FY2023
  Average rate for the period: 63.6%
- Capacity-building training participation rate: 6.0%

Social and Relationship Capital

- Main countries of operation: 39 countries and regions
- The YOKOHAMA brands cultivated over 107 years in business (ADVAN, BluEarth, GEOLANDAR, ALLIANCE, GALAXY, PRIMEX, and more)

Natural Capital

- Total energy consumption: 2,036,777 MWh (consolidated)
- Total water intake: 9,164,000 m³

Business Model

Value Chain



Medium-term Management Plan

We aim to achieve "Hockey Stick Growth" by further advancing our "exploitation" and "exploration" strategy set forth in YX2023, the previous medium-term management plan, and completing the transformation of the Yokohama Rubber Group in order not to leave a negative legacy for the next generation.

Materiality

- Provision of products and services that contribute to a sustainable society
- Contribution to a decarbonized society and circular economy
- Coexistence with nature
- Coexistence with local communities
- Development of human capital capabilities for sustainable corporate value enhancement

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Yokohama Rubber has always been ahead of the times in pioneering unique fields, creating products, and creating value for the world through our advanced technology and extensive global network amassed over the years. Together with our stakeholders, we will strive to realize our basic philosophy, "To enrich people's lives and contributing to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products."

⇨P. 18

Planning

Research & Development

world

cture

needs

Procurement

YX2026 ⇨P. 30

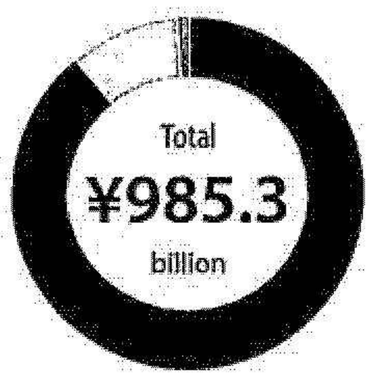
YOKOHAMA Transformation 2026

⇨P. 26

- Establishment of a sustainable supply chain
- Improvement of management resilience by strengthening corporate governance

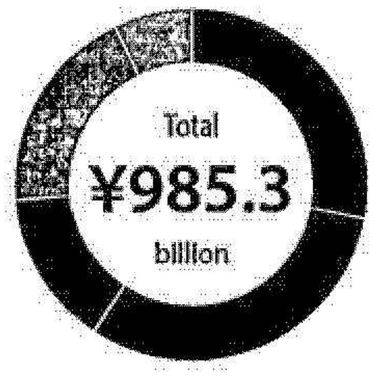
Outputs

Fiscal 2023 sales revenue by business segment



Tires	¥874.9 billion	89%
MB	¥101.9 billion	10%
Other	¥8.6 billion	1%

Fiscal 2023 sales revenue by region



Japan	¥278.8 billion	28%
North America	¥309.0 billion	31%
Asia	¥142.5 billion	14%
Europe	¥183.7 billion	19%
Other regions	¥71.3 billion	7%

Outcomes

Financial Capital

- TSR 6.2% (10 year annual rate)

Intellectual Capital

- Number of patents acquired (1 year): 649
- Developed a system for rubber compound property estimation, compound design, and tire property value estimation based on the HAICoLab AI utilization concept ⇨ P.46

Human Capital

- Ratio of female managers: 2.0% (+0.3 points year on year)
- Ratio of non-Japanese managers: 24.2% (-9.9 percentage points year-on-year)
- Number of employees taking childcare leave: 41 (-2% year-on-year)
- Ratio of male employees taking childcare leave: 86.2% (+26.7 percentage points year-on-year)
- LGBTQ related welfare system
- Lost-time injuries frequency rate: 0.28 (±0 year-on-year)

Social and Relationship Capital

- Economic stability and development of local communities and business partners (employment of local residents, expanded transactions with local companies, etc.)
- Addressing issues in local communities (education, infrastructure, disaster recovery, minority support)
- Contribution to the realization of a next-generation mobility society (provision of products and services compatible with CASE, MaaS, etc.): Started demonstration experiments using EV buses in cooperation with Kanagawa Chuo Kotsu Co., Ltd.

Natural Capital

- Reducing environmental impact through climate change countermeasures and environmental conservation
  ⇨ Quantitative data (GHG, water, volume of energy reduction/increase)
- Contribution towards "nature positive" by turning production sites into sites that coexist with nature
  ⇨ Yokohama Rubber's Ibaraki Plant certified by the Ministry of the Environment as a "Nationally Certified Sustainably Managed Natural Site"*
  * A certification system officially launched by the Ministry of the Environment in 2023 with the aim of achieving an international goal of conserving and protecting more than 30% of land and sea by 2030
- Ratio of renewable energy: 2.5%
- Ratio of sustainable materials: 27.9% (+1.7 percentage points year-on-year)
- Number of trees planted (YOKOHAMA Forever Forest): cumulative of 1,240 thousand trees (83% progress in relation to target)

Impacts

Realization of a safe, secure, and comfortable mobility society

Contribution to economic and social development through the provision of off-highway tires (OHT), hose and couplings, and industrial products

Improved customer convenience and efficiency through services utilizing DX

Realization of a decarbonized society through the provision of products that contribute to the environment

Reduced environmental impact through support for sustainable raw materials and next-generation energy

Improved natural rubber productivity and the living standard of rubber farmers by providing continuous support for them

Economic revitalization of local communities through local employment and procurement

Contribution to the realization of a nature positive world through biodiversity conservation activities in cooperation with local communities

Value Co-Creation with Stakeholders by Capital

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Individual activities in the value chain shown in the value creation process lead to the co-creation of high-quality products by leveraging Yokohama Rubber's capital and the strength produced from that. Yokohama Rubber will steadily meet the expectations, interests and needs of our stakeholders, and provide further value.

Type of Capital	Yokohama Rubber's Strengths	Stakeholders
Financial	• Profit expansion by "Product and Regional Strategies" in the consumer tire business, as well as by the maximization of the ratio of high value-added products (AGW strategy), and sustainable growth driven by the OHT business with high market growth rate including tires for agricultural machinery vehicles boasting the world's top market share in the commercial tire business • Implementation of strategic investment toward the improvement of corporate value, and the ability to generate cash flows	• Shareholders (increased attention from domestic institutional investors as well as overseas institutional investors with the progress of business globalization) • Financial institutions (banks in Japan and overseas, and government-affiliated financial institutions)
Human	• Utilization of personnel with different nationalities • Introduction of a home office system and satellites offices, and upgrading of work-from-home and flexible work systems • Development and selection of value-added human resources • Assignment of right person to the right high-level position • Links between duty, performance and compensation (managers) • Investment in safety measures aiming to achieve zero occupational accidents	• Employees
Intellectual	• Launching Japan's first fuel-efficient tires (1998) • Tires and rubber products (conveyor belts, etc.) with increased ratio of sustainable raw materials (conveyor belts, etc.) • HAICoLab: Product development utilizing AI (material design and structure design) • Development of sustainable raw materials in collaboration with business partners (NEDO Green Innovation Fund Projects, etc.)	• Employees • Customers • Business partners (collaboration) • Public institutions (collaborative research)
Manufacturing	• Acquisition of technical approval for the world's leading premium cars • World class specialties in commercial tires (ones for trucks and buses, and OHTs) • Production system compatible with high-mix, low-volume production • Production of high-performance pneumatic fenders and hydraulic pressure hoses for vehicles and construction machinery	• Local communities • Business partners • Customers • Employees
Social and Relationship	• Achievement of the speedy launch of new products that meet local needs by establishing tire R&D centers in regions close to the market • Broad-ranging and global customer base not only for PC, but also for OHT and MB (hose and couplings, industrial products, etc.) • Activities to support farmers at natural rubber plantations in Thailand and Indonesia (holding seminar events regularly)	• Local communities • Business partners • Customers • Employees
Natural	• Environmental research at a natural rubber plantation in Thailand • Introduction of renewable energy and continuous implementation of Company-wide energy-saving activities • Biodiversity preservation activities in collaboration with local residents and local governments around production sites • YOKOHAMA Forever Forest Activities (activities to grow seedlings of potential natural vegetation tree species by ourselves, provide nursery trees, and plant them with local residents)	• Natural environment

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Expectations, Interests and Needs of Stakeholders	Initiatives for Further Value Creation
• Improvement of capital efficiency (liquidation of cross-shareholdings and non-business assets) • Strengthening of IR activities (enhancement of connections with investors, and improvement of disclosures) • Pursuit of optimal capital structure	• Business growth by continuous strategic investment • Improvement of asset efficiency by the sale of cross-shareholdings • Optimal balance sheet management tailored to business structure • Strengthening investor engagement by holding IR events, etc.
• Diversity & Inclusion • Work style reforms (flexible working hours, and work-life balance) • Employees' own growth through work • Consideration to occupational health and safety	• Improvement of employee engagement • Increase the ratio of female managers • Expansion of skills development programs • Utilization of senior human resources
• Development of products that contribute to the environment • Development of high-performance and heavy-duty products • Provision of services utilizing technology	• Development and launch of "E+" tires equipped with technologies that meet the special needs of electrified vehicles, such as the strength to withstand the higher loads associated with the installation of electric batteries • Improvement of customer convenience and efficiency by services utilizing DX
• Sustainable raw materials procurement (supply chains without environmental and human rights risks) • Supplying of high-performance and high value-added products • Environmental conservation, economic development, and the resolution of issues in local communities • Productivity improvement • Achievement of carbon neutrality	Low cost, speedy development of quality products • Low cost: Drastic reduction of product costs • Speedy development: the "1-year plant" challenge and speeding up of tire development • Quality products: Strengthening development of OE tires suitable for the next-generation of premium cars
• Maintenance and promotion of good relationships • Fair operating practices • Provision of safe and high-quality products and services • Sustainable raw materials procurement (land use, forest resources conservation, impact on biodiversity, elimination of child labor and forced labor, etc.) • Respect for human rights	• Enhancement of stakeholder engagement
• Sustainable raw materials procurement (land use, forest resources conservation, elimination of impact on biodiversity, etc.) • Climate change countermeasures • Measures against environmental deterioration and biodiversity loss • Management of water resources	• Participation in a Japan Ministry of the Environment project using advanced technology for evaluating and verifying sustainable procurement of natural capital from the ASEAN region • Introduction of RubberWay Geo-Mapping, a risk assessment tool, toward the promotion of sustainable natural rubber procurement

Risks and Opportunities & Materiality

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In 2024, Yokohama Rubber revised its materiality in accordance with its new medium-term management plan, YX2026, in light of changes in the business environment and social issues surrounding the Group. We recognized issues from the perspective of external and internal factors (business activities), assessed the impact of our business on society and the environment along with the impact of social and environmental issues on our business for each stakeholder, and analyzed risks and opportunities.

Process for Identifying Materiality

Materiality		Risks and Opportunities	
Provision of products and services that contribute to a sustainable society	Risks	Medium- to long-term	Decline in product demand due to changing customer needs, such as a drop in the number of owners of private cars with the uptake of MaaS
		Medium- to long-term	Risk of accidents and lawsuits due to poor product safety, recalls and damage to brand value
		Medium- to long-term	More stringent performance, cost and other requirements
		Short- to medium-term	Decrease in business performance due to the failure to adapt to changes
	Opportunities	Medium- to long-term	Responding to changing customer needs and stricter regulations at an early stage
		Medium- to long-term	Secure new business opportunities through adapting to CASE and MaaS
Contribution to a decarbonized society and circular economy	Risks	Medium- to long-term	More stringent environmental (Tyre and Road Wear Particles, etc.) laws and regulations and increase in litigation
		Medium- to long-term	Increase in energy costs due to demand for the use of renewable energy to reduce GHG (Scope 3 for client companies), etc.
	Opportunities	Medium- to long-term	Sales of products to customers with a high sensitivity to environmental issues
		Medium- to long-term	Expansion of sales of products for EVs with the uptake in EVs
Coexistence with nature	Risks	Medium- to long-term	Negative impact on biodiversity due to destruction of forests and other environments in natural rubber plantations
		Medium- to long-term	Intensification of disasters due to climate change caused by suppliers' GHG emissions
		Medium- to long-term	Local residents adversely affected due to air pollution and climate change, health hazards, and impacts on regional climate change
		Medium- to long-term	Health hazards of local residents and impacts on biodiversity due to improper handling of water resources and waste
	Opportunities	Medium- to long-term	Reduction in energy costs by improving the efficiency of manufacturing processes
		Medium- to long-term	Reduction in risk of resource price fluctuations and increase in operational efficiency with reuse and recycling
		Medium- to long-term	Reduction in environmental conservation costs
Coexistence with local communities	Risks	Short- to medium-term	Local community opposition to operations due to the environmental impact of waste and emissions
		Short- to medium-term	Violation of rights of indigenous people with the development of natural rubber plantations
		Medium- to long-term	Decrease in yields and increase in production costs due to corrective measures required for adverse impacts on habitats of surrounding indigenous people
	Opportunities	Medium- to long-term	Stable operations by building positive relationships with local residents
		Medium- to long-term	Creation of opportunities for local children to join the Company through education (scholarships, work experience, etc.)
Development of human capital capabilities for sustainable corporate value enhancement	Risks	Short- to medium-term	Reduction in labor forces due to occupational accidents, natural disasters, infectious diseases, etc.
		Short- to medium-term	Work absences due to poor mental health, lost productivity due to decreased satisfaction
		Short- to medium-term	Violations of employee human rights, including long working hours, living wages, and freedom of association
	Opportunities	Medium- to long-term	Creation of innovation and improvement to productivity with the recruitment and development of diverse human resources and their active roles
Establishment of a sustainable supply chain	Risks	Medium- to long-term	Suspension of transactions due to the discovery of issues related to human rights at natural rubber plantations, including workers involved in forced labor and child labor, and increase in production costs due to corrective measures
	Opportunities	Medium- to long-term	Procurement of sustainable, high-quality raw materials
		Medium- to long-term	Increase in transactions through contributions to the economic development of local communities
Improvement of management resilience by strengthening corporate governance	Risks	Medium- to long-term	Strengthening of laws and regulations on antitrust, bribery, price cartels, export control, etc.
		Medium- to long-term	Decrease in credibility and brand value due to cyberattacks or leakage of confidential information
		Medium- to long-term	Lack of human resources with knowledge and skills pertaining to sustainability, including climate change, environmental issues related to biodiversity conservation, human capital, and human rights in the supply chain
		Medium- to long-term	Decrease in corporate value due to failure to address sustainability issues
	Opportunities	Medium- to long-term	Increase in management resilience and corporate value by addressing sustainability issues

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Step 1
Recognizing and arranging issues
Recognize issues from the perspective of external factors and internal factors (business activities), and organize them into a list

Step 2
Impact assessment, risk and opportunity analysis
Analyze the impact of issues, risks and opportunities, and assess their materiality and rank them in terms of priority

Step 3
Identify (revise) materiality
Issues ranked in priority are discussed and approved internally by hearing the opinions of each internal department and external experts

Periodically revise the issues based on changes in the environment, etc.

Process for Identifying Materiality (detail)
https://www.y-yokohama.com/global/sustainability/business/materiality/

Metrics (KPIs)	Targets	What we aim to do
Number of products with E+ mark (for tires specifically suited for electric vehicles)	FY2026: 10 products	• Achieve a safe and comfortable mobility society through improved quality and performance based on proprietary technologies • Contribute to economic and social development by providing high value-added off-highway tires. • Improve customer convenience and efficiency through DX-based services
Number of tire sizes that meet VF (Very High Flexion) and *PFO (Pressure Field Operation) standards*	FY2026: total of 384 sizes	
Number of uses of tire management/maintenance services (T.M.S.) applying DX (number of vehicles registered/number of tires inspected)	FY2026: 50,000 vehicles registered 450,000 tires inspected annually	
Reduction of greenhouse gas emissions (Scope 1+2)	FY2026: 30% reduction compared to FY2019 FY2030: 40% reduction compared to FY2019 FY2050: Achieve carbon neutrality	• Contribute to a decarbonized society through our products • Reduce greenhouse gas emissions and energy consumption • Contribute to the circular economy by increasing the use of renewable and recycled raw materials
Percentage of electricity used by the Company from renewable energy sources	FY2050: Achieve 100%	
Percentage of renewable and recycled raw materials used	FY2026: 28% FY2030: 30% FY2050: Achieve 100% sustainable material	
Number of trees planted and saplings provided as part of "YOKOHAMA Forever Forest" activities	FY2030: 1.5 cumulative million trees planted and saplings supplied	
Number of business sites certified as "Nationally Certified Sustainably Managed Natural Sites" (Japanese OECM) by the Ministry of the Environment	*FY2026: 5 cumulative sites*	• Promote nature positive-oriented initiatives • Strengthen environmental management
Number of serious environmental incidents (air, water, soil)	Continue with 0 cases	
Support for social contribution organizations through the YOKOHAMA Magokoro Fund, an employee social contribution fund	10 or more per year	• Help solve local community problems
Ratio of female managers (section manager or higher) filled by women (non-consolidated)	FY2026: 5% FY2030: 10%	• Foster diversity and inclusion • Create innovation and increase productivity through employee development • Develop safe and healthy work environments • Respect the human rights of employees
Ratio of male employees taking childcare leave (non-consolidated)	FY2026: 100% FY2030: 100% (expansion of acquisition period)	
Ratio of employees with continued employment after reaching 65 years old (non-consolidated)	FY2024 to FY2026: period average of 65% or more FY2027 to FY2030: period average of 70% or more	
Ratio of participation in skill development training • Ratio of participation in management education programs including MBA courses (non-consolidated) • Ratio of participation in education programs for DX leader development (non-consolidated)	FY2026 • 15% of department managers (cumulative) • 10% of office and technical employees (cumulative)	
Employee engagement score (non-consolidated)	Conduct ongoing employee engagement surveys starting from FY2024 and set targets by FY2026	
Number of natural rubber plantations surveyed	FY2030: 1,200 cumulative surveys	• Procure sustainable natural rubber • Respect human rights in the supply chain
Number of seminars for natural rubber farmers held	2 events or more per year	
Number of human rights due diligence (impact assessments) procedures conducted in the supply chain	1 case per year	
Number of sustainability-related issues reported to and discussed by the Board of Directors	4 per year (quarterly) or more	• Strengthen stakeholder engagement • Strengthen governance of sustainability issues

Looking Back on Past Medium-term Management Plans

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	Medium-term Management Plan GD100 Phase IV (FY2015–FY2017)	Medium-term Management Plan GD2020 (FY2018–FY2020)
Vision	All for Growth Open the way for the next 100 years by bringing together the potential of Yokohama Rubber	Fortifying our business foundation by redefining Yokohama's strengths and deploying growth strategy through original approaches
Management indicators	**FY2017** Net sales: **¥770 billion** Operating income: **¥80 billion** Operating income margin: **10.4%** ROA (net income): **5% or more** ROE (net income): **12% or more** D/E ratio: **0.8 times or less**	**FY2020** Sales revenue: **¥700 billion** Business profit: **¥70 billion** Business profit margin: **10%** Operating CF: **¥200 billion (three-year cumulative total)** ROE: **10%** D/E ratio: **0.6 times**
Strengths Acquired strengths and main results	**Progress of Global Expansion** • Enhanced network of production, sales and technology sites • Expanded overseas business of tires for new vehicles • Enhanced global brand recognition (partnership agreement with English Premier League Club Chelsea FC) **Improvements to Technologies That Contribute to the Environment** • Achieved a 100% ratio of products that contribute to the environment • Global rollout of fuel-efficient replacement tires • Expanded adoption and delivery of fuel-efficient tires for new vehicles **Strengthening of the Business Portfolio** • Acquired agricultural machinery and construction vehicle tire maker (ATG) • Acquired industrial vehicle tire maker (Aichi Tire Industry)	**Consumer Tire Business: Expanding Our Presence in the Premium Tire Markets** 1. Premium car strategy: Expanded installation on new vehicles, centered on high-inch, high-performance tires, to 13 car models, including the Porsche Cayenne and BMW X3. 2. Winter tire strategy: Introduced three new products including BluEarth-4S AW21 all-season tires and IceGUARD iG53 studless tires for North America. 3. Hobby tire strategy: Introduced six new products to meet the tastes of all types of automobile users, including the GEOLANDAR X-AT for SUVs and pickup trucks. 4. Communications strategy: Reinforced direct marketing using digital technologies and proactive communication with end users. **Commercial Tire Business: Making Commercial Tires a Pillar of Revenue for the Next 100 Years** 1. OHT business: Growth of ATG, acquired in 2016, resulted in a higher-than-expected commercial tire business share of net sales. 2. TBR business: Despite impairment losses recorded in 2018 with respect to the Mississippi plant (US), which commenced operations in 2015, Yokohama Rubber made efforts to improve supplies, including addressing equipment and human resource issues, and expanded sales. **MB Business: Focusing Resources in Areas of Strength** • Expanded shipments of automotive hoses in North America in the automotive parts business, delivered the world's largest floating pneumatic fenders in the marine products business, strengthening both businesses.
Issues Weaknesses to overcome	• Improving product mix by concentrating resources on high value-added products • *Realizing benefits of major investments and acquisitions made in Phase IV* • Strengthening the financial position	**Strategic aspect** • Consumer tires: Expanding our presence in premium tire markets • Commercial tires: Further strengthening the OHT and TBR business. • MB: Focusing resources in areas of strength **Business environment aspect** Initial targets of ¥700 billion in sales revenue and ¥70 billion in business profit were not achieved due to factors such as the economic slowdown caused by the global spread of COVID-19 in 2020.

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Medium-term Management Plan

FY2021–FY2023

Yokohama Transformation 2023 (YX2023)

Vision

Transformation based on our "Exploitation × Exploration" strategy

Management indicators

	YX2023 results	Targets
Sales revenue	**¥985.3 billion**	**¥700 billion**
Business profit (%)	**¥99.1 billion** 10.1%	**¥70 billion** 10%
D/E ratio	**0.63 times**	**0.4 times**
ROE	**9.9%**	**10%**
ROIC	**5.3%**	**7%**
Operating CF	**¥267.2 billion** (three-year cumulative total)	**¥250 billion** (three-year cumulative total)
Capital investment	**≤ depreciation** (excl. strategic investments)	**≤ depreciation** (excl. strategic investments)

Strategies and main results Acquired strengths

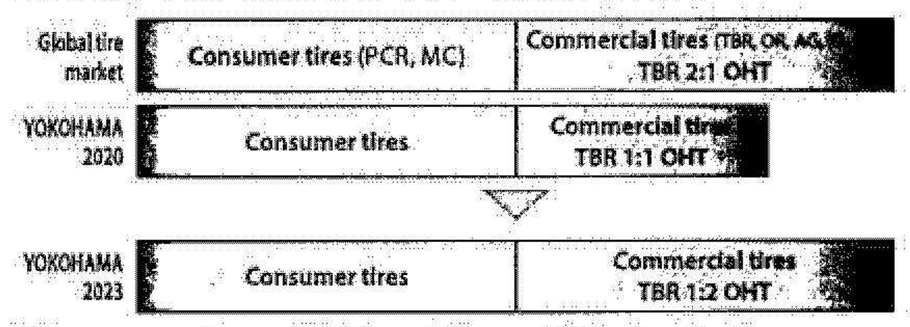
"Culmination of the Past 100 Years"

The Medium-term Management Plan "YX2023" was implemented for three years from 2021 to 2023 as the "Culmination of the past 100 years." During each fiscal year of the plan, we significantly exceeded our initial sales revenue and business profit targets. Although we did not reach our target of ¥1 trillion in sales revenue in the fiscal 2023, which was the final year of the plan, the business profit margin exceeded 10% for the first time. However, D/E ratio fell short of the target due to the acquisition of Trelleborg Wheel Systems Holding AB (TWS) and ROE was 9.9%, also falling short of the target.

Tire Business Strategy

In 2020, our consumer tire to commercial tire sales ratio was 3:2, while the global market ratio was an even 1:1., indicating that we needed to optimize our sales composition ratio. The acquisition of TWS in fiscal 2023 brought the ratio in line with the global market ratio of 1:1. In addition, the composition of our commercial tire business is now more heavily weighted toward more highly profitable OHT (off-highway tires), with an OHT to TBR ratio of 2:1, the reverse of the global market's 2:1 ratio favoring TBR. During YX2023, we were able to achieve a grand strategy for the transformation of our Tire Business structure.

Transformation of the Tire Business Structure



PCR: passenger car tires MC: Motorcycle tires TBR: Truck and bus tires
OR: Off-road (construction and mining vehicles) tires AG: Tires for agricultural & forestry machinery
ID: industrial & port-use machinery tires AC: Aircraft tires

Consumer Tire Business: Maximizing the Ratio of High Value-added Products

As a result of steadily implementing product strategies tailored to each specific regional market, sales in all regions increased significantly. On the other hand, although we worked to increase sales of ADVAN, GEOLANDAR, and winter tires with the aim of maximizing the ratio of high value-added products, targets were not achieved. However, we were able to reach our sales target for 18-inch and larger size tires as we expanded the lineups to 637 sizes during YX2023's three years.

Commercial Tire Business: Capture Market Changes to Further Strengthen Business

In the OHT business, in addition to the growth of YOHT (Yokohama Off-Highway Tires), the acquisition of TWS has dramatically increased both our production capacity and revenue. In addition, we have achieved a top-class product lineup in the OHT category, establishing a structure for further growth.

In the TBR business, we achieved the medium-term production plan targets at the Mississippi plant in the US and achieved profitability in fiscal 2023. However, unit sales in fiscal 2023 slipped to 2% below the fiscal 2018 levels owing to the difficult market environment in Europe and the US.

Multiple Business (MB): Shift to a High-growth, Highly Stable Portfolio

Although the MB business had been performing significantly below targets since fiscal 2020, during the final year of YX2023, the business management structure was substantially revised and the business made a concerted effort to improve, resulting in the MB Business achieving 2023 targets. We also completed structural reforms, including the sale of the Hamatite business in November 2021 and the integration of the aerospace products division into the Industrial products division in March 2022, laying the foundation for growth in the next medium-term management plan.

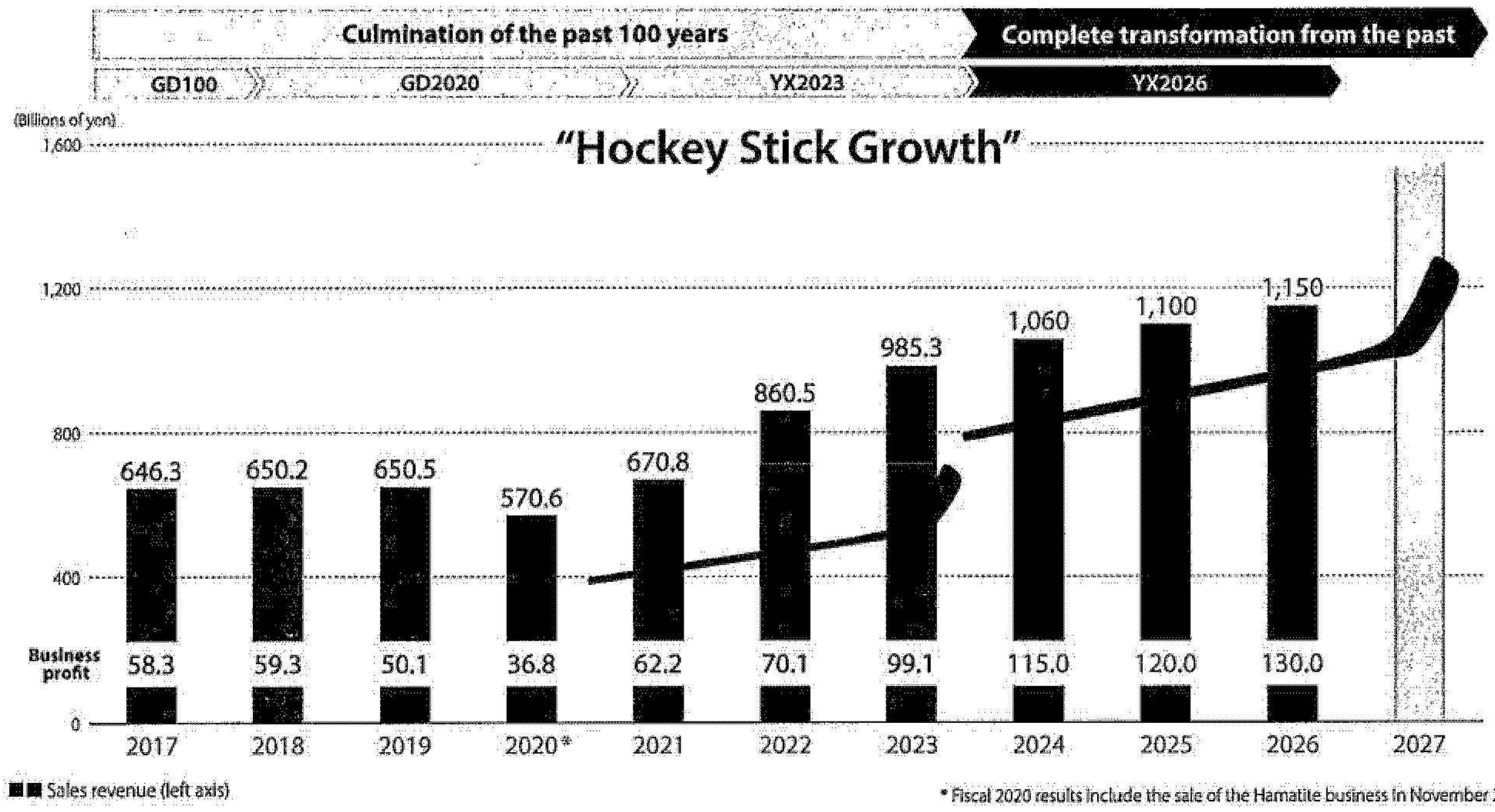
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New Medium-term Management Plan Yokohama Transformation 2026 (YX2026) FY2024–FY2026

The Yokohama Rubber Group launched its new Medium-term Management Plan "Yokohama Transformation 2026 (YX2026)" for the three-year period from fiscal 2024 to fiscal 2026. We will continue to "exploit" our strengths in existing businesses and "explore" new value, strategies which we have been promoting since the previous Medium-term Management Plan "YX2023," and complete our transformation with the determination not to leave no negative legacy for the next generation.

YOKOHAMA Transformation 2026
Completing Transformation under Exploitation × Exploration Strategy
* Leave no negative legacies for next generation

Basic Policy and Financial Targets



* Fiscal 2020 results include the sale of the Hamatite business in November 2021.

Under YX2026, our fundamental policy for increasing corporate value is positioned as our growth strategy. Not content with the slight gains achieved to date, we are aiming for "Hockey Stick Growth" during YX2026, or in fiscal 2027 at the latest, by implementing the growth strategies set for each business. Our financial targets for fiscal 2026 are sales revenue of ¥1.15 trillion, business profit of ¥130 billion, business profit margin of 11%, and ROE that exceeds 10%.

	YX2026 targets
Sales revenue	**¥1,150 billion**
Business profit	**¥130 billion**
Business profit margin	**11%**
Equity ratio	**50% target**
ROE	**Above 10%**
Operating CF	**¥385 billion** (3yr cumulative)
Capital investment	**Within scope of depreciation** (excluding strategic investments)

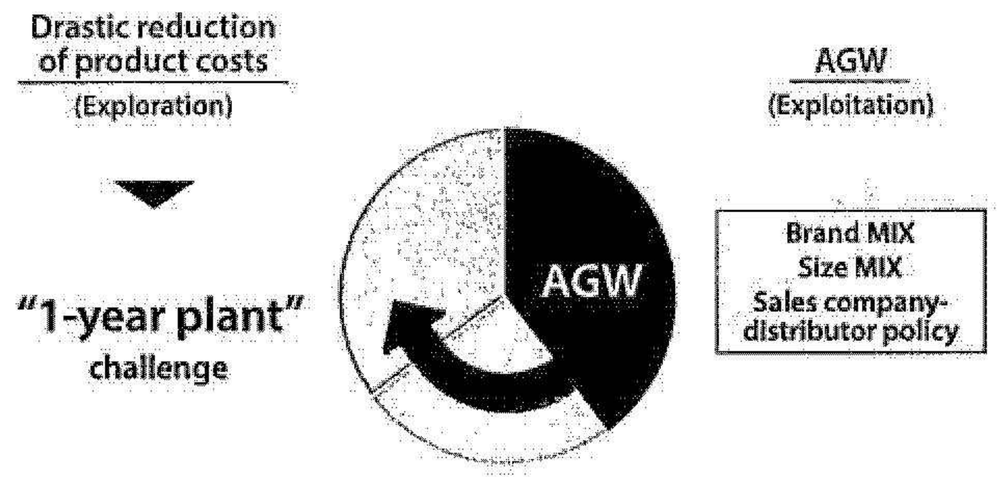
Consumer Tires Strategy

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"1-year plant" challenge

Under YX2026, we will continue to actively promote maximizing the ratio of high value-added products and aim to improve profitability. In the past few years, tire makers from China and other emerging countries have gained prominence. Therefore, in order to achieve "Hockey Stick Growth," we need to compete in cost competition. In YX2026, we will take on the "1-year plant" challenge which involves bringing a new plant on line within one year, aiming to achieve low cost and high efficiency.

Approach to increasing ratio of high value-added products



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Further increasing the ratio of high value-added products

In addition to enhancing brand value by promoting our tires as original equipment for premium cars and participating in motorsports events around the world, we will widen the implementation of our "Product and Regional Strategies." By meeting needs in each market, we will aim to increase unit sales in each region, and expand sales of our ADVAN, GEOLANDAR, and winter tires, as well as 18-inch and larger size tires.

Europe	China	Japan	Other overseas markets	North America
CAGR 2023-2026	CAGR 2023-2026	CAGR 2023-2026	CAGR 2023-2026	CAGR 2023-2026
+14.2%	+14.0%	+1.8%	+4.5%	+1.2%
UHP・WINTER	EV UHP	WINTER	Premium cars, SUVs	SUVs, Pickup trucks

Commercial Tires Strategy

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OHT Business: Improve market position and expand operations

Tires for agricultural & forestry machinery: We will further strengthen our market position by applying a multibrand strategy that leverages our production, technology, and sales strengths in each tier of this market segment.

Tires for industrial & port-use machinery: We aim for profitable growth by expanding and strengthening our network providing maintenance service.

Tires for construction machinery and mining machinery: We will promote the expansion of our business by promoting "Programmatic M&A," a strategy that continuously considers and executes M&A.

TBR Business: Strengthen sales in countries and regions where appropriate prices are maintained

As Chinese tire makers expand production and exports, Western governments are implementing protective policies such as anti-dumping and countervailing duties, creating a gap between supply and demand. We will aim for profitable growth by strengthening sales in countries and regions where these measures are supporting the maintenance of appropriate pricing.

Multiple Business (MB) Strategy

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Shifting to a growth strategy based on the management foundation realized in YX2023

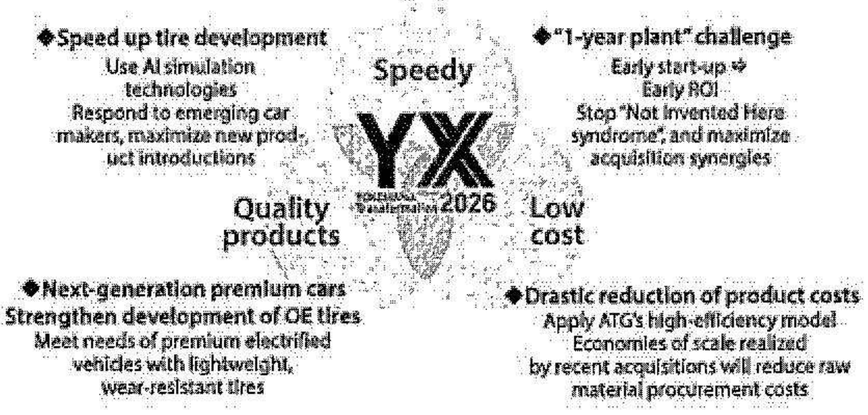
The MB Business is now shifting to a growth strategy based on the management foundation realized in YX2023. In YX2026, we have positioned the hose and couplings business as a growth driver and will decisively implement improvements for further growth. In the Industrial products business, we will complete improvements to stabilize our profit structure. Through these efforts, we will increase the presence of the MB Business by achieving a business profit margin of 10%.

Technology and Production Strategies

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"Low cost, speedy development of quality products"

During YX2026, we will strengthen our business foundations throughout the Group under the motto "Low cost, speedy development of quality products." "Quality products" refers to strengthening development of OE tires suitable for the next-generation of premium cars. "Low cost" refers to drastically reduced costs that can't be beat by other companies, and "Speedy" refers to the "1-year plant" challenge aimed at speeding up tire development.



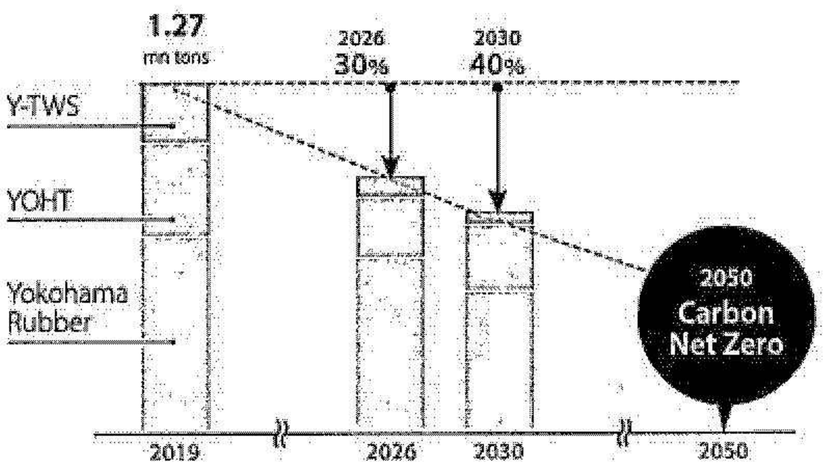
Sustainability Strategy

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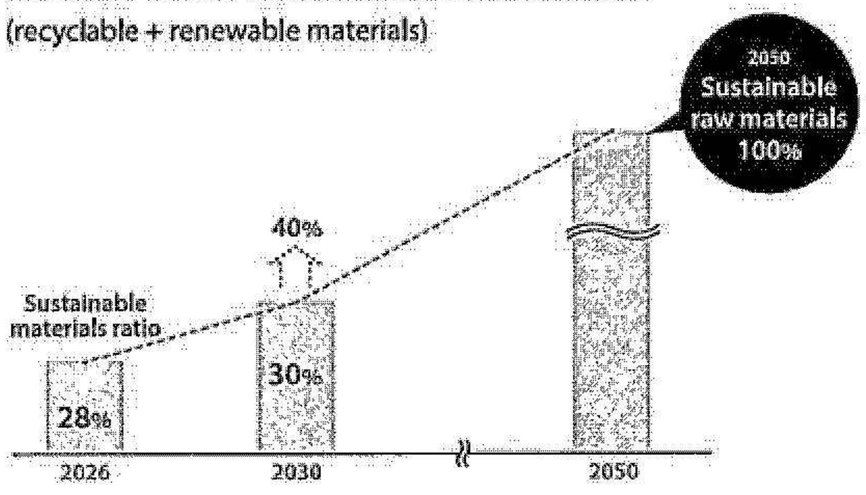
Contribute to a decarbonized and recycling-oriented society while increasing profits

Based on the idea that sustainability activities are an important corporate activity that should contribute to the Company's growth. Instead of making excessive investments now that will place a burden on future management, we will make sure that our environment-related investments conform to normal investment recovery standards and are compatible with our efforts to generate profits. With regard to reducing greenhouse gas emissions, which includes efforts by Y-TWS (Yokohama-TWS), we plan to reduce the Group's 2019-level Scope 1 & 2 emissions of greenhouse gases by 30% by 2026 vs 2019 and 40% by 2030 vs 2019, and are continuing efforts to help achieve a zero-carbon society by 2050. With regard to the promotion of the expansion of sustainable raw materials, we will accelerate efforts to contribute to the circular economy and reduce greenhouse gas emissions (Scope 3).

Reduce greenhouse gas emissions (Scope 1 + Scope 2 emissions vs 2019)



Promote use of sustainable raw materials
(recyclable + renewable materials)

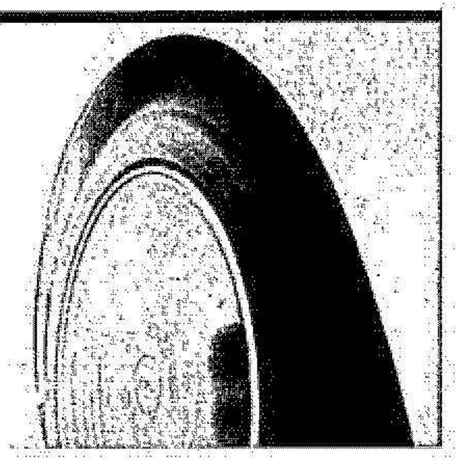


Tire Business

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Consumer Tires Maximizing the ratio of high value-added tires

To maximize the ratio of high value-added tires in the consumer tire business, we are focusing on the following three tire categories: Ultra-high-performance tires, tires for SUVs and pickup trucks, and winter tires. To this end, we will actively promote sales of ADVAN, GEOLANDAR, and winter tires with the aim of improving profitability.



Summary of YX2023

In recent years, emerging low-cost, low-priced tire makers have expanded their production capacity. Specifically, the growth of Chinese tire makers has been remarkable, with one-third of the world's consumer tires being produced in China and nearly half of Chinese makers' output being exported. As part of our "Product and Regional Strategies," we have been striving to increase sales of ADVAN, GEOLANDAR, and winter tires (AGW), and steadily implementing product strategies tailored to each region. With a compound annual growth rate (CAGR) of 4% in Japan, 15% in Europe, 17% in North America, 10% in China, and 16% in other overseas markets, we were able to significantly increase sales in all regions. However, in the lower price zone, Chinese tire makers were on the offensive, with the sales growth rate of ADVAN falling short of its target at 135% compared to fiscal 2019, (initial target : 150%), GEOLANDAR at 109% (initial target: 115%), and winter tires at 119% (initial target: 120%).

On the other hand, we were able to increase sales of 18-inch and larger size tires by 159%, exceeding our target of 155% by as we expanded the lineups to 637 sizes during YX2023's three years.

YX2026 growth strategy

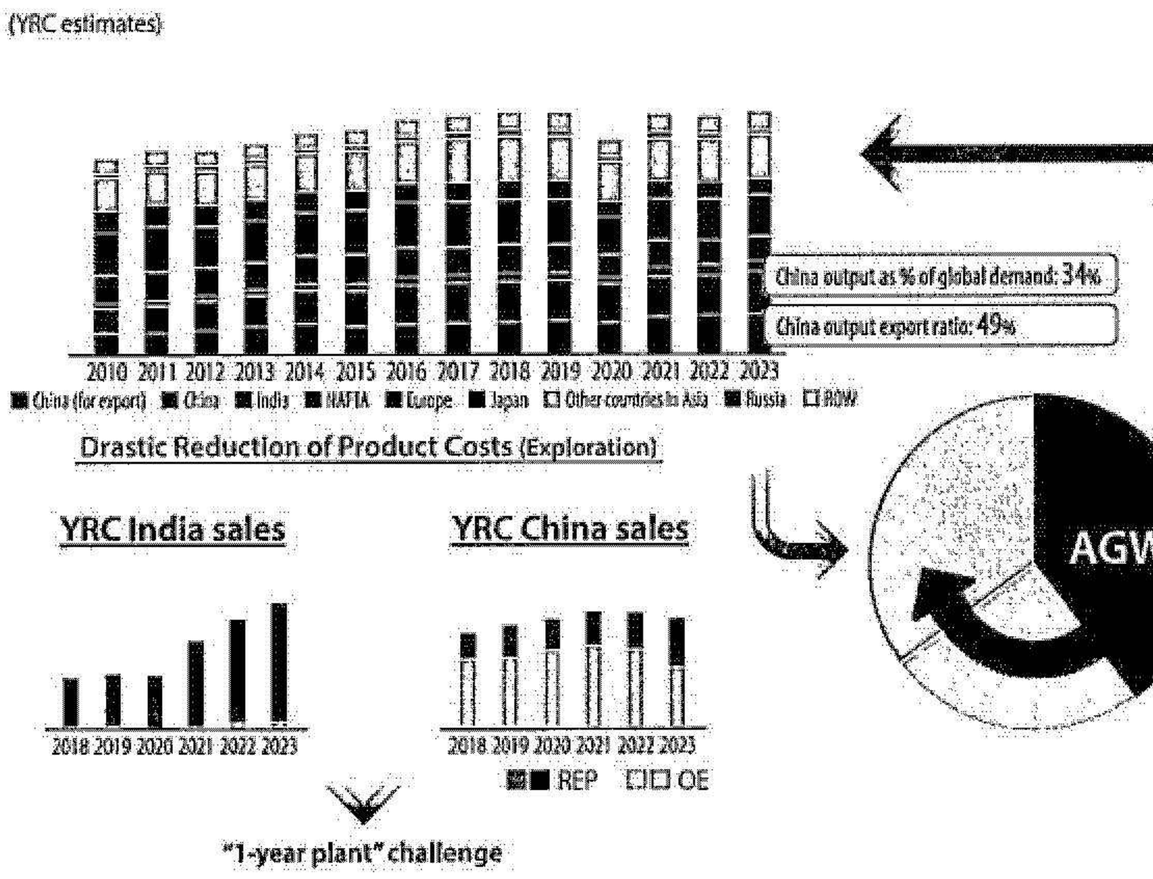
We will continue to actively promote maximizing the ratio of high value-added tires and aim to improve profitability. However, to achieve the "Hockey Stick Growth" we are aiming for during YX2026, we must compete with the cost-competitiveness of tire makers in emerging countries.

Applying the know-how that we acquired in India and China during YX2023, we aim to achieve low costs and high efficiency by taking on the "1-year plant" challenge, matching the examples set by Chinese tire makers in bringing new plants on line within one year.

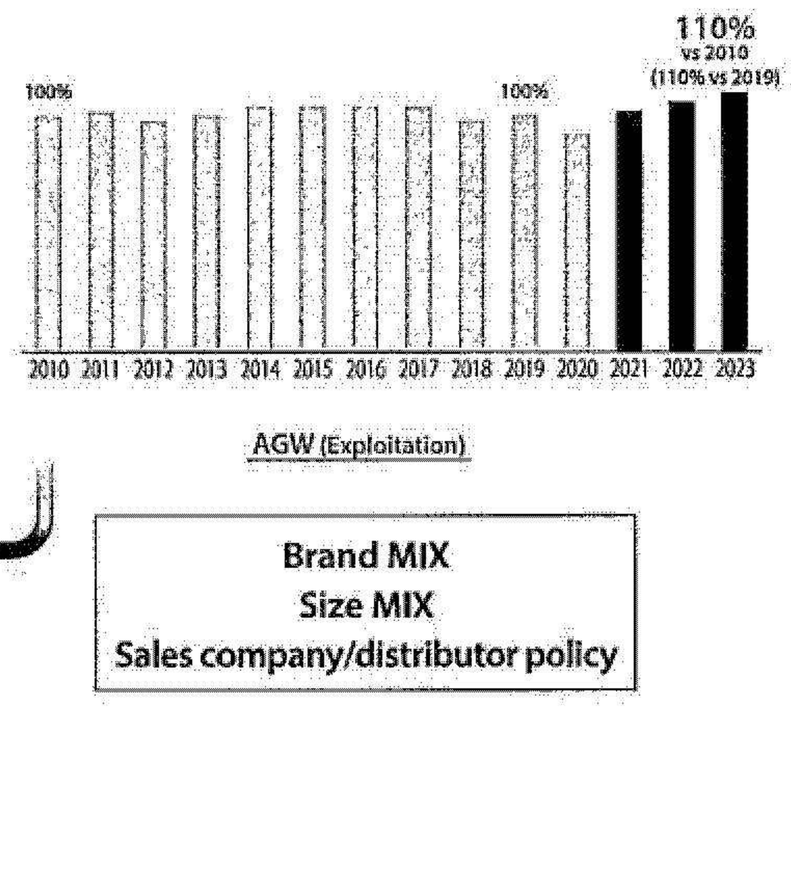
At the same time, with regard to maximizing the ratio of high value-added tires, we will aim to increase the ratio of AGW from the current 40% to more than 50% of the total number of consumer tires sold. Specifically, we will further deepen our "Product and Regional Strategies" by installing OE tires on new premium cars such as the LEXUS LBX and TOYOTA ALPHARD, and by participating in motorsports events around the world such as the Nürburgring 24-Hour Race, SUPER GT GT500, and King of the Hammers (US) in order to enhance our brand value. We will continue to promote our "Product and Regional Strategies" focused on strengthening the development, supply, and sales of tires that respond to specific trends in each regional market, aiming to increase the number of consumer tires sold in each region, increasing the compound annual growth rate (CAGR) from fiscal 2023 to fiscal 2026 to 1.8% in Japan, 14.2% in Europe, 1.2% in North America, 14.0% in China, and 4.5% in other overseas markets collectively. Furthermore, in fiscal 2026, we aim to increase sales of ADVAN by 206%, GEOLANDAR by 127%, winter tires by 108%, and 18-inch and larger size tires by 154% compared to fiscal 2023.

Global Consumer Tire Production Trend

(YRC estimates)

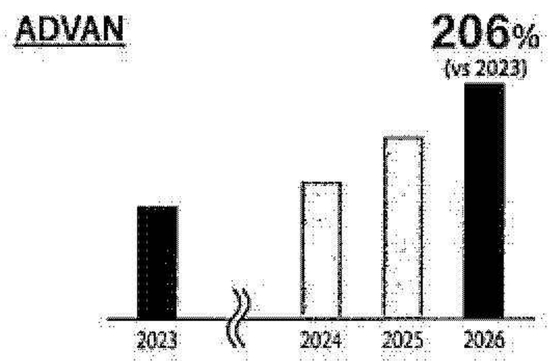


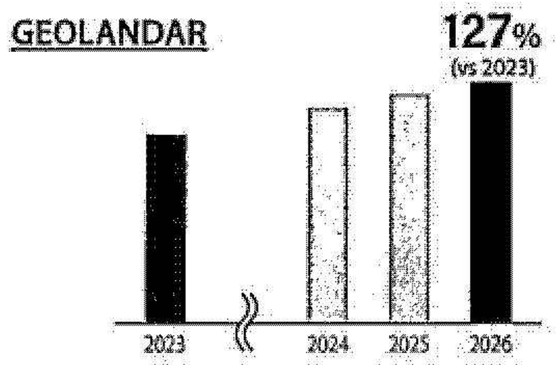
Yokohama Rubber Consumer Tire Unit Sales Trend

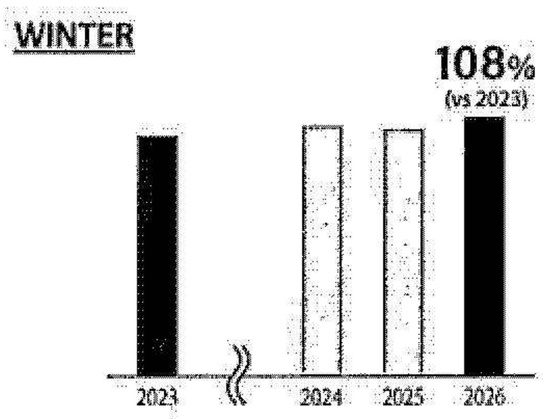


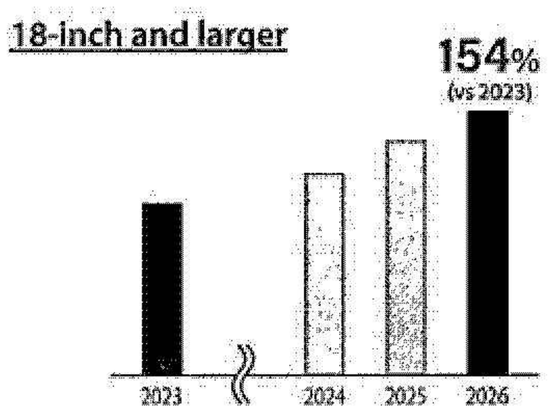
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AGW Unit Sales Targets (vs 2023)



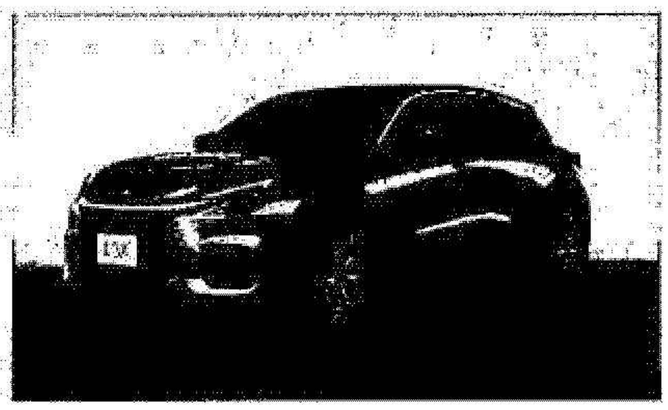


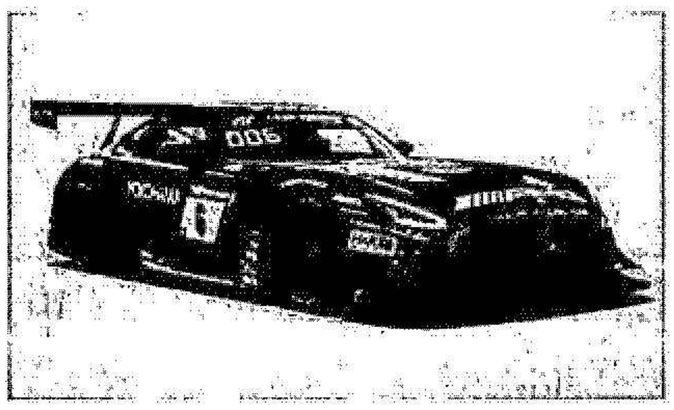


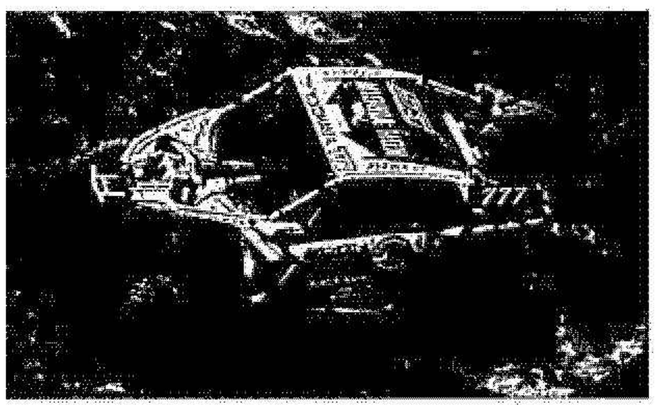


Priority measures in fiscal 2024

In fiscal 2024, the first year of YX2026, we aim to increase unit sales of ADVAN by 121%, GEOLANDAR by 113%, and winter tires by 104% year-on-year through brand value enhancement measures and product and our "Product and Regional Strategies," which are also the initiatives of YX2026, and increase the share of AGW share of our consumer tire sales from the current level of 42% to 44%. We also aim to increase sales of 18-inch and larger size tires, another indicator of improved profitability, by 114% year-on-year.





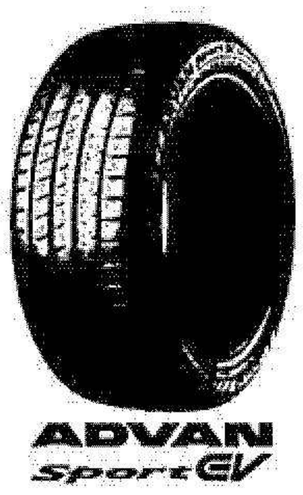


A Practical Example from Our Exploitation × Exploration Strategy

Launch of ADVAN Sport EV, a Tire Specifically Designed for Electric Vehicles

The popularization of EVs is accelerating with the global trend toward carbon neutrality. However, EVs being released these days are increasingly larger and there are more high-performance type premium EVs, so tire requirements are also changing drastically. In order to respond to the growth of premium EVs, we have developed and launched the ADVAN Sport EV, a tire specifically designed for electric vehicles that offers high performance.

In addition, we have adopted the optimum EV technology for each tire concept based on the various technologies we have accumulated through technological development thus far. The tire carries the "E+" mark, which signifies that the tire is compatible with electric vehicles. In addition to being displayed on the sidewall of YOKOHAMA tires, starting with ADVAN Sport EV, that incorporate technologies that meet the special needs of electrified vehicles, the "E+" mark will be prominently displayed in tire catalogs and websites to facilitate customers' tire selection.



ADVAN Sport EV



E+ mark

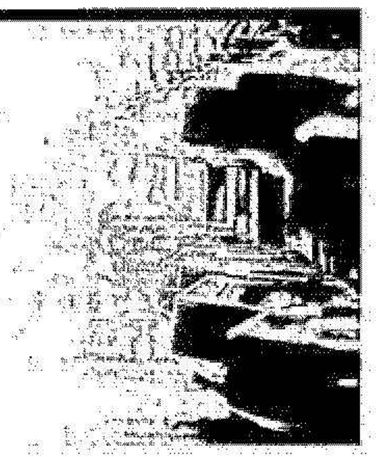
* We set "the provision of products and services that contribute to a sustainable society" as a product- and service-related material issue and aim to provide a lineup of 10 "E+" tires (for electric vehicles) by fiscal 2026.

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Commercial Tires

Incorporating market changes to further strengthen business

In commercial tires, we will focus on the four themes of cost, services, digital transformation (DX), and expanded product lineup to capture market trends such as CASE and MaaS. We will search for M&A opportunities in the OHT (Off-highway tires) business, and aim for profitable growth in the truck and bus tires (TBR) business.

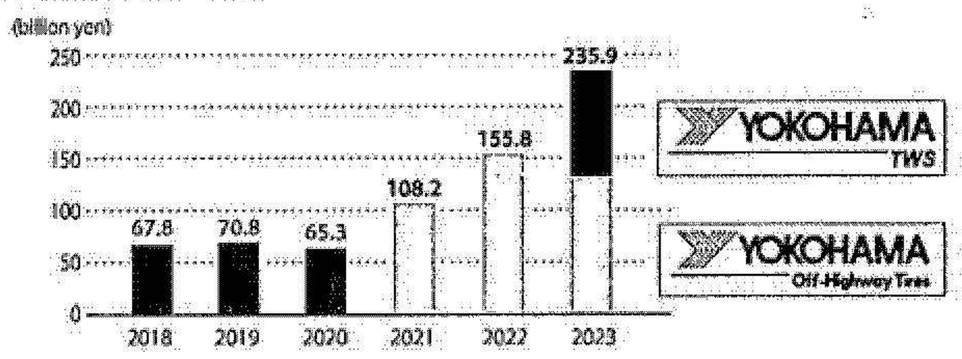


OHT Business

Summary of YX2023

In 2020, our consumer tire to commercial tire sales ratio was 3:2, while the global market ratio was an even 1:1. The acquisition of Trelleborg Wheel Systems Holding AB (TWS) in fiscal 2023 brought at ratio in line with the global market ratio of 1:1. In addition, the composition of our commercial tire business is now more heavily weighted toward more highly profitable OHT, with an OHT to TBR ratio of 2:1, the reverse of the global market's 1:2 ratio favoring TBR. This allowed us to achieve our grand strategy for the transformation of our Tire Business structure. In the OHT business, in addition to the organic growth of YOHT (Yokohama Off-Highway Tires), the acquisition of TWS has dramatically increased both our production capacity and sales revenue. As a result, we now have the industry's most comprehensive OHT product lineup.

OHT Sales Trend



YX2026 growth strategy

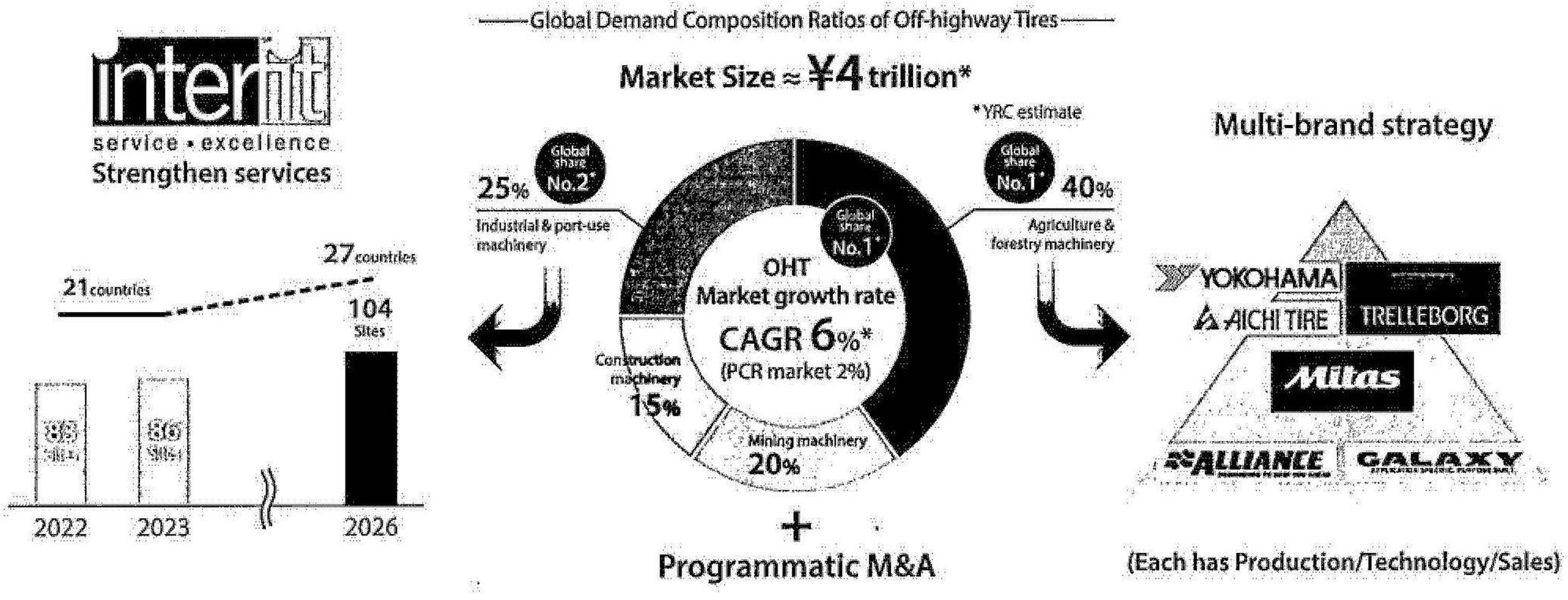
Our share and growth strategy

The OHT tire market size is currently about ¥4 trillion, and we expect it to expand at an annual growth rate of about 6%, compared to just 2% for the consumer tire market. We estimate agriculture & forestry machinery account for about 40% of global demand, and the Yokohama Rubber Group has the top share in these markets. During YX2026, we will further strengthen our market position by applying a multibrand strategy that leverages our production, sales, and technology strengths in each tier of this market segment.

The next largest segment of the OHT market, with a 25% share, is industrial & port-use machinery. The Yokohama Rubber Group has the second largest share in this market segment, where we are aiming for profitable growth by expanding and strengthening our service network from 21 countries (current number) to 104 locations in 27 countries by 2026 through the enhancement of the Interfit service, a tire maintenance service provided by our professional staff.

In addition, we will consider "Programmatic M&A," in which we continuously consider and execute M&A to achieve "Hockey Stick Growth" in construction machinery and mining machinery, in which we have only a small market share, and in the OHT business as a whole, with the aim of achieving further growth.

OHT Business Growth Strategy



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Global network covering major markets

Y-TWS (Yokohama TWS) has 14 production bases in 9 countries: in Europe in Italy, the Czech Republic (3 bases), Latvia, Serbia, Slovenia; in North America in the US (2 bases); in South America (Brazil); in Asia (China (2 bases), and Sri Lanka (2 bases)), with Europe accounting for about 60% of the company's sales. By adding Y-TWS's strengths in Europe to the Yokohama Rubber Group's strengths in Japan, North America and Asia, the Group now operates in more than 120 countries on six continents and employs more than 15,000 people in the OHT business. With the establishment of this global network, we can expect further growth in this business.

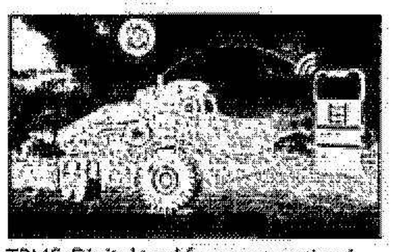
As a service system, we have a customer service platform utilizing a field service management app, etc., and our specialized team provides tire services in 82 locations in 21 countries around the world.

Use of DX

Y-TWS has developed the Adaptive Tire Management System (ATMS), which improves agricultural productivity by detecting working conditions such as load, pressure, and temperature in real time and constantly suggesting the optimal tractor vehicle settings. Y-TWS has also developed the Tire Pressure Management System (TPMS) for construction and port vehicles which constantly monitors air pressure and temperature to improve operational efficiency and ensure operator safety. Although we have developed similar remote monitoring systems for air pressure and temperature inside tires, the combination of Y-TWS's and Yokohama Rubber's DX knowledge will promote the provision of more convenient and efficient services.



ATMS: Real-time tire data for ultimate tractor performance


TPMS: Digital tool for construction/port vehicles

Priority measures in fiscal 2024

The OHT business faces a challenging environment in 2024, as evidenced by the worldwide sluggish demand for tires for installation on new OHT vehicles from the second half of 2023. Focusing on Y-ATG, the business unit behind the brands ALLIANCE, GALAXY, and PRIMEX which possesses strengths in the replacement tire market, we are working to increase our share in the replacement tire market and increase sales volume by strengthening efforts to address markets that were weak in the past, with the aim of achieving growth across the OHT business as a whole. In addition, the entire Yokohama Rubber Group is making full-fledged efforts to create synergies with TWS (currently Yokohama TWS), which we acquired in May 2023, and is also considering specific growth through "Programmatic M&A," a growth strategy for the OHT business, as set forth in YX2026.

OHT Business Metrics, Results, and Targets

Metrics (KPIs)	Results			Targets
	FY2021	FY2022	FY2023	
Number of tire sizes that conform to Very High Flexion (VF) and Pressure Field Operation (PFO) standards*	129	176	252	FY2026: Total of 384 sizes

* Standard for tires that can run at low pressure to minimize the impact on the roots of crops

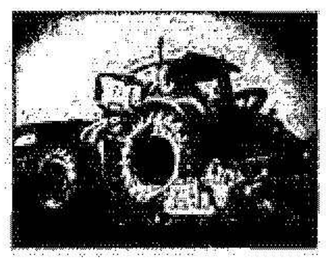
A Practical Example from Our Exploitation × Exploration Strategy

Reducing Field Damage and Increasing Productivity with Tires That Comply with VF and PFO Standards

VF tires, which can support the same load at 40% less air pressure than conventional radial tires, serve as an indispensable tool for farmers to fight soil compression damage since they enable driving farm vehicles at low tire pressures. Some studies have suggested that soil compression can reduce yields because air and water flow is disrupted. Reducing soil compression has the advantage of improving productivity, which also leads to improved work and fuel efficiency.

We are also expanding our lineup of tires that comply with PFO standards that enhance the load carrying capacity of VF tires during low-speed operation. Tires equipped with PFO technology allow for farm vehicle operation at even lower tire pressures, further reducing soil compression.

In addition to VF tires, there are only a few tire makers in the world capable of supplying tires that comply with PFO standards. The Yokohama Rubber Group has an extensive lineup of tires that meet a wide range of needs. By providing high-quality tires trusted by users and comprehensive after-sales services, we will support the improving the productivity of farmers.



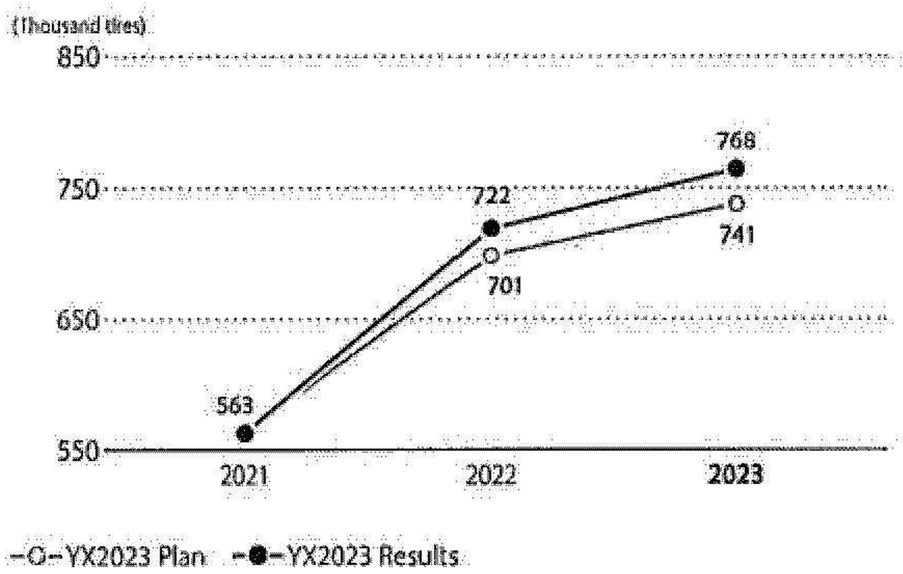
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TBR Business

Summary of YX2023

In the TBR business, we achieved our production plan for the Mississippi Plant in the US which was set in YX2023, and became profitable in fiscal 2023. However, the sales volume remained at 98% of the 2018 level due to the severe market environment in Europe and the US in fiscal 2023.

Production plan and results of the Mississippi Plant in the US



YX2026 growth strategy

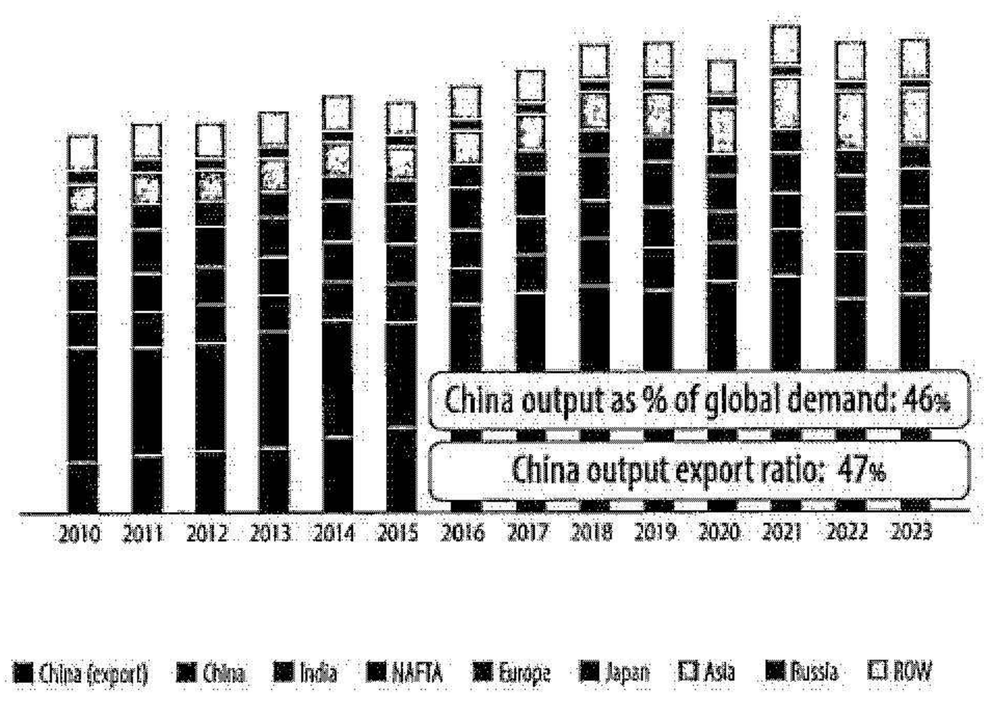
Market conditions and growth strategy

In the TBR business, Chinese tire makers are expanding their production of truck and bus tires more than that of consumer tires, with Chinese tire makers accounting for almost half of global production, half of which is exported. In contrast, European and US governments are enforcing strict protection policies with anti-dumping and countervailing duties of up to 88.03% in the US and 51.00% in the EU (according to our research), which results in a demand gap. We will aim for profitable growth by strengthening sales in countries and regions where these measures are supporting the maintenance of appropriate pricing.

In response to this situation, quantitative targets have been established in YX2026, and we are aiming for sales revenue of ¥131.9 billion, business profit of ¥14.8 billion, and business profit margin of 11.2% in fiscal 2026 compared to the fiscal 2023 results of ¥103.6 billion, ¥4.1 billion yen, and 4.0%, respectively.

Global TBR/LTR Tire Production Trend

(YRC estimates)



T.M.S (Tire Management System)

T.M.S is a service for the safe and efficient use of tires. Since its launch in 2003, more than 40,000 vehicles have been installed with the service.

T.M.S uses information from tire inspections and sensors attached to tires in its cloud database to provide customers with safe, efficient, and economical tire operation methods, retreading, etc., that are appropriate for the condition of their tires.

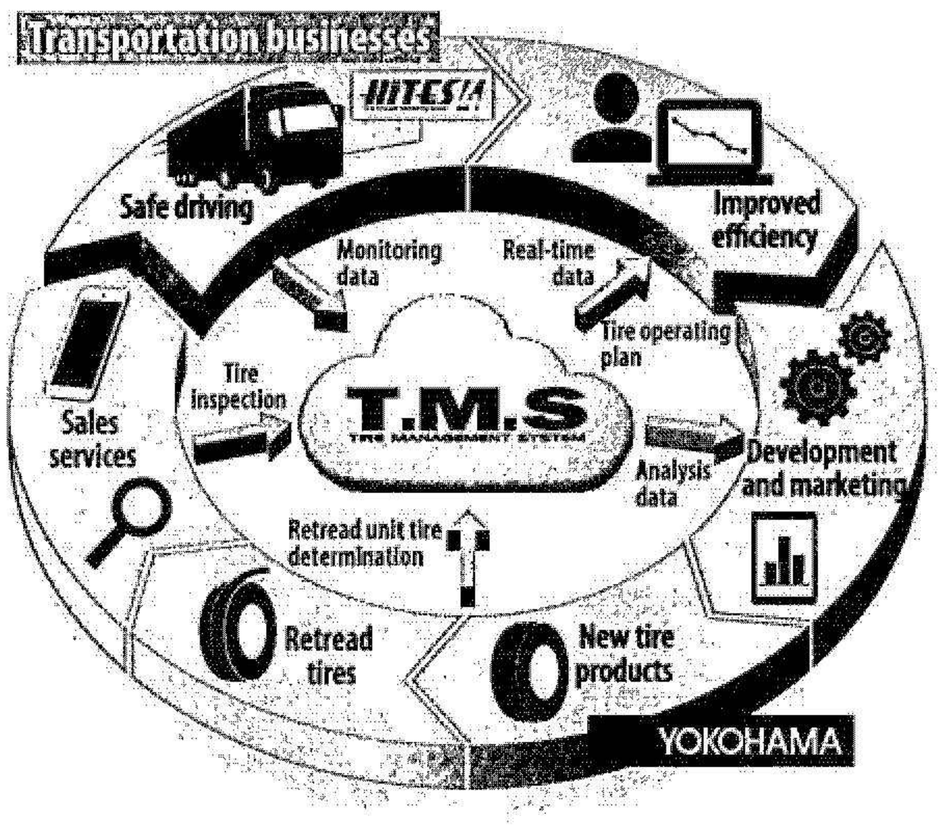
In addition to information and data input being compatible with new digital devices that will be implemented in society in the future, it is also possible to import tire inspection data using conventional analog methods, making the system highly redundant.

So far, we have been conducting demonstration tests of new ICT using T.M.S with car-sharing companies and taxi companies. In March 2023, we started EV bus demonstration tests. Moving forward, we aim to further expand our solution services to solve customers' problems using the latest digital technologies.

T.M.S Tire Management System (T.M.S)

T.M.S. installed
41,711 vehicles
* As of December 2023

- Safety
- Efficiency
- Economy



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Strengthening products and services that support sustainable transportation

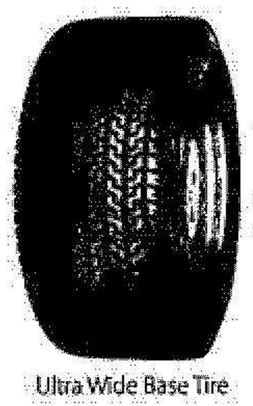
Yokohama Rubber aims to achieve "Contribute to a decarbonized and recycling-oriented society, while increasing profits" providing products and services that support this effort. For example, we have an extensive lineup of retread tires that use Yokohama Rubber's existing tire tread patterns and compounds. Retread tires are tires used to replace worn tread rubber to restore tire functions for tire reuse, contributing to a recycling-oriented society.

In addition, Ultra Wide Base Tires, which allow a two-wheel set on a truck to be replaced with a single-wheel, not only minimizes maintenance but also reduces weight per axle, resulting in increased payload capacity.

In response to the growing demand for B2C delivery and transportation, which has been increasing in recent years, we are actively investing in increasing production and product development of light truck tires with excellent fuel efficiency and tread life performance, as well as small diameter and large load tires.



Retread tire



Ultra Wide Base Tire

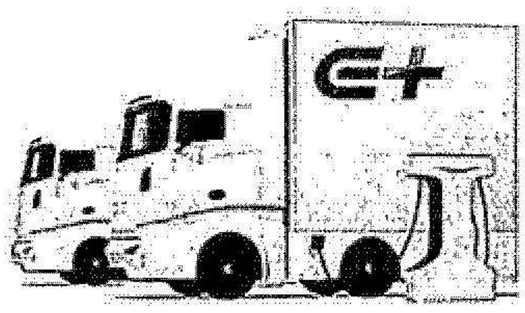
Priority measures in FY2024

As the transportation industry faces a serious labor shortage due to the so-called "2024 problem," we will actively propose measures so that we can help with this issue as a tire maker.

Yokohama Rubber is developing a digital inspection tool that simplifies and automates the task of tire inspection, which must currently be performed using human hands, and aims to implement it in society as soon as possible. New digital technologies will be linked with T.M.S to meet the needs of our customers.

At the same time, tires that meet the performance requirements of BEV buses, which have been increasing globally in recent years, will be given the "E+" mark and launched in the whole world.

E+ tires are designed for high load capacity and high torque performance with EVs. In addition to improving durability and tread life in response to barrier-free curbs, the Company will also improve retread performance, thereby contributing not only to decarbonization but also to a recycling-oriented society.



An example of eco-friendly vehicles equipped with E+ tires

TBR Business Metrics, Results, and Targets

Metrics (KPIs)	Results			Targets
	FY2021	FY2022	FY2023	
Utilization of tire management/maintenance services (T.M.S) using DX				FY2026:
Number of vehicles registered in T.M.S (cumulative)	25,201	35,936	41,711	50,000
Number of tires inspected	279,244	330,605	361,239	450,000 tires per year

A Practical Example from Our Exploitation × Exploration Strategy

Yokohama Rubber Begins Supplying Tires for the EV Buses of a Major Public Transport Company in Spain

Transports Metropolitans de Barcelona (hereinafter "TMB"), a major Spanish public transport company that is supporting the popularization of EVs, has decided to start supplying the 120U all-position tire, our tire specifically designed for city buses. The 120U, which successfully met the strict requirements demanded through public bidding, is capable of withstanding the unique needs of EVs such as increased acceleration and increased vehicle weight. This tire was the result of many years of research and development with TMB experts, which resulted in improved road contact, tread life, traction performance in wet and snowy conditions, and improved safety performance due to a significantly improved casing. We will continue to contribute to the diverse logistics needs and environmental management of transport companies.



Strategy by Business

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Multiple Business (MB)

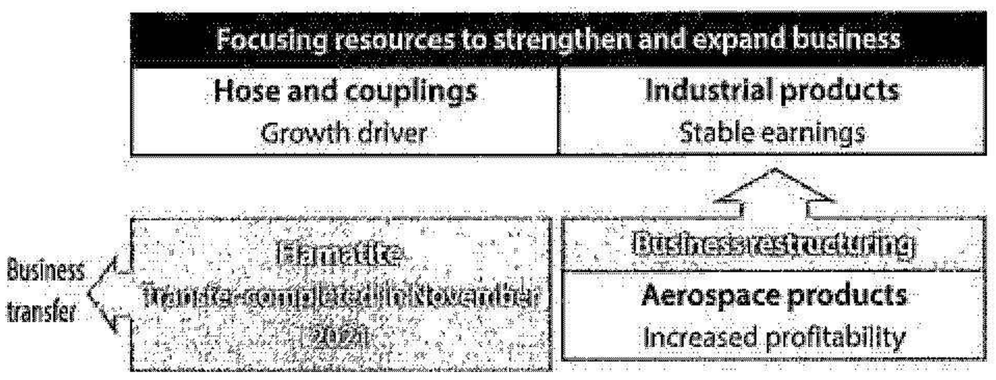
Shifting to a growth strategy based on the strengthened management foundation realized during YX2023

We will focus our resources on the Hose and Couplings business and the Industrial Products business, which are two of our strong business areas, and promote a strategy to drive the growth of the Multiple Business (MB). We will build a comprehensive portfolio by positioning the Hose and Couplings business as a growth driver and the Industrial Products business as a stable earnings base.



Summary of YX2023

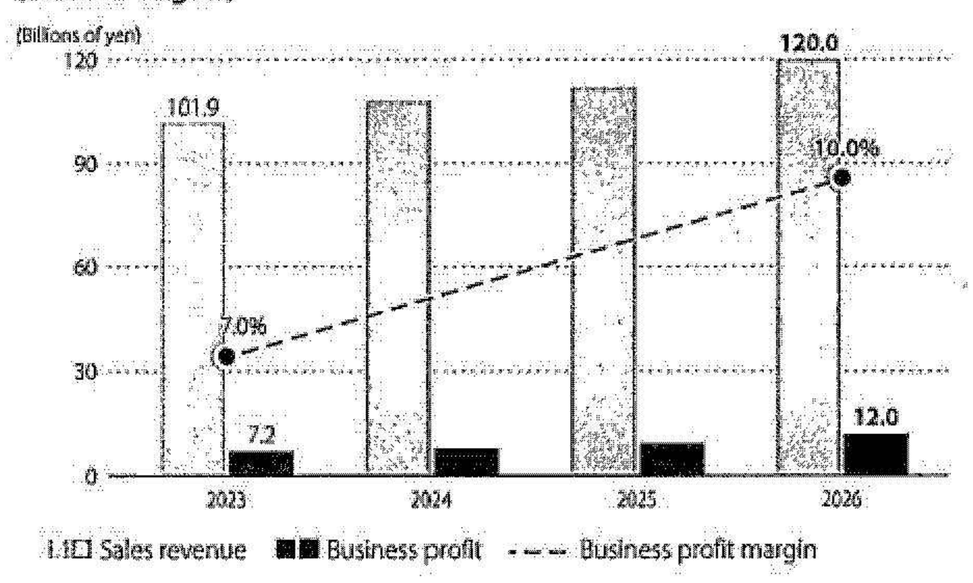
Although the MB business had been performing significantly below targets since fiscal 2020, during the final year of YX2023, the business management structure was substantially revised and the business made a concerted effort to improve, resulting in the MB Business achieving 2023 targets. We also completed structural reforms, including the transfer of the Hamatite business in November 2021 and the integration of the aerospace products division into the industrial products division in March 2022, laying the foundation for growth in the next medium-term management plan.



YX2026 growth strategy

The MB Business is now shifting to a growth strategy based on the strengthened management foundation realized during YX2023. In YX2026, we have positioned the hose and couplings business as a continuous growth driver. We will reconstruct the value chain for hydraulic hoses and fittings and transform the production structure for automotive hoses. In the industrial products business, we aim to expand overseas sales of conveyor belts based on our solid market position in Japan, and we will complete internal improvements for marine hoses to stabilize our high-profit structure. As a result of these improvements, in fiscal 2026, the final year of YX2026, we aim to achieve sales of ¥120 billion (+17.8% vs fiscal 2023), business profit of ¥12 billion (+66.7% vs fiscal 2023), and business profit margin of 10% (+3 points vs fiscal 2023), increasing the presence of the MB Business.

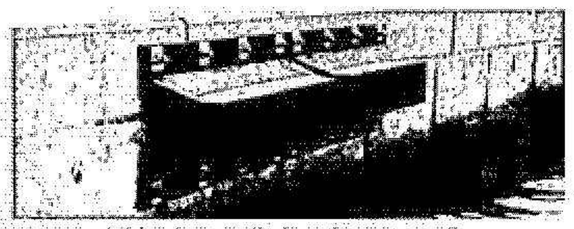
Multiple Business (MB) YX2026 quantitative targets
(internal targets)

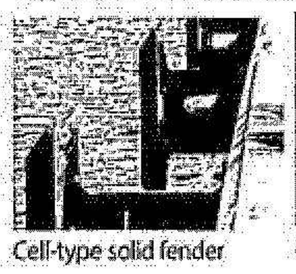


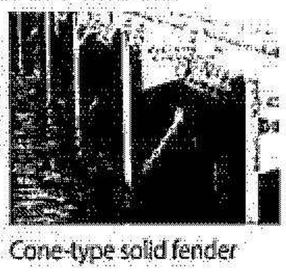
A Practical Example from Our Exploitation × Exploration Strategy

Yokohama Rubber Enters the Onshore Solid Fender Market to Expand Market Share

Utilizing the technological capabilities and brand power of our pneumatic fenders cultivated over many years, we entered the solid fender market, which is the main market for fenders. Through this effort, we aim to become a comprehensive maker of fender materials and strengthen our earnings base.


V-type solid fender installed on the quay wall


Cell-type solid fender


Cone-type solid fender

Fenders are shock absorbing materials that protect ship hulls and wharfs from impacts during berthing. They are placed in areas between wharfs and ships at port mooring facilities, and betweens hulls to protect ships during offshore cargo handling. Pneumatic fenders absorb impacts utilizing the elasticity of the air within the fender while solid fenders absorb impacts utilizing the elasticity of rubber. Solid fenders account for about 80% of fender demand. In 2023, we launched a new basic model V-type solid fender widely used in ports and harbors, and, in 2024, we added a middle model cell-type solid fender and a high-end model cone-type solid fender to our product lineup, completing a lineup that meets a wide range of user needs.

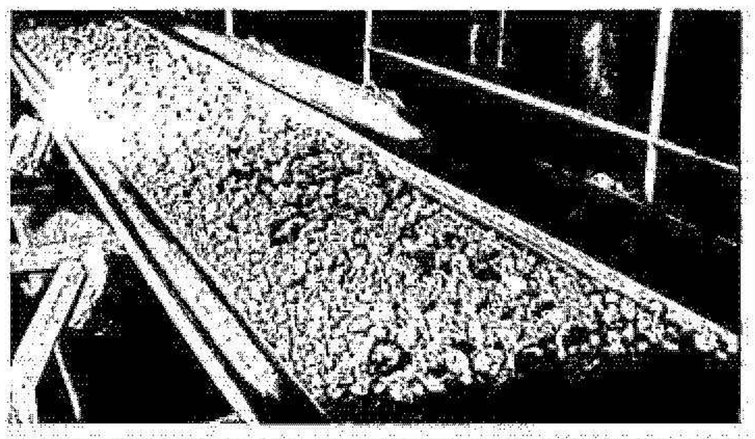
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Priority measures in fiscal 2024

As part of our efforts to strengthen our industrial products business, we will increase conveyor belt production capacity at our Hiratsuka Factory by approximately 1.3 times. We will add production lines for a variety of canvas belts to meet a wide range of user needs in a timely manner featuring characteristics such as abrasion resistance, heat resistance, oil resistance, flame resistance, and power-saving performance.

Conveyor belts are used around the world to transport ore, earth, sand, and other materials, serving as "transport arteries," which are indispensable to many industrial fields. Proud of its world-leading technology, Yokohama Rubber has continued to develop and provide a variety of products over the years that meet diverse needs in Japan and overseas.

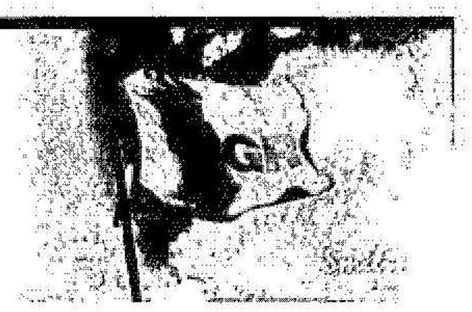
By increasing our production capacity, we aim to support many industries that require conveyor belts and contribute to the sustainable development of society.



FLAME GUARD #2110, a flame-retardant, medium-temperature, heat-resistant conveyor belt manufactured at the Hiratsuka Factory

Other Business (PRGR Business)

Using a variety of innovative technologies, we are developing products that allow people to experience the fun and joy of golf.



Summary of YX2023

Due to the golf bubble caused by the COVID-19 pandemic, the population of golfers in Japan and Asia peaked in 2022, and special demand for golf equipment in Japan and Asia as well as PRGR Business sales also grew significantly in fiscal 2022. In 2023, sales declined compared to 2022 due to the post-peak decline and reduced distributor inventories. However, profit for the three years was significantly higher than in the previous medium-term management plan period, and management improvements were made to ensure a stable profit.

In the South Korean market, the introduction of high-performance and high-quality products into the women's market, which had expanded due to the golf bubble, significantly increased market share, enabling us to establish our position as a premium brand. In addition, by improving the product development flow, we were able to develop products that reflect market needs, strengthen pre-launch orders and sales promotion activities, and launch products with high profit margins.

Through the development of new technologies for the future, we are steadily sowing seeds for our future growth strategy.

YX2026 growth strategy

In addition to managing the total number of coefficients of repulsion, which is a unique technology, we will further differentiate ourselves from other companies by integrating the development of new technologies and promote growth in sales and profits.

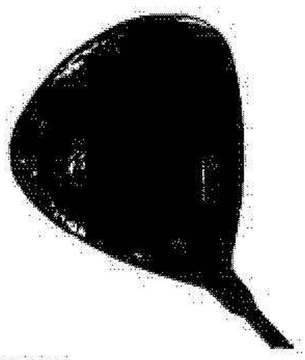
In addition, we aim to stabilize the business foundation that we have improved through YX2023, improve profit efficiency by developing a product lineup suitable for customers, reduce inventories caused by the golf bubble, and reduce costs in response to worsening exchange rate fluctuations. By doing so, we will continue to improve profit margins.

Priority measures in fiscal 2024

In the domestic market, we will launch the new RS X Series of drivers and expand our market share with a focus on drivers. We will also promote retail-based sales of the successful IRON series to continue to secure our iron market share.

In the South Korea market, we launched sales of the new SUPER egg driver to strengthen our position in the premium golf products market and expand our market share. We will reduce inventories generated by the golf bubble to stimulate and promote demand for new products, analyze in detail customer needs that have changed due to the golf bubble post-peak decline, and develop products featuring new technologies.

Furthermore, in the domestic golf market, we will promote the creation of PRGR fans by introducing the new RED EYES POCKET_BLE, a small measuring device that links to a smartphone, which allows video shooting of golf swings while measuring golf ball flight distance, and increasing contact points with golfers outside of golf clubs.



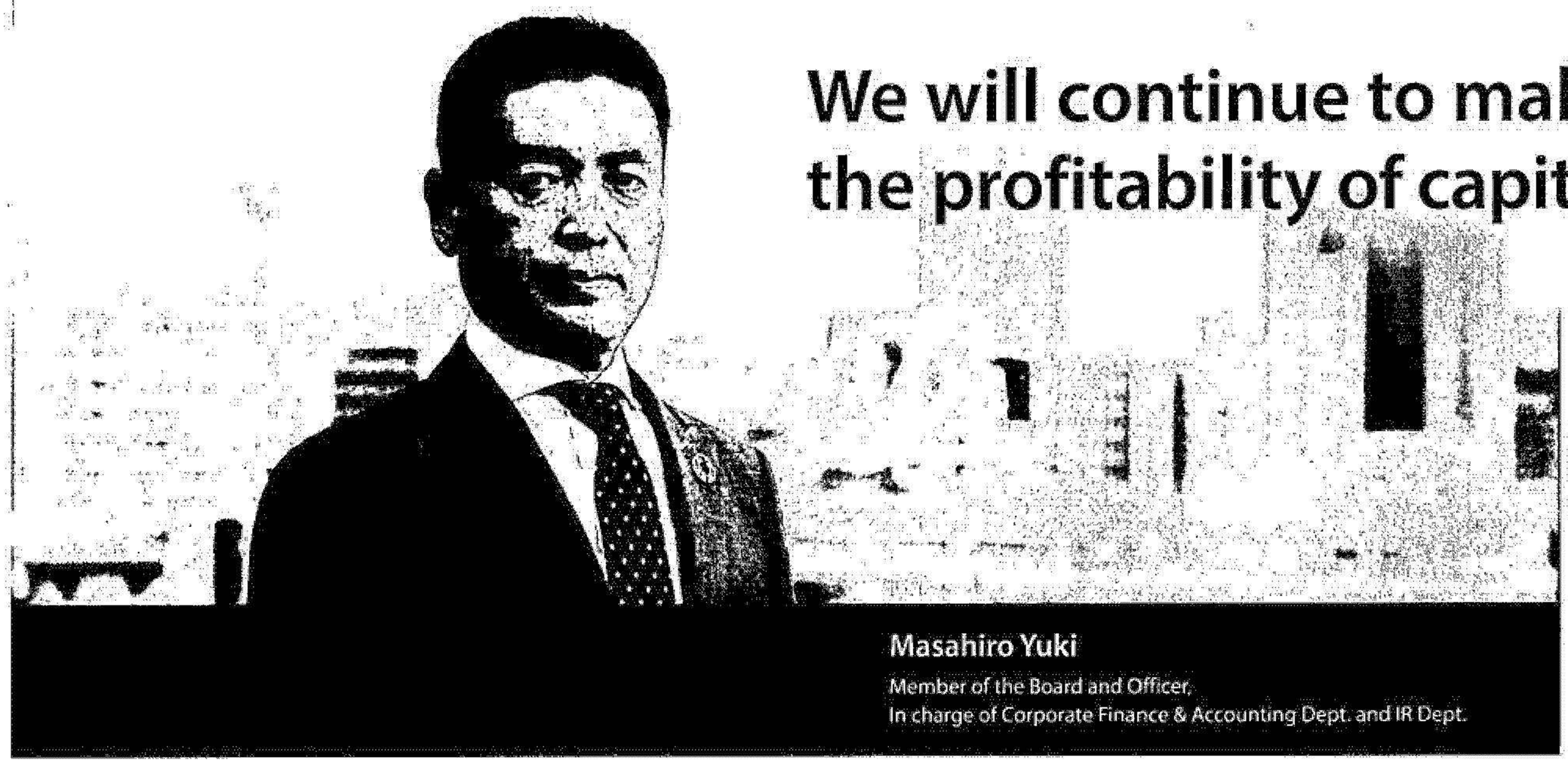
RS X Series
For athletes and average golfers offering improved high initial speed and forgiveness



SUPER egg Series
For average golfers who want to focus on maximizing their driving distance

Financial Strategy and Shareholder Return Policy

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We will continue to make the profitability of capital

Masahiro Yuki
Member of the Board and Officer,
In charge of Corporate Finance & Accounting Dept. and IR Dept.

Under the Medium-term Management Plan "Yokohama Transformation 2026 (YX2026)," which was launched in 2024, we will actively make strategic investments to achieve "Hockey Stick Growth." We also aim to achieve an ROE of more than 10% by increasing profitability and improving asset efficiency. Furthermore, by further strengthening our IR activities, we will build good relationships with our investors.

Results of the Previous Medium-term Management Plan "YX2023" and Challenges Faced

The Medium-term Management Plan "YX2023" was implemented for three years from 2021 to 2023 as the "Culmination of the past 100 years." During each fiscal year of the plan, we were able to significantly exceed our initial sales revenue and business profit targets.

Specifically, in fiscal 2023, we recorded sales revenue of ¥985.3 billion, business profit of ¥99.1 billion, and a business profit margin of 10.1%. Although we did not reach our target of ¥1 trillion in sales revenue, the business profit margin exceeded 10% for the first time. Trelleborg Wheel Systems Holding AB (TWS), which was acquired in May 2023, recorded sales revenue of ¥103.7 billion and a business profit of ¥1.8 billion (including one-off acquisition costs). Excluding Trelleborg's results, we achieved our 2023 financial targets (sales revenue of ¥700 billion and business profit of ¥70 billion). ROE was 9.9%, slightly below the 10% target. However, cash flow from operations

Financial Position

(Billions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Sales revenue	650.5	551.1	670.8	860.5	985.3
Business profit	50.1	35.9	62.2	70.1	99.1
Business profit margin (%)	7.7	6.5	9.3	8.1	10.1
Operating profit	58.6	36.0	83.6	68.9	100.4
Operating profit margin (%)	9.0	6.5	12.5	8.0	10.2
Profit attributable to owners of parent	42.0	26.3	65.5	45.9	67.2
Total assets	907.6	860.4	985.0	1,151.1	1,600.5
Interest-bearing debt	239.9	207.8	177.2	238.7	469.4
Total liabilities	479.9	437.5	452.0	528.0	851.7
Equity	427.7	422.9	533.0	623.1	748.8
ROE (return on equity) (%)	10.6	6.3	13.9	8.1	9.9
D/E ratio (times)	0.57	0.50	0.34	0.39	0.63
Net D/E ratio (times)	0.51	0.43	0.26	0.27	0.50
ROIC (%)	6.5	4.5	8.2	5.2	5.3

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strategic investments and strive to improve to increase corporate value.

reached ¥267.2 billion (3-year cumulative), surpassing our target.

As a result, we were able to more than double our market capitalization in three years. In contrast, since the Price-to-Book Ratio (PBR) has remained at 0.7 times, we will promote initiatives to improve it.

Toward the Realization of the Medium-term Management Plan "YX2026"

In 2024, we launched YX2026 with 2026 serving as the final fiscal year of the plan. In order not to leave a negative legacy for the next generation, we will promote "exploitation" and "exploration" strategies even more than during YX2023.

We aim to achieve "Hockey Stick Growth" with our growth strategy as our basic policy and realize it to increase corporate value.

Our financial targets for 2026 are sales revenue of ¥1.15 trillion and business profit of ¥130 billion based on the current improvements. To achieve this goal and also achieve "Hockey Stick Growth," we are implementing the following financial strategies.

Strategic Investment

To achieve our target ROE of more than 10% and increase our corporate value, we plan to make a total of ¥220 billion in strategic investments over YX2026's three-year plan period. The breakdown is ¥120 billion for production increases and product mix improvements and ¥100 billion for M&A, etc.

Specifically, in the consumer tire business, we will construct new tire plants in Mexico and Hangzhou, China, under the "1-year plant" concept. In the commercial tire OHT business, we will expand the Visakhapatnam Plant in India to increase production of tires for agricultural machinery, etc., a segment in which we hold the global top share. In addition, for the industrial and port-use machinery tire market and the construction machinery and mining market, where growth is expected, we will consider both large and small M&A and constantly explore opportunities for growth investment.

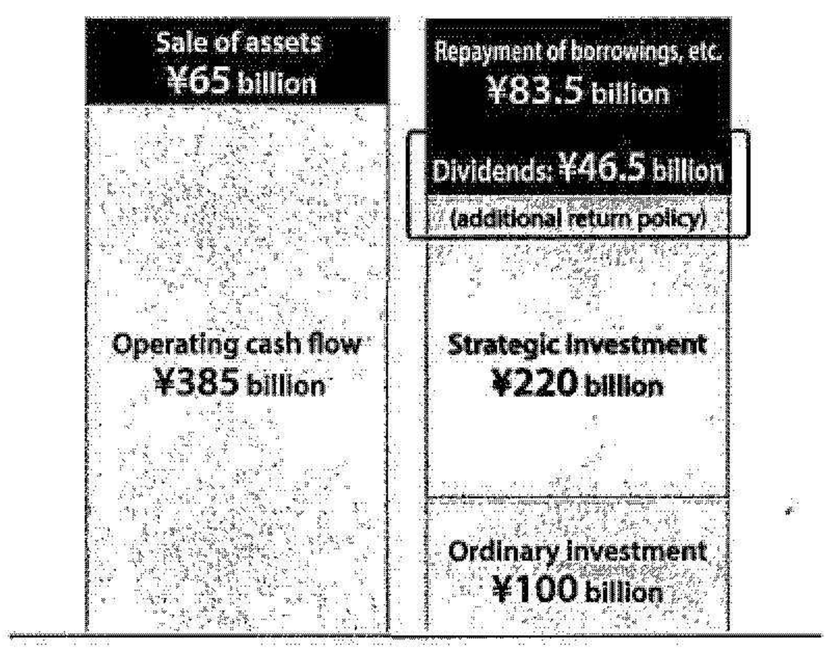
The criteria for these investments are based on the WACC, which is the cost of raising the invested capital. Within the scope of WACC, investments are carefully selected so that they can be recovered within 10 years. Hurdle rates are set for each country invested in, taking into account country risk factors, and capital efficiency is strictly checked.

Capital Allocation

In terms of capital allocation for YX2026 (three-year period), cash flow from operations is expected to be ¥385 billion, and cash inflows from sales of cross-shareholdings and fixed assets are expected to be ¥65 billion, for a total of ¥450 billion. Cash outflows are expected to be ¥220 billion for strategic investment, ¥100 billion for ordinary investment such as maintenance of plants and equipment, and ¥83.5 billion for repayment of borrowings, including the acquisition of TWS. We plan to use ¥46.5 billion for dividends, and we will consider additional shareholder returns depending on conditions.

Regarding financing, the Company has staggered repayment schedules and low-interest borrowings. For the acquisition of TWS in 2023, the Japan Bank for International Cooperation (JBIC) and 21 private banks formed a co-financing arrangement and succeeded in raising approximately ¥300 billion with long-term (10-year) and fixed low-interest rates. We are also working to diversify repayment dates by issuing bonds.

Capital Allocation



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Financial Strategy and Shareholder Return Policy

Based on our dialogue with investors, we recognized that the cost of shareholders' equity is about 8%. We will strive to improve the return on capital by setting an ROE of over 10% as a management target, which exceeds this cost of shareholders' equity.

For YX2026, we decided not to set an ROIC target, which we had set previously, but to integrate it with the ROE target. This is because we recognized through discussions with investors that ROE is a measure of return on capital that can directly measure investors' return on the capital they invest.

Enhancing Non-financial Capital

In the future, we will strengthen investments in non-financial capital. Specifically, in the area of human resources, we are promoting a "job-type" system that places importance on assigning the right person to the right position, regardless of age, gender, or nationality, including the professionalization of managerial positions, while providing performance-linked compensation (short-term and medium- to long-term) to executives who are evaluated based on the degree of achievement of their commitments.

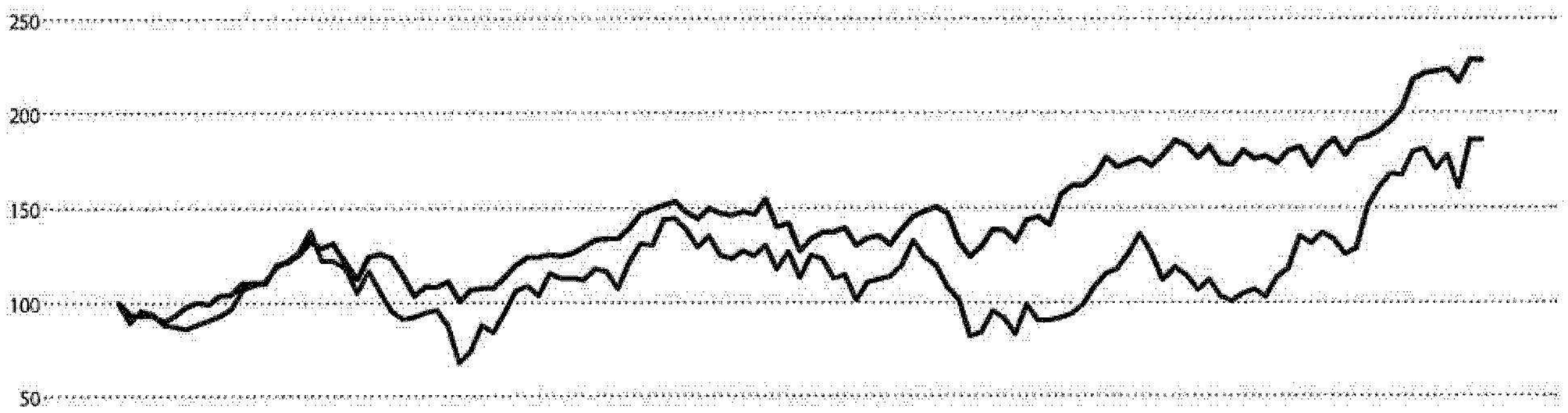
M&A also creates a synergistic effect on the human resources front. Through discussions with acquired overseas subsidiaries, we realized once again that tough managers and administrators are supporting growth. In response to the challenging task of bringing new plants online within one year ("1-year plant" concept), for example, the new tire plant in Mexico will be constructed by a team composed of employees from YOHT (India) and Japan, while the new plant in Hangzhou, China, will be developed in collaboration with our Japanese and Chinese partner companies. We intend to improve our management capabilities through investing in such human resources, including Japanese nationals, to promote global development and localization.

We will also accelerate investment in DX. Based on HAICoLab, our unique AI utilization framework, we will promote reforms (including work style reforms) and maximize output in all processes of product development, SCM, and customer service. We will also expand the fostering and training of DX promotion leaders who will promote these activities.

Approach to Shareholder Returns

While our policy of steadily increasing dividends will remain unchanged in the future, we will first set a dividend payout ratio of 20% in YX2026. As we plan to make ¥220 billion worth of strategic investments over the three years of the plan, we will steadily accumulate profits and return profits to shareholders through our growth strategy.

TSR (10 years, dividends included)



Investment period	1 year	3 years		5 years		10 years	
	Cumulative / Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
Yokohama Rubber	+61.2%	+124.8%	+31.0%	+73.2%	+11.6%	+85.6%	+6.4%
TOPIX	+28.3%	+41.1%	+12.1%	+78.9%	+12.3%	+174.2%	+10.6%

* Total shareholder return (TSR): Total rate of return on investment that combines capital gains with dividends
* TSR for Yokohama Rubber is calculated based on cumulative dividends and stock price fluctuations. TSR for TOPIX is calculated with a stock price index including dividends. (Created by Yokohama Rubber using Bloomberg data and other sources.)
* TSR values are index numbers calculated by setting the market closing price as of December 31, 2013 as 100. (Holding period ends December 31, 2023)

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Regarding the capital structure, the equity ratio is set at 50% as a guideline, considering the appropriate financial balance from the standpoint of return on capital, business risks, and flexible debt procurement. We will manage our balance sheet so that our equity ratio does not exceed 50% significantly, and we will consider a total return ratio of 30% over the long term.

To Increase Corporate Value

In addition to aggressively investing in the OHT business, which is a growth driver, we will maximize the ratio of high value-added products and increase earnings in the tire consumer goods business through measures to expand sales of ADVAN, GEOLANDAR, winter tires, and 18-inch and larger size tires. Additionally, with the rise of Chinese tire makers, it is essential to strengthen cost competitiveness. Based on the motto of YX2026, which is "Low cost, speedy development of quality products," we will conduct management with a greater awareness of costs than ever before.

Furthermore, we believe that improving TSR is an important management issue to increase corporate value through appropriate stock price formation. Since the end of 2019, before the COVID-19 pandemic, our corporate value has improved significantly by about 1.5 times, and our TSR during the YX2023 plan (one year and three years) was significantly higher than TOPIX. However, our PBR remains below 1x.

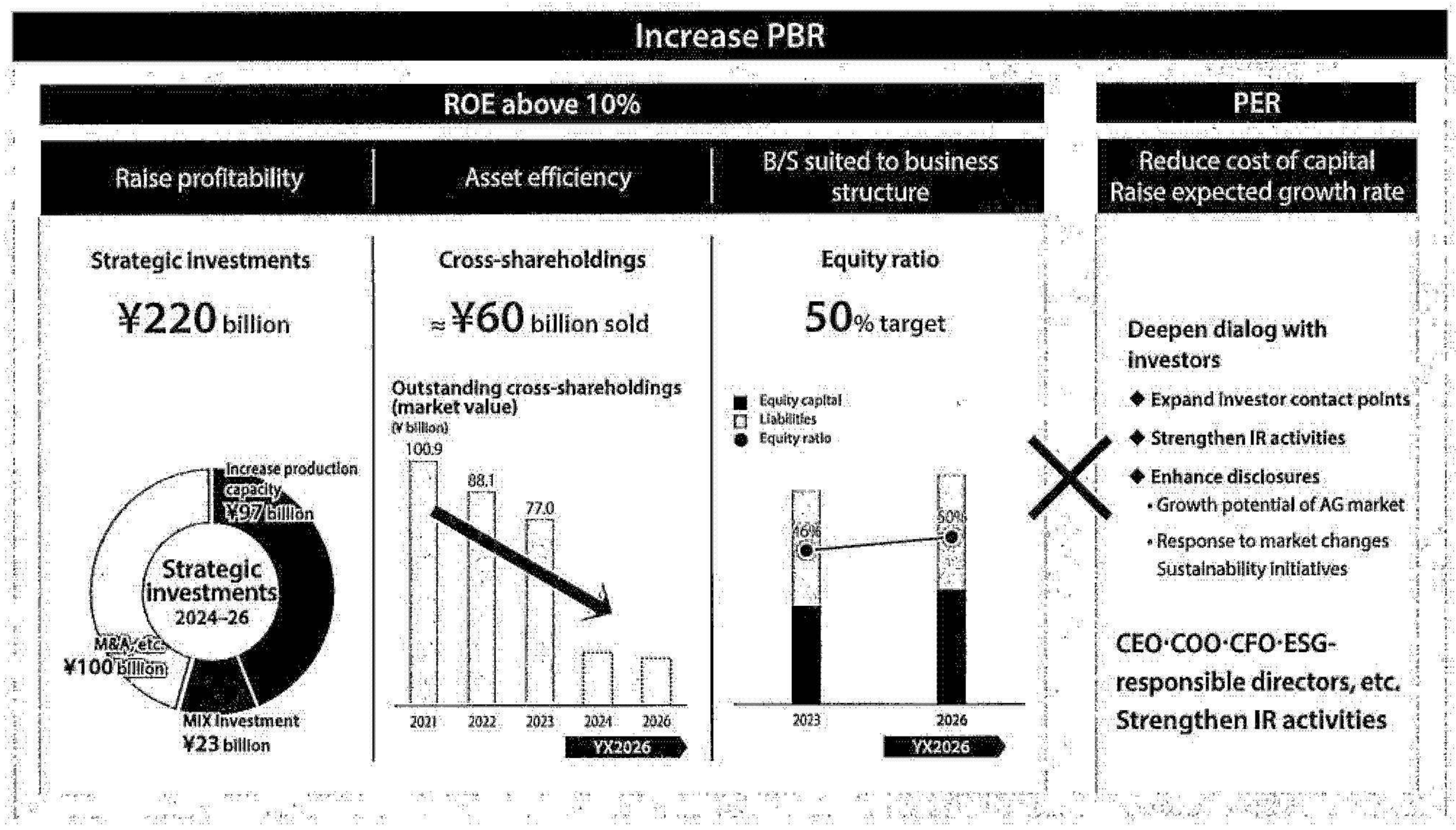
Reflecting on the lack of PR that investors have indicated, we will



further strengthen our engagement with shareholders and investors through YX2026. We will Improve the quantity and quality of information dissemination by implementing and enhancing IR events by the CEO, COO, CFO, and officers in charge of ESG. Additionally, we will strengthen mutual communication by making the IR Department independent.

It was also indicated that the Company has a high stable shareholder ratio and low liquidity. We will thoroughly sell cross-shareholdings without exception, and as a result, hope that many people both in Japan and overseas will become shareholders of the Company.

To achieve "Hockey Stick Growth," which is a significant amount of growth, we will steadily implement our financial strategy based on dialogue with investors to achieve a higher level of corporate value.



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Research & Development/Intellectual Property Strategy

In order to respond to diverse customer needs, Yokohama Rubber is engaged in comprehensive research and development ranging from material development to product design, testing, and evaluation in a number of product fields, including tires, hose and couplings, and industrial products. In our Intellectual Property Strategy, we protect our proprietary technologies and establish a competitive advantage through the acquisition of patents and the management of our intellectual property portfolio to support the sustainable growth of our business. Intellectual property-related activities are an important investment for us, and we are continuously working to strengthen and improve them.

Relevant materiality	What we aim to do
Provision of products and services that contribute to a sustainable society	◦ Achieve a safe and comfortable mobility society through improved quality and performance based on proprietary technologies ◦ Contribute to economic and social development by providing high value-added off-highway tires ◦ Improve customer convenience and efficiency through DX-based services
Contribution to a decarbonized society and circular economy	◦ Contribute to a decarbonized society through our products ◦ Reduce greenhouse gas emissions and energy consumption ◦ Contribute to the circular economy by increasing the use of renewable and recycled materials

Basic Policy on Research & Development

The Yokohama Rubber Group's research and development aims to challenge the cutting edge of global technology and providing pioneering, world-first products to the market. In the field of research and development, we engage in multi-faceted and comprehensive research and development from material development to product design, testing and evaluation, based on the themes of "originality and ingenuity," "practical application" and "composite technology," and pursue the possibilities of various technologies and products, including rubber polymer technologies. In addition, outside the field of tires, we use innovative ideas unconstrained by conventional thinking and cutting-edge technologies to pursue the development of new materials and the design of products with a view toward the next-generation.

International Research & Development System

The Research and Development Integrated Center (RADIC) at the Hiratsuka Factory plays a central role in the Company's research and development. Under the idea of "local production for local consumption," Yokohama Rubber is strengthening research and development activities in regions close to major markets in Japan and overseas. To date, we have established the Tire Test Center of Asia in Thailand, the Yokohama China Technical Center in China, and the Yokohama Development Center America in North Carolina, US. The finished tires are tested through driving tests and multi-faceted testing conducted at test courses at D-PARC and Hokkaido Tire Test Center in Japan, Tire Test Center of Asia in Thailand, and Yokohama Test Center of Sweden, and the data obtained is used to develop next-generation tires.



Comprehensive tire test course at D-PARC (Ibaraki Prefecture)

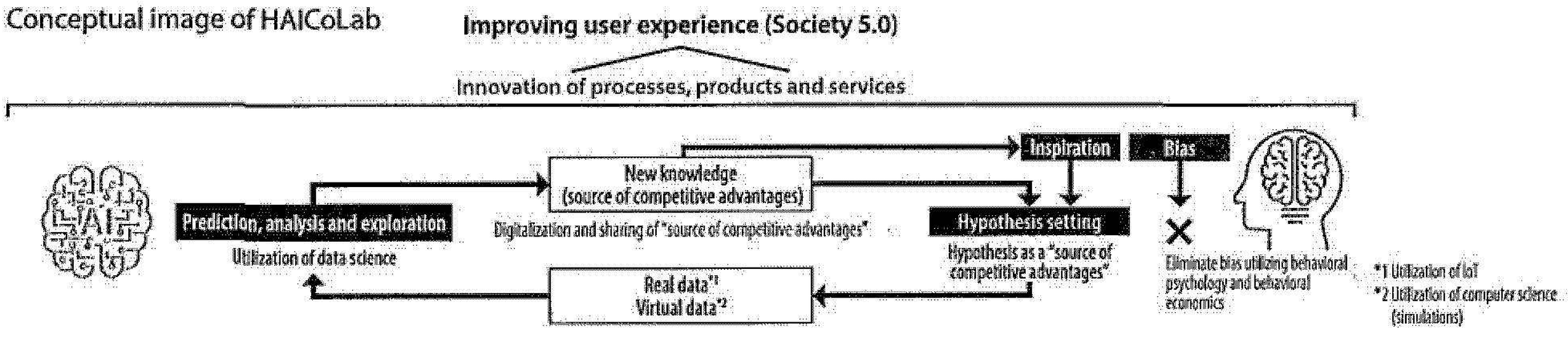
HAICoLab* AI-powered data utilization framework

For more than a decade, Yokohama Rubber has been developing technologies to apply computer science and machine learning to the development of materials. HAICoLab, which has been in practical use since 2020, is our proprietary AI utilization framework that combines simulation technologies and AI technologies and also focuses on human characteristics. We aim to promote new discoveries through "human-specific inspiration" and "creativity" and "collaboration between the enormous data processing capabilities that AI excels at" aimed at non-continuous and radical innovation.
The new knowledge gained by generating and collecting virtual data from real data and simulations, and predicting, analyzing, and searching with AI is being utilized for innovation in tire technology development.

*A coined term based on "Humans and AI collaborate for digital innovation."

» P.8-9 Message from the COO
» P.46-49 A Roundtable Discussion between Our COO and Young Engineers

Conceptual image of HAICoLab



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Intellectual Property Strategy

As Yokohama Rubber considers intellectual property to be an important foundation for business, we are actively promoting intellectual property-related activities to realize our business and sustainability strategies based on the new Medium-term Management Plan "YX2026."

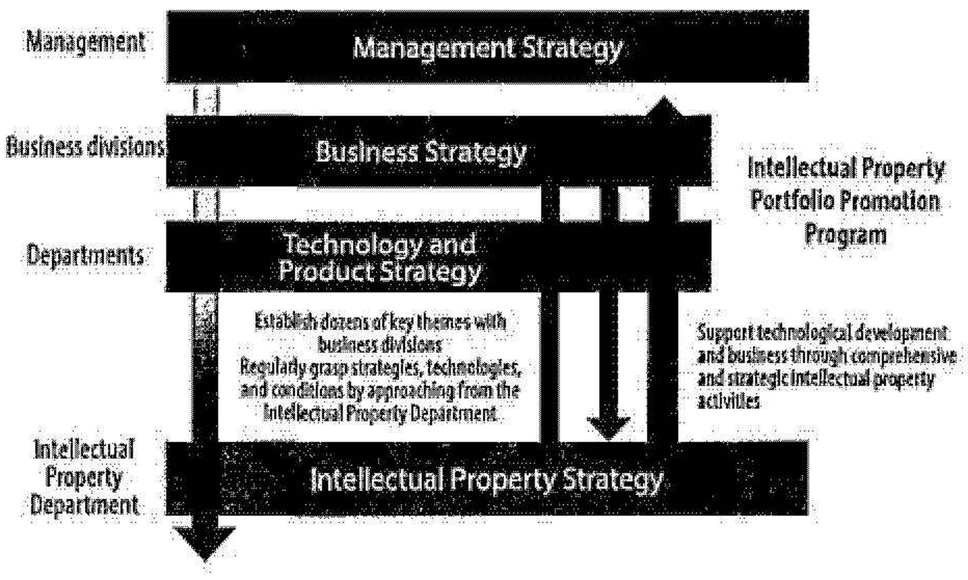
We emphasize building a rational intellectual property portfolio and strive to maximize return on investment by efficiently acquiring and managing the intellectual property necessary for our business activities. In addition, we continuously review and strengthen our intellectual property-related activities, always aiming for an optimal system to be in place.

Intellectual Property Portfolio Promotion Program

Yokohama Rubber positions its Intellectual Property Strategy as an important management strategy for realizing innovation and sustainable business growth. We have been implementing the "Intellectual Property Portfolio Promotion Program" since 2007 to drive the following initiatives.

- Building of a strategic intellectual property portfolio: Based on management, business, technology, and product strategies, the Intellectual Property Department collects information to understand about internal and external conditions, and proposes the acquisition of patents, designs, trademarks, and other rights in cooperation with business divisions to build the optimal intellectual property portfolio.
- Integrated intellectual property activities: For each theme, we develop intellectual property activities from a multifaceted perspective and with appropriate timing, including the details of rights acquisition, the status of intellectual property inside and outside the company, FTO investigations (investigation of the risk of infringement of third-party rights), and consideration of the mix of rights such as patents and designs.

Currently, we are promoting intellectual property activities in cooperation with business divisions based on more than 50 themes a year. Through these initiatives, we will accelerate innovation and drive business growth by strategically utilizing intellectual property.



Strengthening Intellectual Property Management

While intellectual property rights, such as patents and design rights, are expensive to maintain, they play an important role in protecting business and securing a competitive advantage.

Yokohama Rubber builds and maintains an intellectual property portfolio necessary for its business activities by annually evaluating the effectiveness and efficiency of its intellectual property holdings, and then reviewing and replacing them. This enables the Company to streamline intellectual property investment, ensure the protection of its businesses and technologies, and make effective use of intellectual property investments.

Additionally, we aim to achieve sustainable business growth by proactively taking legal action against infringement of intellectual property rights by third parties and maximizing the value of intellectual property rights. For example, in November 2023, we successfully eliminated counterfeits of our wheels by administrative crackdown and submitting information to the Administration for Market Regulation in China. Moving forward, we will take a firm stance against brand damage caused by counterfeit products, and will continue our efforts to ensure that all customers can use our products with peace of mind.

Although the number of our Group companies has been increasing in Japan and overseas through M&A in recent years, we have established a system where each Group company independently promotes intellectual property activities and the Intellectual Property Department in Japan provides support for the entire Group when necessary.

Future Issues and Measures

At Yokohama Rubber, one of our challenges is to make more effective use of the vast amount of research and development data (actual product and lab sample test results, simulation results, manufacturing and processing conditions, etc.) that we have accumulated to date. This is an area that we are now working to address. In the future, we will develop a foundation that makes it easier for engineers to use this data, leading to the improvement of individual skills, new awareness, and quantification of tacit knowledge (skill transfer).

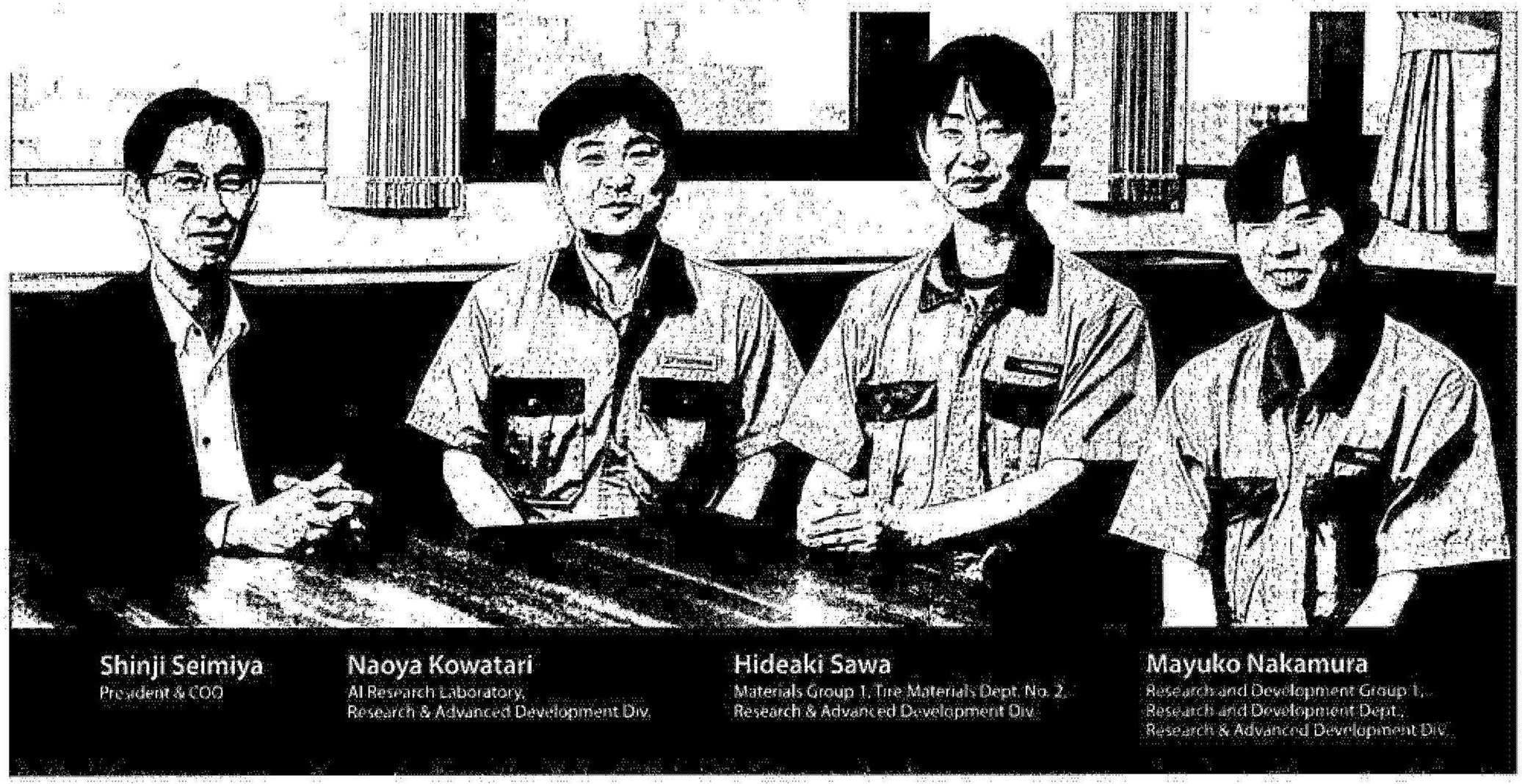
In the area of intellectual property rights, we are facing the challenges of intensifying global competition, responding to sustainability initiatives, and increasing sophistication of intellectual property rights. We will strengthen our intellectual property strategy and achieve sustainable growth by working to optimize our intellectual property portfolio, strengthening property rights enforcement, and enhancing intellectual property-related collaboration throughout the Group.

Special Feature: A Roundtable Discussion between Our COO and Young Engineers

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Development of Tire Technology that "Exploits" AI

— Responding to major transformations in the automotive industry



Shinji Seimiya
President & COO

Naoya Kowatari
AI Research Laboratory,
Research & Advanced Development Div.

Hideaki Sawa
Materials Group 1, Tire Materials Dept. No. 2,
Research & Advanced Development Div.

Mayuko Nakamura
Research and Development Group 1,
Research and Development Dept.,
Research & Advanced Development Div.

AI Utilization Concept HAICoLab and Roles as Engineers

Seimiya Although a large amount of data has been accumulated by Yokohama Rubber during its history, it is impossible for engineers like you, namely, humans, to grasp it all. Our AI utilization concept HAICoLab was formulated to make effective use of this valuable resource for innovation. This is a framework that merges human inspiration and creativity with the enormous knowledge processing capability of AI. Based on multifaceted experiences, knowledge, and judgment criteria unencumbered by stereotypical biases, AI considers how humans would interpret the results produced by AI before making a final decision. HAICoLab builds upon two previous Yokohama Rubber AI-based materials development technologies, a highly precise multi-scale simulation technology and a material informatics technique to develop materials. In addition to merging these technologies, HAICoLab has become the Company's unique AI-based framework, aiming to achieve digital innovation through orchestrating a "human and AI collaboration" to bring about both incremental and radical innovations. As Yokohama Rubber's Medium-term Management Plan YX2026 includes the keywords "exploitation" and "exploration," it can be said that the approach of using this AI-based framework is in line with these concepts. HAICoLab is essential for us because the speed of various innovations in the automotive industry is accelerating, such that we are unable to keep up via conventional technologies alone. HAICoLab was introduced to promote the use of AI to accelerate the further development of technologies in fields we have been active in up to now. AI has already been used for rubber material development and new product structural development. In the future, we will continue to expand the scope of AI applications and promote the development of HAICoLab technologies to support the development of unique new products at Yokohama Rubber.



Kowatari I am in a position to promote the use of AI within the Company. For our Company to utilize AI in the first place, we must create AI that predicts excellent tire performance and compound performance. With AI, data cannot simply be entered, and if a human makes assumptions and enters data, it will not be accurate because of bias. This is a difficult issue regarding AI. The rewarding aspect of my position is that, in the name of AI utilization, I can work with many people in various departments within the Company, including material, design, and systems development, while also experiencing personal growth.

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Sawa I am developing compounds for passenger vehicle tire tread caps—the parts of a tire that make contact with road surfaces. The development of a single rubber to serve as a material for tread caps is extremely complicated because it requires various performance characteristics, such as hardness and strength.
The challenge is that effective prototypes cannot be created at the factory level unless relevant data are enhanced.
Previously, we spent a significant amount of time repeatedly conducting lab-scale evaluations. It was a necessary use of time. However, the AI-based application developed by Mr. Kowatari and his team to predict physical properties enabled me to skip much of the lab evaluation work, providing valid data instantly. I can feel just how great our technologies are and utilize them on a daily basis. I will continue to make effective use of them in the future and would like to see those around me using them as well.

Nakamura I am working on a technology that achieves both a high level of wet performance and rolling performance from tires. Unfortunately, however, I do not believe that I am making full use of AI technology. Although I have had the opportunity to use a lot of data in my work, my supervisor once pointed out that I had judged the superiority or inferiority of results based solely on the size of the numbers and that I had not seen the essence of the data. That's why when we use AI, we are careful to look at the essence of the data and not blindly trust it. I would like to continue my research without changing that approach.

Seimiya One of our strengths is our AI Research Laboratory, which provides us with clear direction. Having mainly worked in the field of tire design, in the past, I analyzed as much data as I could, but when the volume of data became too large, could not proceed further. I feel that we now have the foundation to successfully integrate the capabilities of AI and our engineers. Examples that have advanced to the point where we use them on a daily basis in tire development include our unique AI-based system for predicting the physical properties of rubber compounds and the values of key tire properties. Previously, the results of prototypes and evaluations were entered into a database in an unstructured way, and the data not fully utilized. We are integrating the latest AI technology into our daily design and development activities. These predictive systems enable many virtual experiments, which are expected not only to speed up development, reduce costs, and produce high-performance products, but also to make compound design easier for less experienced engineers. As a result, we created high value-added tires such as ADVAN and GEOLANDAR.

Roles as Engineers in Making the Most of AI

Seimiya Using AI tools during the development of advanced, new tires, we expect our engineers to create innovative solutions that go beyond conventional technology. I also want young, new employees to become independent as designers and engineers as soon as possible. As they do so, it would be a great advantage if they quickly learn basic skills utilizing AI technology. I want our employees to focus on two goals when using AI: innovative tire development and mastering basic skills.

Sawa Since I started working with AI, I have felt the need to use AI applications better. Evaluation data contains a certain amount of noise and abnormal data, which probably lowers the accuracy of AI-based analysis. It is important for those of us using AI applications to recognize this, and to analyze the data the Company has accumulated and will accumulate in the future more accurately. To do this, it is necessary for AI application users to verify the data produced by AI in their own way rather than taking the data at face value. Of course, if I verify everything myself, AI will lose its meaning. Therefore, I would like to integrate AI and my own thinking as necessary to move ahead in technological innovation.

Nakamura Recently, many new evaluation methods have appeared, some creating amounts of data at sizes that I had never seen before. As a result, I was unable to compile some of the data on my own. In such cases, I would like to utilize AI to efficiently organize large amounts of data. However, as Mr. Sawa mentioned, I would like to utilize AI data while assessing its essence rather than taking the data at face value.



Kowatari I agree that AI data should not be taken at face value. However, along with such data, AI needs to be able to present information, such as results using conventional technology. I would like to focus on that point. After all, engineers always seek higher levels. Instead, I think it is necessary to have a process enabling users to understand what conventional technologies cannot do and are unlikely to do soon. I believe that this will lead to the "exploitation" and "exploration" of our YX2026 plan, the continued leveraging of existing technologies, and the discovery of new technologies.

Special Feature: A Roundtable Discussion between Our COO and Young Engineers

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For "Exploiting" Skills at Yokohama Rubber

Nakamura I think one of the skills required as an engineer is to be able to look at acquired data from various perspectives. A lot of data is created, and I believe that a good engineer must be able to pursue the actual phenomenon, rather than assume that something is impossible because it is different from what they have seen before. Improving wet performance, which is one of the initiatives that I am working on, is directly linked to the safety of customers who purchase our tire products. In the future, I aim to accelerate the improvement of wet resistance, reliably elucidate the relevant phenomena, and deliver the needed technology.

Kowatari In using AI, it is necessary to have detailed knowledge of statistical analysis and programs. Even with AI, it is not enough to create a model once; it must be continuously refined. However, if you program AI to learn, it will learn, but people learn in different ways. I always feel that we need to gather and learn a variety of information from around the world. President Seimiya has stated that young employees should actively use AI, as they are flexible and adaptable in this regard. Indeed, Yokohama Rubber needs human resources who can be flexible and adapt. Engineers should remember this and use new technologies as soon as these become available. I believe Yokohama Rubber needs people who will do so.



Sawa I believe simply using AI in a routine manner defeats the purpose. When I joined Yokohama Rubber in 2015, there was already an Excel application with various types of macros built into it. Although you could use it with the touch of a button, I found it difficult to see what kind of operations were performed behind the scenes and which data were truly important for those operations. The same holds true for AI. Users need to understand which parts are important for AI to process. This way of thinking will be essential for people who join the Company in the future and take AI tools for granted. I intend to properly convey this to my junior colleagues and I myself also want to make full use of AI that ultimately leads to technological innovation, as our President has discussed. Of course, the Company's development efforts involve everyone working together, but I aim to take the lead in using these tools to discover technologies we can all be proud of.

Seimiya I believe it is important for engineers to first discuss various matters using data. How we extract and utilize such data is key, and one of the tools to help with this is AI. As you three have mentioned, even though AI can process vast volumes of data with high computational power, it does not always provide 100% correct answers. We use AI while constantly questioning and thinking about what factors are influencing the results. It is crucial to incorporate the ideas of our engineers, make sound judgments, and further advance technological innovation. I feel that I can count on all three of you based on what you have said.

The Social Value We Want to Provide to the World

Sawa Sustainable development is one of the key demands the world places on all companies. Before working in tire compound development, I was involved in raw materials development. Some materials, even within the same groups like carbon or silica, can have different properties—some contain a higher proportion of naturally derived materials, while others generate lower CO_2 emissions during manufacturing. However, many of these materials lead to decreased tire performance. Figuring out how to utilize them effectively remains a challenge for our Company. Over the past several years, we have been conducting evaluations and accumulating data from lab-scale and factory tests. Technologies like AI are extremely useful for organizing and analyzing such data effectively. Looking ahead, we plan to make greater use of AI tools from a sustainability perspective, and based on the data accumulated so far, we aim to develop methods to manufacture tires using materials with lower CO_2 emissions, while increasing the proportion of naturally derived materials without compromising performance.

Nakamura One of the key technologies I am working on is wet performance, which is crucial for ensuring the safety of our customers, especially in rainy conditions. Additionally, improving rolling performance can help reduce fuel consumption—or electricity efficiency in the case of electric vehicles—benefiting both consumers and the environment. In the future, I intend to accelerate this process by developing technologies enabling a deeper understanding of the underlying phenomena. To achieve such a high level, I will focus on creating technologies faster and utilizing them in product development. For this, utilizing AI for data analysis can significantly speed up the process. With this in mind, I aim to explore uncharted territory by providing additional value beyond what has traditionally been achieved.

Kowatari Competition in the automotive industry has intensified. With the rise of various vehicle types, such as EVs and internal combustion engine cars, there's a growing demand for tire development tailored to each type. For this reason, continuously reducing the lead

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time for tire development is crucial. Despite the limited number of engineers, the development periods have shortened, and the variety of tires requiring development continues to expand. If this trend continues, I am concerned that developers may not be able to take the time to carefully and wholeheartedly engage in manufacturing. Indeed, it may be easiest to ask the President to increase the number of people involved, but it is precisely at times like this that we should ask AI to help in various development areas to shorten development lead times. I have seen firsthand how designers are working on a wide range of tire designs, all while adhering to strict safety standards, as safety and security are paramount for our products. From my point of view, I want to support them through AI-based data analysis to ensure these standards are upheld.

Seimiya As a manufacturer, Yokohama Rubber is fundamentally tasked to determine what kind of products and services it will deliver to the world. We need to address key issues, such as safety, environmental concerns, and speed. AI is one of the tools that will tackle these challenges. Not only in product development, but also in competing with other companies, we must further refine our AI technology, improve it, and expand its applications. While the most important thing is to make high-quality products, I believe reducing costs and manufacturing products affordably are also critical. In today's tire industry, cheap tires from countries such as China and India are flooding the market, and in some areas we have no choice but to compete with them. Therefore, improving performance while controlling costs is essential. I would like us to pursue both of these goals simultaneously.

What Our Engineers Want to Convery to Our Stakeholders

Kowatari I hope to convey to our stakeholders that our design and development members have always developed our products with a keen awareness of safety and security. Additionally, we remain deeply committed to addressing quality and environmental issues.



Sawa First, I feel that the effective use of AI can only be a benefit for the Company. As has been mentioned in this discussion, even if we manufacture the same tires as before, AI can help eliminate certain production processes, speeding up the overall process and reducing costs. In other words, AI improves the balance between cost and performance. I am personally committed to promoting the effective use of AI and will share it with junior colleagues. I trust our stakeholders will come to understand the Company's stance on this matter.

Nakamura Although I am the only female member here today, we have more and more female engineers. When I need to carry heavy tires, I do receive assistance from male colleagues, but otherwise, I need not be conscious of gender at all, which makes Yokohama Rubber a comfortable place to work. Also, as Mr. Kowatari said, the Company conducts various types of tests and evaluations under all possible circumstances. With safety firmly assured, we strive every day to produce products with improved fuel consumption (or electricity efficiency in the case of electric vehicles) as well as wet performance.

Seimiya Over the past few years, I have realized that the tire industry and the overall automotive sector are changing faster than I had anticipated. These industries are changing in many respects, including environmental issues and legal regulations. For Yokohama Rubber to grow under these conditions, I believe it is important to stay ahead of the changes in the environment by using various tools, including the AI technology that we talked about today. This will allow us to produce high-quality products at low costs and speed up our processes. With a strong awareness of these points, I will continue working closely with the engineers here today, and I sincerely hope to receive guidance and support from all our stakeholders.

Production & Quality

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To provide "low cost speedy development of quality products" to the customers around the world, the Yokohama Rubber Group is working to strengthen the foundation of the entire Group. To this end, we strengthen the development of tires for new next-generation premium cars, drastically reduce manufacturing costs, increase the speed of tire development, and take on the "1-year plant" challenge. We will respond quickly and accurately to customer needs by promoting production activities based on cutting-edge technologies and thorough quality control at our global production sites.

Relevant materiality	What we aim to do
Provision of products and services that contribute to a sustainable society	◦ Achieve a safe and comfortable mobility society through improved quality and performance based on proprietary technologies
Contribution to a decarbonized society and circular economy	◦ Contribute to a decarbonized society through our products ◦ Reduce greenhouse gas emissions and energy consumption ◦ Contribute to the circular economy by increasing the use of renewable and recycled raw materials

Production Initiatives

Taking on the "1-year plant" challenge and maximizing the ratio of high value-added products

We aim to reduce costs and improve efficiency to compete with the cost competitiveness of emerging tire makers. As the first step in the taking on the "1-year plant" challenge, which involves bringing a new plant on line within one year, we will build a new plant for passenger car tires in Hangzhou, China to increase our supply capacity for the growing Chinese market.

The production capacity of the plant will start at 9 million tires a year and is expected to increase in the future. The investment for the plant is 1.96 billion yuan (approximately ¥36.7 billion) with production scheduled to start in the second quarter of fiscal 2026.

The construction of the new plant is in response to a request by the Chinese government to relocate the existing plant of Hangzhou Yokohama Tire Co., Ltd., a local tire production subsidiary, and construct a new plant in the Hangzhou Qiantang New Area.

The construction of the new plant will be an important foreign investment project involving the governments of Zhejiang Province, Hangzhou City, and Qiantang New Area in China, and will result in the establishment of a new company, Hangzhou Qiantang Yokohama Tire Co., Ltd.

Yokohama Rubber aims to construct plants in just one year that achieve the low cost and highly efficient production that will realize a strong competitive position in the local market. Toward that end, Yokohama Rubber will combine its accumulated know-how with that of local partner companies that have a proven track record in the local market.

In addition, we also aim to maximize the ratio of high value-added products by expanding production of our flagship ADVAN, GEOLANDAR, winter tires, and 18-inch and larger size tires, and working on our "Product and Regional Strategies" to strengthen development and supply systems that respond to specific trends in each regional market.

Quality Initiatives

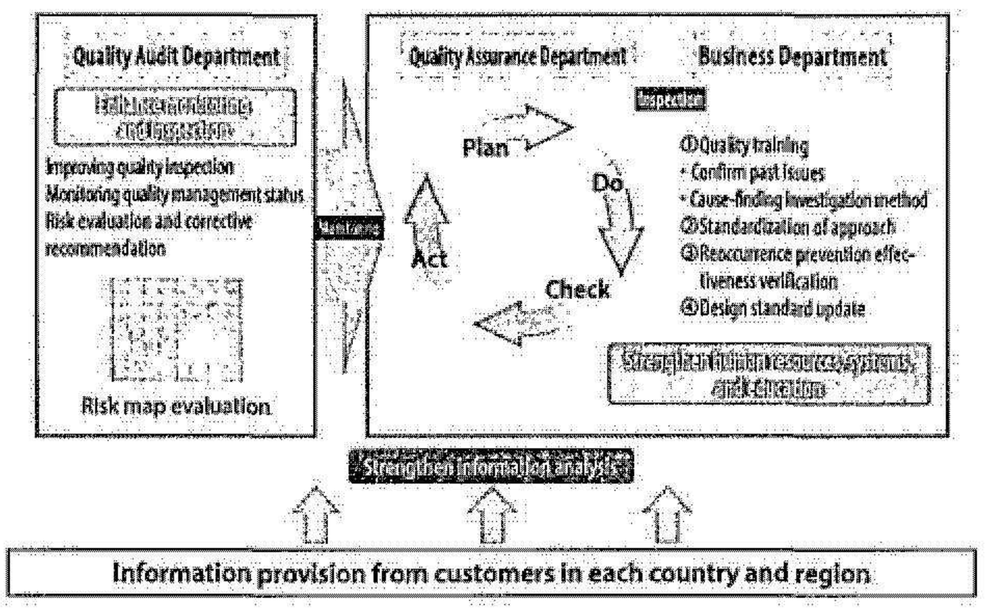
Quality management system

Yokohama Rubber places the safety of customers as a top priority. We have developed our own risk map to ensure prompt, legal, and appropriate internal processes are carried out in business, quality assurance, and service departments, which are overseen and monitored by the Quality Audit Department.

We conduct quantitative categorization of potential risks following the quality management system (QMS) and embrace a proactive safety design approach based on FMEA* to establish a structure that prevents the reoccurrence of similar quality issues. Moreover, we conduct internal quality training as well as encourage managers and supervisors to acquire the certification of an internal quality auditor. In fiscal 2023, two employees obtained their certification (total 16 certified to date).

We appoint experienced engineers at sales subsidiaries and sales locations in the domestic and overseas markets to systematically host internal training on product knowledge and handling.

Quality Risk Management System



* Failure Mode and Effect Analysis (FMEA): A method of systematically analyzing potential failures for the purpose of failure/defect prevention.

Motorsports Activities

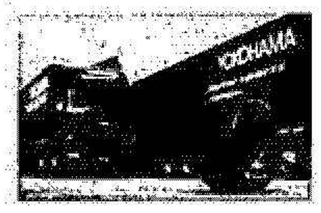
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For 60 years, since the Company began supplying tires to motorsports in Japan in 1963, Yokohama Rubber has participated in a wide range of motorsports in Japan and abroad, including races and rallies. By utilizing the advanced technical capabilities and knowledge cultivated in the field of motorsports, where extreme driving is required, in the development of tires for passenger cars, we are creating high-performance tires with excellent safety and quietness levels, and reduced environmental impacts while offering an exhilarating driving experience.

Relevant materiality	What we aim to do
Provision of products and services that contribute to a sustainable society	◦ Achieve a safe and comfortable mobility society through improved quality and performance based on proprietary technologies
Contribution to a decarbonized society and circular economy	◦ Contribute to the circular economy by increasing the use of renewable and recycled materials

Yokohama Rubber's Commitment to Motorsports

Yokohama Rubber supplies tires to a wide range of motorsports in Japan and abroad, from the top category to the grassroots category. Motorsports is a grand testing ground for tire development, and the technology cultivated through competition is fed back to our development of high-performance, high-quality new passenger car and aftermarket tires. In addition to reducing the rolling resistance and improving the quietness and safety of tires, which results in the reduction of CO_2 emissions from passenger cars, we will fulfill our responsibilities as a tire maker by pursuing "exhilarating driving experiences" as a form of added value.



Results in FY2023

Third Round SUPER GT GT500 Class (Japan) champion

In June 2023, a car equipped with ADVAN racing tires won the long-awaited victory in the GT500 class during the third round of SUPER GT, Japan's highest level touring race. We continued to take on the challenge of participating in the SUPER GT championship, a tire competition race category, as a challenger, and showed the strength of our evolved ADVAN racing tires.



Pikes Peak International Hill Climb overall champion for two consecutive years

At the 101st Pikes Peak International Hill Climb, known as the toughest hill climb race in the world, held in Colorado (US) in June 2023, a car equipped with ADVAN racing tires won the overall championship for the second consecutive year. The winning car was equipped with tires made partially using sustainable materials, which account for approximately 33% of the materials used, demonstrating the high level of our technological capabilities to achieve stable performance even in harsh conditions.



Asia Cross Country Rally overall champion for two consecutive years

In the Asia Cross Country Rally 2023, the largest cross-country rally in Asia which was held in August 2023, a vehicle with GEOLANDAR M/ T G003 tires won the overall championship for the second consecutive year, capturing the top three spots with 2nd and 3rd place finishes in addition to the championship. Last year, vehicles equipped with GEOLANDAR M/T G003 tires won the overall championship and finished in 3rd, 4th and 5th place. These results once again demonstrated the superior performance and durability in grueling off-road races.



Future Issues and Measures

In response to growing environmental awareness in the motorsports industry, Yokohama Rubber is developing racing tires using sustainable materials including renewable and recycled materials. We supplied tires made of sustainable materials as the control tires for the Pikes Peak International Hill Climb in the US in 2022 and 2023 and the SUPER Formula (Japan) starting in 2023 to promote the development of environmental impact reduction technologies based on data from actual races. Going forward, we will continue to develop racing tires using sustainable materials, and utilize the knowledge gained through these efforts in the development of tires for new cars and replacement use, thereby contributing to the improvement of the environmental performance of tires and the development of sustainable motorsports.

Yokohama Rubber's Sustainability

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The Yokohama Rubber Group conducts business activities and conducts sustainability management in cooperation with stakeholders around the world based on its Basic Philosophy: "To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products."

Sustainability Slogan

Caring for the future

Yokohama Rubber Group Action Guidelines

We have established the Yokohama Rubber Group Action Guidelines in accordance with the 10 principles in the four areas (human rights, labor, the environment, and anti-corruption) of the United Nations Global Compact, which all members of the Yokohama Rubber Group share as guidelines for promoting business activities.

Seven Action Guideline Items

1. We shall respect human rights inside and outside the company.
2. We shall create workplaces that are safe and healthy.
3. We shall harmonize our activities with the global environment.
4. We shall provide safe and high-quality products and services.
5. We shall conduct corporate activities with a high transparency and practice proper disclosure of information.
6. We shall observe not only laws and regulations but also social norms.
7. We shall aspire to harmony and prosperity with local communities.

Seven Action Guideline Items (described in detail)
https://www.y-yokohama.com/global/sustainability/suspolicy/

Reference Guidelines and Principles for Promoting Sustainability

In promoting sustainability, we refer to the following international guidelines and principles, including the 10 principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015.

The United Nations Global Compact, Sustainable Development Goals (SDGs), OECD Guidelines for Multinational Enterprises, Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, ILO MNE Declaration, and the GRI Standards, etc.

Materiality

In accordance with the formulation of the New Medium-term Management Plan "Yokohama Transformation 2026 (YX2026)," which was launched in fiscal 2024, the Yokohama Rubber Group reviewed its materiality (important issues) in light of the changing business conditions and social issues surrounding the Yokohama Rubber Group, and identified new materiality that takes into account both the impact of business activities on society and the environment and the impact of society and the environment on business activities. Please refer to page 26 for information on how we revise materiality, the process we use to identify materiality, risks and opportunity analysis, what we aim to do, and progress of metrics (KPIs) up to fiscal 2023.

Area	Materiality (important issues)	Reference pages
Products and services	Provision of products and services that contribute to a sustainable society	P.32-39, 44, 50, 51
Environment	Contribution to a decarbonized society and circular economy Coexistence with nature	P.44, 50, 51, 60-67
Community	Coexistence with local communities	P.68-71
Human capital	Development of human capital capabilities for sustainable corporate value enhancement	P.54-59, 72-73
Supply chain	Establishment of a sustainable supply chain	P.70-73
Governance	Improvement of management resilience by strengthening corporate governance	P.74-87

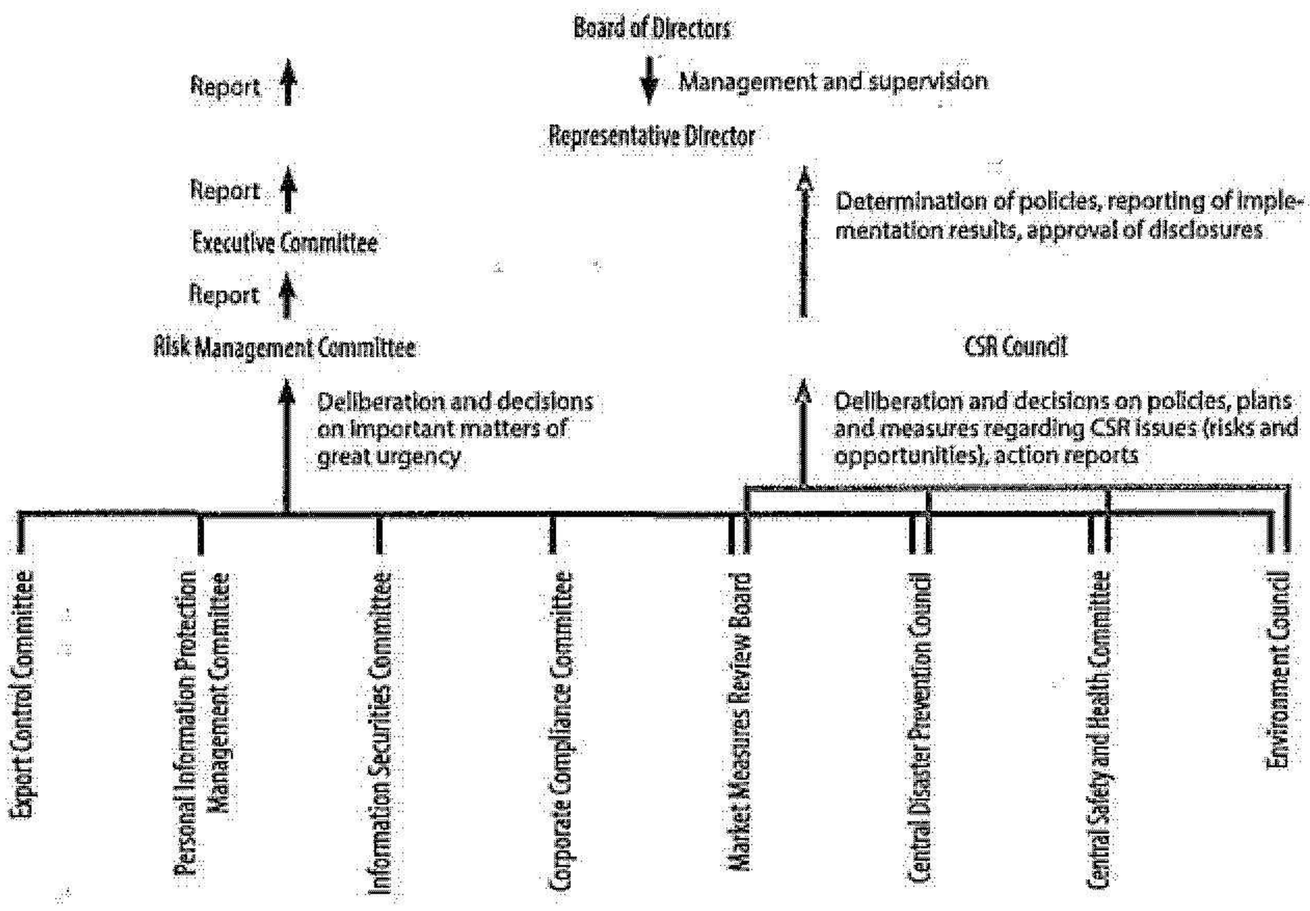
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Sustainability Governance and Sustainability Promotion System

The CSR Council, chaired by our Chairman & CEO and membered by all of the internal directors (including Audit and Supervisory Committee members), meets twice a year (in May and November) to discuss sustainability issues (environment, occupational health and safety, disaster prevention, quality, compliance, social contribution, etc.) and plan actions to be taken by the Yokohama Rubber Group.

Furthermore, when decisions on important matters, early decision-making, reporting, and deliberation are required, the Executive Committee reports and deliberates on such matters, which are then submitted to the Board of Directors (for reporting and deliberation) depending on level of importance.

Progress on sustainability issues is reported monthly to the Chairman & CEO, President & COO, director in charge of the CSR Division, and internal directors serving as Audit and Supervisory Committee members. Carbon neutrality and circular economy initiatives are discussed as ongoing themes at biannual management strategy meetings held by all Group executives (including those overseas).



Number of sustainability-related proposals reported to the Board of Directors in 2024 results	
Executive Committee	3
Board of Directors	3

CSR Council (held twice a year)

Chairman: Chairman & CEO, Chairman of the Board

Members: Internal directors (including Audit and Supervisory Committee members)

Risk Management

To strengthen our defense against various risks surrounding the Yokohama Rubber Group, we have established the Risk Management Committee, chaired by the head of our Corporate Administration Division, to manage risks that may have a significant impact on management across the Group and appropriately evaluate/respond to them.

Further, regarding risks with a high degree of importance, including environmental, occupational health and safety, disaster prevention, BCP, quality management and compliance, we have put in place a system for the focused management of risks that establishes divisions and meeting bodies specializing in overseeing each risk, thereby strengthening risk management systems within business activities.

The activities of the Risk Management Committee, Corporate Compliance Committee, and other committees are regularly reported to the Board of Directors, with the activities of other committees also reported to the Executive Committee as appropriate, and the Board of Directors when necessary.

Strategy

In 2008, the Group established the CSR Management Vision, CSR Action Guidelines, and established the CSR Division as the department responsible for CSR in order to make progress in CSR and sustainability management. In 2014, to align with global code of ethics such as the ten principles across four focus areas of the United Nations Global Compact, we established "Yokohama Rubber Group Action Guidelines," where we selected, most critical goals that will have a significant impact on or are of great interest both for the company and our stakeholders and defined them as our material issues. Since then, we have been continually working on these material issues through iterative PDCA cycles in pursuit of continuous improvement. In 2017, where the company celebrated its 100th anniversary, we launched a corporate CSR slogan (currently the sustainability slogan) to pursue sustainable growth to be achieved over the next 100 years.

Human Resources Strategy

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Relevant materiality	What we aim to do
Development of human capital capabilities for sustainable corporate value enhancement	◦ Foster diversity and inclusion ◦ Create innovation and increase productivity through employee development ◦ Develop safe and healthy work environment ◦ Respect the human rights of employees

Basic Approach

The Yokohama Rubber Group believes achieving sustainable growth amid drastic changes in the operating environment requires improving the value of human capital. We also recognize it is important to encourage our employees from various backgrounds to embrace various work styles with each other, promote work styles that are not bound by conventional rules and ways of thinking, and create a workplace environment that enables employees to work together cheerfully with vigor and enthusiasm. Based on the penetration of our Corporate Philosophy consisting of the Basic Philosophy, Management Policies, Action Guidelines and Corporate Slogan, as well as the direction of business specified in our long-term vision, we hold up "Human resources who can commit themselves to results even when they are hard to achieve and contribute to the growth of the Company with their own growth regardless of generation, nationality, and gender," as a vision of desired human resources," and is working on the development of such human resources and the improvement of in-house environments.

Human Resources Development Policy

Development of professional human resources and personnel assignment of right person to the right position

Recognizing that it is integral for the Group, which is expanding its business on a global scale, to deploy professional human resources with a strong desire to achieve and a broad range of perspectives who demonstrate their capabilities while having an impact on people around them, we are promoting measures such as ones for the development and selection of such human resources as well as ones for the assignment of the right person to the right position. We provide a full range of support to our employees based on the belief that encouraging each individual employee to actively make good use of growth opportunities will lead to the Company's advancement. We also work to secure and develop management-oriented human resources who can carry the Company on their shoulders so that we can prevail amid global competition.

Human resources development program

In order to respond to changes in the global business environment, we are working to strengthen its human capital through human resource development program. We provide training that adheres to the "three reals philosophy" where employees learn through interaction and experience with the aim of developing the mindset, abilities, and skills necessary to make the right decisions and execute, as well as individual skills such as rank-based leadership, the ability to solve problems closely related to the workplace, and presentation and negotiating skills. At the same time, we are working on the development of desired human resources through various measures such as by dispatching employees at the managerial level to a domestic MBA course for the development of future management-oriented human resources, as well as by providing educational programs to train DX leaders for the promotion of nurturing DX personnel to serve as administrative and technical staff.

Human resources development program

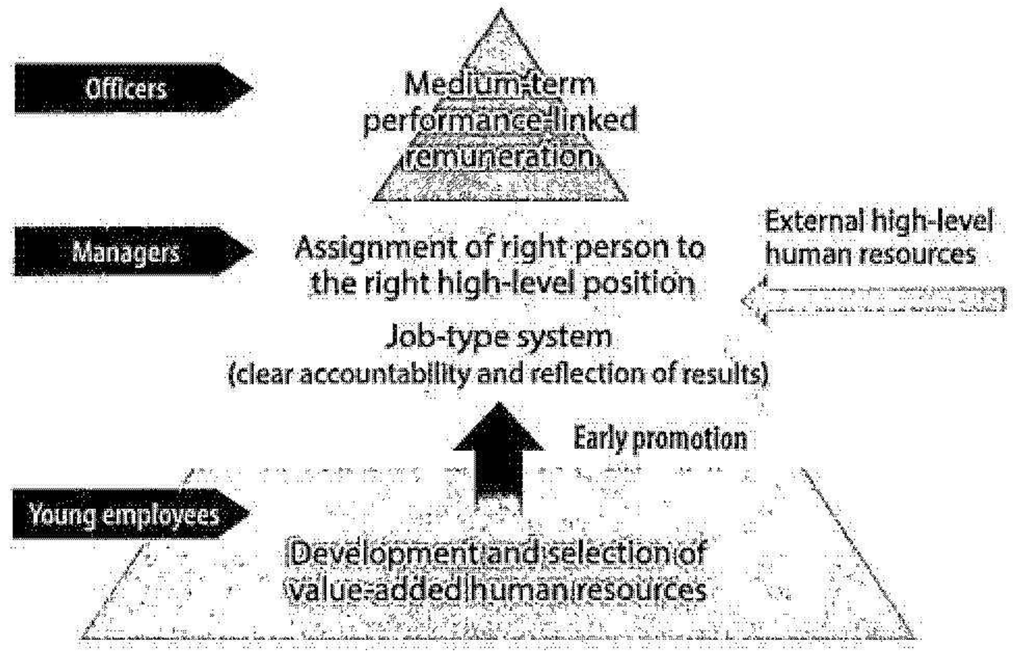
Name	For	Cumulative number of participants (FY2023)		Details
		Men	Women	
Training for new employees	Newly hired employees	20	6	With the aim of solidifying a foundation for future growth as a member of the Company, participants acquire the awareness needed as members of society and acquire basic knowledge common to administrative and technical work.
Follow-up training for new employees	Employees in their second year	8	4	In addition to organizing and sharing what they learned during the business assignment and training period, participants transform their mindset ahead of their third-year as employees.
Training for newly appointed managers	Managers	18	3	Participants understand and acquire the knowledge necessary for a managerial position, and are taught about the expectations, roles, and responsibilities required.
Training for newly appointed personnel holding managerial positions	Managers	0	0	For the purpose of supporting adaptation to management work, participants gain a better understanding of the roles of organizational managers and acquire basic management knowledge and practice in the workplace.
Training for evaluators	Managers	25	0	Through case studies, participants learn appropriate evaluation methods to prevent variation in evaluations and how to improve the degree of satisfaction in feedback interviews.
Training prior to re-employment	Employees planning to be re-employed	27	4	In the midst of a major career transition, participants eliminate any concerns arising from their new assignment and reconsider how to approach work after re-employment.

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Developing core human resources

In order to support the achievement of the YX2026 New Medium-term Management Plan in terms of human resources, we have created a personnel system that allows employees to gradually acquire the skills required of core human resources. For employees at the management level, this is achieved by increasing the links between posts (jobs), results and compensation, and for general career track employees by clearly indicating the added value (expected results and expected behavior) required for each level and linking these to the development system. This personnel system was revised in 2020 to further increase the linkage between posts (jobs) and compensation for employees at the management level. In addition, in 2021, we introduced an early selection system for general career track employees that allows them to be assigned to managerial positions as early as at the age of 30, thus ensuring that the right person is placed in the right place regardless of age.

Assignment of right person to the right position



Policy for In-house Environment Improvement

Promoting work styles free from the constraints of place or time

In March 2023, Yokohama Rubber relocated and integrated its head office functions from Minato-ku, Tokyo to the Hiratsuka Factory in Hiratsuka City, Kanagawa Prefecture, with the aim of improving operational efficiency through function integration and reforming work styles. We will expand the application of various systems such as the work-from-home scheme to establish a work system compatible with various situations, and realize integrated operations of planning, production, sales, technology, and logistics, as well as faster decision-making.

Introduction of home office system

In March 2023, following the integration of the Head Office and Hiratsuka Factory, we introduced a home office system for employees who became long-distance commuters as a result of the integration as well as for those who moved to accompany a spouse on a job transfer. This system allows such employees to have an office developed at their home at the Company's expense and basically work from home without maintaining a fixed desk at their office. As of December 2023, 108 employees were working under this scheme. By promoting work styles free from the constraints of location, we will strive to build the foundation for diverse workforces to maximize their abilities.

Establishment of the Tokyo Office and the Satellite Office

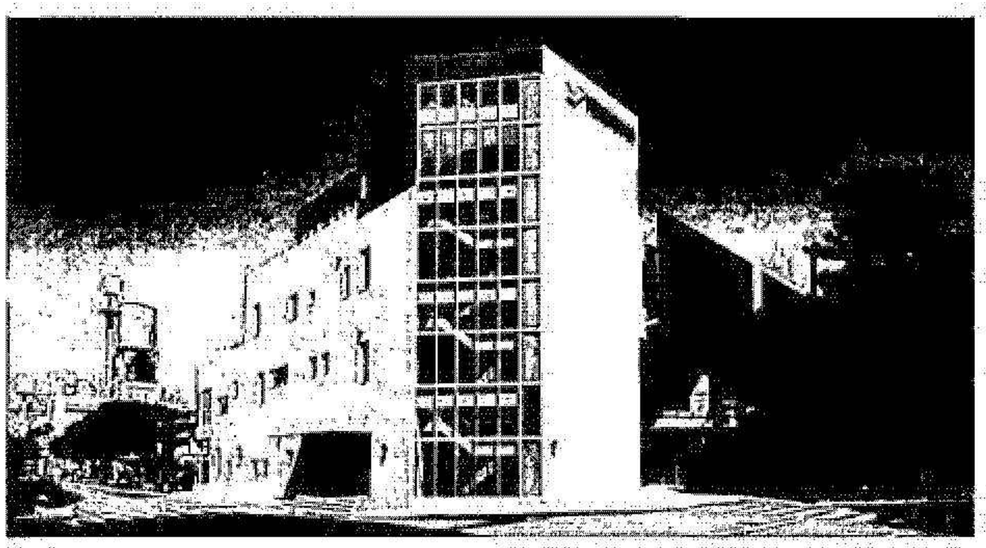
In connection with the integration of the Head Office and Hiratsuka Factory, we established the Tokyo Office and the Satellite Office at Shinagawa Intercity. The Tokyo Office houses the Head Offices of Yokohama Tire Japan and Yokohama Rubber MB Japan along with some of the sales departments of Yokohama Rubber. Satellite offices using hot desking are intended to promote improved communication between our people.

Upgrading of work-from-home and flexible work systems

In 2018, we introduced the work-from-home system with the goal of promoting work-life balance in terms of childcare or family care, increasing operational efficiencies and preventing prolonged time commitments for work (health concerns). From 2023, we expanded the conditions so that employees can use it to cut down on the time they spend commuting. At the same time, we abolished the usage limit and shifted to the most suitable telecommuting operation for each workplace according to work (results and efficiency). In addition, we have applied a flextime system to administrative and technical employees in principle, abolished core working hours, expanded the shortened working hours and flextime systems, and established a system that enables employees to produce work results regardless of location or time.

Employee engagement

With the aim of creating a work environment and a corporate climate that allow diverse human resources contributing to the growth of the Company with their own growth to work together cheerfully with vigor and enthusiasm, Yokohama Rubber conducts an employee awareness survey on a regular basis. We will work on our initiatives for the enhancement of corporate value by reforming the organizational climate and improving productivity while grasping the gap between the vision to be achieved by the organization and the actual situation.



New dual purpose conference room and cafeteria in Hiratsuka

Human Resources Strategy

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Ensuring Diversity in Human Resources

Vision to be achieved

At the Yokohama Rubber Group, we will continue to conduct hiring regardless of attributes such as nationality, sexual or gender identity (LGBTQ+), educational background and experience, and strive for the most optimal human resources placement aimed at achieving the business and technical strategies of YX2026. Moreover, we strive to create a workplace that fosters the continued growth of all employees and enables career development by respecting their work-life balance and embracing diverse human resources and various work styles.

As part of efforts to implement various measures and expand various programs for that purpose, we launched diversity promotion activity by establishing the Women's Participation and Advancement Taskforce in 2016. It was later renamed in 2019 as the Diversity Promotion Taskforce, and once again renamed in 2023 as the Diversity & Inclusion Promotion Taskforce to coincide with an expanded scope of activities.

Examples of diversity related training

		2020	2021	2022	2023
Number of programs		8	17	16	7
Total number of participants		214	327	1,127	675
Main programs	Diversity	• Enhanced management of diverse human resources	• Enhanced management of diverse human resources • Participation in wwP	• Diversity training • Enhanced diversity management • Participation in wwP	• Keynote session on diversity and inclusion • Unconscious bias training • LGBTQ+ training • Participation in wwP
	Women's career development	• Encouragement • Business skills training	• Encouragement • Business skills training	• Leadership for women	• Round-table discussion for female management personnel
	Support for work-life balance	• Career development for employees returning to work • Networking sessions for working parents	• Career development for employees returning to work • Individual consultation for working parents	• Career development for employees returning to work • Individual consultation for working parents	• Career development for employees returning to work • Individual consultation for working parents
	Healthcare	• COVID-19 preventive measures	• Prevention of turnover due to nursing care/nursing care finances	• Post-partum care class support	• Post-partum care class support

* wwP: It refers to a volunteer group, work with Pride, which supports the promotion and establishment of diversity management relating to sexual minorities such as LGBTQ+ in the workplaces of companies, groups and other entities.

Promotion of women's participation

We strive to create a female-friendly work environment through expanding and implementing a variety of systems and initiatives to enhance the percentage of women in managerial positions. As of December 31, 2023, the percentage (non-consolidated) of managerial positions (section manager or higher) filled by women at Yokohama Rubber was 2.0%. However, as the percentage of female section chiefs who were next managerial position candidates was 14.2%, and the percentage of female supervisors who could be assigned to managerial positions by early promotion was 42.8%, we expect the number of managerial positions filled by women to increase in the future. We will also utilize an early promotion system while conducting career development assistance seminars for the promotion of women's participation and improving a system to promote work-life balance, with the aim of further improving the percentage of managerial positions filled by women.

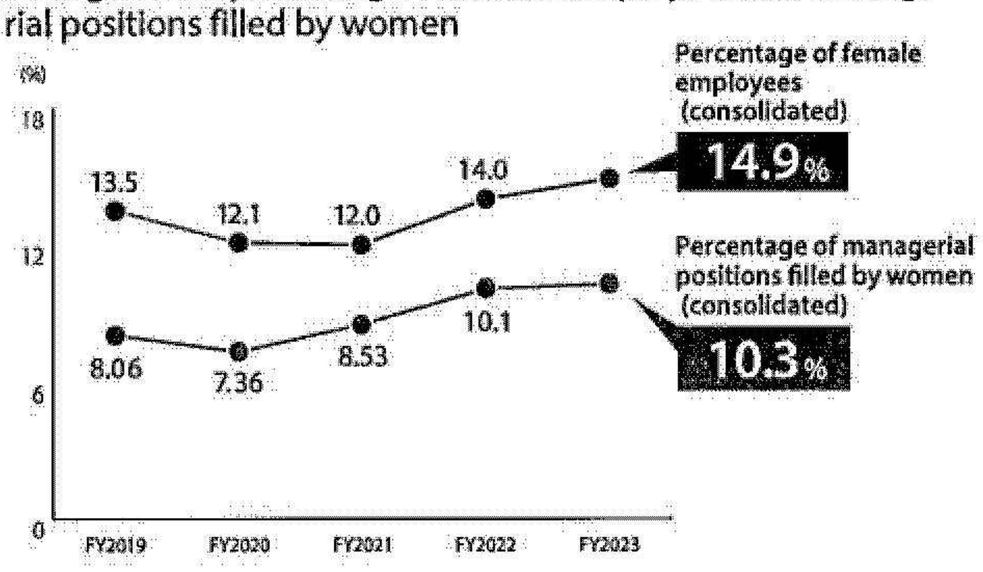
Employment of persons with disabilities

As a subsidiary to create places of employment for persons with disabilities, in 2012, we established Yokohama Peer Support, where 31 people with disabilities including those with intellectual disabilities were employed (as of December 31, 2023). The four companies of Yokohama Rubber, Yokohama Peer Support, Yokohama Tire Japan, and Yokohama Rubber MB Japan have obtained the special approval as being the affiliated companies under the disabled person employment ratio system and the grant system for the employment of persons with disabilities, with the employment rate of people with disabilities in four companies' combined total was 2.58% for 2023 (results for April 2022 to March 2023). Going forward, we will continue to develop new business operations as we broaden the scope of employing persons with disabilities.

Utilization of senior human resources

In order to provide human resources having a strong desire to work aged 60 and older opportunities in which they can give full play to their wealth of knowledge and experience, we have introduced a system that allows our employees to be re-employed after mandatory retirement and continue working until they turn 70 years of age. (Yokohama Business Association, our 100%-owned subsidiary re-employ administrative and technical employees and dispatch them to Yokohama Rubber.)

Change in the percentage of female employees and managerial positions filled by women



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Initiatives for sexual minorities

With the aim of supporting the active participation of various human resources including sexual minorities collectively called LGBTQ+, in October 2023, we introduced the Partner & Familyship System, which accepts a same-sex partner and a common-law partner as spouses, and accepts such partners' family as spouses' family. In addition, while inviting external intellectuals to hold LGBTQ+ seminars to deepen the understanding of our employees, we have established help desks to provide consultation services related to LGBTQ+ inside and outside the Company. Thus, we have been developing a system that enables us to respond to consultations concerning systems and troubles.

Metrics and Targets

The Group set the following metrics and targets for major measures in 2020, 2021, 2022 and 2023 with a primary focus on "development of human capital capabilities for sustainable corporate value enhancement" as a material issue related to human capital, and is carrying out XY2026.

Metrics, results and targets

Metrics (KPIs)		Results			Targets
		FY2021	FY2022	FY2023	
Ratio of female managers (section manager or higher) (non-consolidated)		1.6%	1.7%	2.0%	
Reference	Ratio of female section chief-level positions (non-consolidated)	10.7%	11.0%	14.2%	FY2026: 5% FY2030: 10%
	Ratio of female section supervisor-level positions (non-consolidated)	38.5%	40.9%	42.8%	
Ratio of male employees taking childcare leave (non-consolidated)		66.3%	59.5%	86.2%	FY2026: 100% FY2030: 100% (expansion of acquisition period)
Ratio of employees with continued employment after reaching 65 years old (non-consolidated)*2		Period average 63.6%			Average between FY2024 and FY 2026: 65% or more Average between FY2027 and FY 2030: 70% or more
Ratio of participation in skill development training • Ratio of participation in management education programs including MBA courses (non-consolidated) • Ratio of participation in education programs for DX leader development (non-consolidated)		– –	– –	6.0% –	FY2026: • 15% of department managers (cumulative) • 10% of office and technical employees (cumulative)
Employee engagement score		–	–	–	Conduct ongoing employee engagement surveys starting from FY2024 and set targets will be set by FY2026

*1 "–" indicates that there were no results.
*2 It refers to the ratio of employees who continued to be employed by the Company or our subsidiary after turning 65 among the administrative and technical employees aged 65 or over.

Voice of Employee

I want future fathers to experience child rearing as they can only do now.

I took a childcare leave of about three months including post-partum paternity leave in accordance with the time of the birth of the second child. After the birth of my first child, I got my wife to take care of the baby alone, which made her totally exhausted. From this experience, I took this parental leave without hesitation. During the childcare leave, I was busy doing housework such as taking care of the older child, and preparing meals for the family and doing laundry, in addition to feeding the baby and changing diapers. With so many things to do, one day passed so quickly. Neither my wife nor I was not a beginner in child-rearing anymore when the second child was born, and as I took childcare leave, we were able to concentrate on raising our child while consulting with each other, which I found very good. Above all, I was able to take care of my newborn baby, which was an experience that I would never have in my life, and has become a precious asset to me. As Yokohama Rubber has introduced various systems to support child-rearing, I would like to encourage people who are going to be a father to actively utilize these systems without hesitation and experience child rearing that they can only do now.



Isao Shibuya
Hose and Couplings Business Administration Dept.

Occupational Safety and Health

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Relevant materiality	What we aim to do
Development of human capital capabilities for sustainable corporate value enhancement	▫ Develop safe and healthy workplace environments

Basic Approach

As regards work-related accidents at the Yokohama Rubber Group, although the accident frequency rate of the Group is at a low level when compared with that of the overall industry or the manufacturing industry, it is not zero, and analysis of the causes of such accidents has revealed that many of them could have been prevented by taking precautions.

Since we handle large machinery at our production plants due to the nature of our business, defects in equipment or incorrect operation can lead to serious accidents. Therefore, it is important to thoroughly implement safety measures and raise safety awareness. Additionally, the number of long-term absentees has been increasing in recent years due to mental health issues. We aim to achieve zero occupational accidents by promoting the creation of safe and comfortable workplaces and health promotion, taking into consideration not only physical but also mental health, and by establishing a safety culture aiming for zero risks.

Safety and Health Management System

In Japan, we established the Central Safety and Health Committee chaired by the head of the CSR Division, and each business site has its own Business Site Safety and Health Committee (statutory) and each department and workplace have their own Safety and Health Working Subcommittee. As safety and health activities are important initiatives for both the company and the union, we are promoting them in concerted effort between labor and management while sharing safety information with other companies and labor unions through interaction with the Japan Rubber Manufacturers Association or the Japanese Rubber Workers' Union Confederation. We also urge our partner companies to join their respective committees in order to share activities.

In addition, to create a workplace where employees can work in good health for a long time, we promote the improvement of the health and physical fitness of our employees based on "Collaborative Health*" in cooperation with health insurance associations. Each overseas company has developed its own safety and health system in accordance with the laws of each country. The Safety and Health Management Department coordinates safety and health activities in Japan and overseas, which contributes to raising the level of safety and health throughout the Group.

* Collaborative Health: An approach where health insurance societies and businesses actively collaborate to efficiently and effectively implement prevention and health development for insured employees based on a clear division of roles and a good workplace environment.

Initiatives to Improve Occupational Safety and Health

Enhancing equipment measures

We are strengthening safety measures from an equipment perspective by systematically conducting risk assessments for all equipment and operations, and by continuously reviewing and improving them. We have established a system for monthly follow-up on the number of risks and improvements, and constantly monitor the progress of safety measures. Top safety diagnoses are conducted by directors at our domestic plants to further strengthen safety measures. In addition, we are enhancing Company-wide efforts to share information on disaster countermeasures to prevent recurrence of similar disasters.

We also conducted safety audits at all production sites of Trelleborg Wheel Systems Holding AB, which we acquired in May 2023.

Developing safety-conscious human resources

Aiming to develop each employee's sensitivity for danger, employees practice hazard prediction training (KYT), every day along with near-miss (hiyari-hatto) detection and improvement activities as well as experiential training called "Taikan Dojo," both of which are activities that all workers are encouraged to participate in. In addition, supervisors talk with workers one-on-one for close communication to help them to understand the meaning of each task so that they are able to act more safely at their own discretion. In addition, as fellow workers, we also invite employees of partner companies to participate in the Group's safety awareness improvement activities to deepen their understanding of our safety activities and deeper their level of cooperation on this end so that together we can build a safe work environment and achieve zero occupational accidents.

Development of standard work manuals

We systematically conduct open work observation and continually review work process to identify all unsafe behaviors and areas of insecurity, and are working on the development of standard work manuals. At workplaces with workers from overseas, we are building safe work environments by adding their native languages to the standard work manuals.

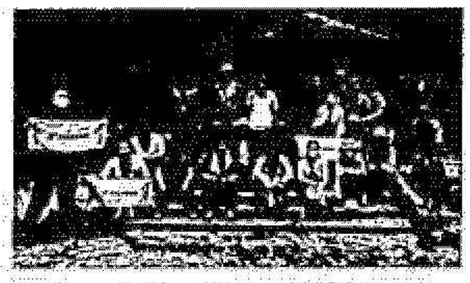
Promoting both physical and mental health

Our improvements in mental health include management of working hours through an attendance management system, face-to-face guidance and work improvement suggestions for employees working long hours, and education for improving communication skills including attentive listening training classes, etc.

For the long-term absentees who have been absent due to mental health reasons, we conduct interviews with them and cooperate with their

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attending physicians, industrial physicians, public health nurses, and workplace representatives to support well-planned reinstatement in the workplace. Even after the reinstatement of an employee, regular three-party interviews are conducted between the employee, the industrial doctor, and the workplace representative with work-related restrictions gradually being lifted to support the complete reinstatement of the employee without restrictions. In order to improve their health, we also conduct activities to help employees quit smoking, and hold seminars on physical fitness. Since fiscal 2023, we have been conducting monthly education sessions aimed at improving health literacy at all offices and workplaces.



Walking event co-sponsored by labor and management

Improvements in workplaces

At workplaces handling chemical substances, we conduct chemical risk assessment to prevent health disorders caused by chemical substances.

We also ensure that equipment is maintained, personal protective equipment is provided, working methods are improved, and facilities are maintained to manage the maintenance of a comfortable working environment based on environment measurement results. We aim to realize a safe and comfortable working environment by also promptly responding to legal revisions that came into effect in 2023. In addition, we promote 5Ss (seiri [tidiness], seiton [being organized], seisou [cleanliness], seiketsu [hygiene], and shitsuke [discipline]) activities, aiming to achieve a level of manufacturing that creates only the products that are needed when they are needed and in the amounts required.

As a measure against heat stroke, which has become increasingly serious in recent years, we are measuring WBGT (heat index) values at our workplaces and implement measures such as insulating roofs, discharging hot air, and improving air conditioning.

Prevention of traffic accidents

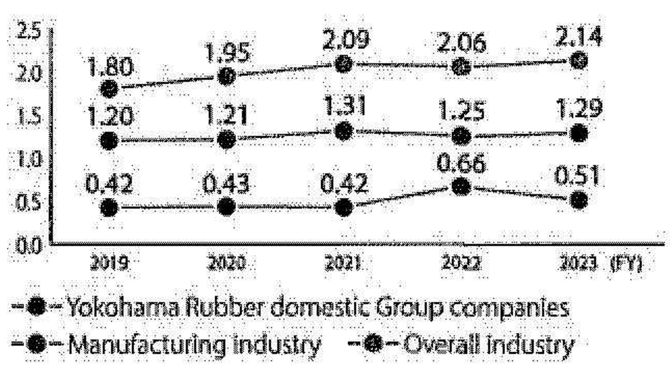
To ensure the safe commuting of employees, we conduct traffic safety seminars at each of our business sites in collaboration with local police departments and conduct activities to raise awareness in cooperation with traffic safety-related organizations. Furthermore, we are working to raise traffic safety awareness through traffic safety driving education using drive recorders and by talking to people passing at the front gate to invite their attention to safety.

Establishment of a safety and health platform

We have acquired a certification for Occupational Safety and Health Management System (ISO 45001) at 13 out of our 20 domestic and overseas business sites, with six sites renewing their certification in fiscal 2023 (certification for the other business sites is also ongoing). We plan to acquire certification at the remaining seven business sites in a sequential manner. Through continuous improvement of the management system and the operation of the PDCA cycle, we will further enhance our safety and health platform.

The frequency of occupational accidents (consolidated) in fiscal 2023 was 0.51. We will continue our efforts to achieve zero accidents and zero risks.

Frequency of Occupational Accidents (Lost-time Injury Frequency Rate)



* Lost-time injury frequency rate = (number of work-related injuries / total working hours) × 1,000,000 hours
* All figures in the data represent annual aggregated values (from January to December)
* Figures for the overall industry (excluding general contracting business) and the manufacturing industry are based on the "Survey on Industrial Accidents" statistical table released by the Ministry of Health, Labour and Welfare

Future Issues and Measures

Despite promoting various initiatives to realize a safe and pleasant working environment and promote health, we need to work harder in order to reach our goal of zero accidents.

In the future, we will thoroughly practice "isolation from hazardous sources," as a measure for equipment, and actively engage in human resource development to ensure that safe actions are naturally taken.

Voice of Employee

Promoting the creation of a work environment where everyone can work safely and with peace of mind

The combined Head Office and Hiratsuka Factory serves as our largest site in Japan with more than 2,500 employees. At this site, we have a manufacturing plant, a development and design department, and a management and sales department with employees that hold various positions. "Safety" is a common theme even in this type of environment. The Hiratsuka Safety and Environment Section, the section that I work in, is responsible for activities ranging from the formulation of plans for safety and health activities for the entire plant to activities to achieve zero accidents in cooperation with safety and health personnel in each department. I am in charge of confirming legal compliance and notifying government agencies when installing equipment. My current challenges are the prevention of falling accidents and compliance with laws and regulations on chemical substance management. Falling accidents lead to loss of business, and it is a topic of high importance in both manufacturing and non-manufacturing sectors. We listen to opinions from employees regarding risks within the site, prioritize them, and implement countermeasures. Meanwhile, autonomous management of chemical substances is required. We share information on related legal revisions with each department and take measures to create a safe working environment.



Motoyasu Suzuki
Hiratsuka Safety and Environment Section
CSR Division

Environment —Contribution to a Decarbonized Society and Circular Economy

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Relevant materiality	What we aim to do
Contribution to a decarbonized society and circular economy	◦ Contribute to a decarbonized society through our products ◦ Reduce greenhouse gas emissions and energy consumption ◦ Contribute to the circular economy by increasing the use of renewable and recycled materials

Basic Approach

As the impact of climate change has been progressively increasing on a global level in recent years, it is also necessary for companies to actively respond to climate change, such as by implementing decarbonization initiatives. The Yokohama Rubber Group also considers our materiality "Contribution to a decarbonized society and circular economy" as one of our most important management issues for contributing to a sustainable society and ensuring sustainable corporate growth.

The Yokohama Rubber Group will work to minimize the burden on the environment by providing products and services in accordance with the Yokohama Rubber Basic Environmental Policy, the Yokohama Rubber Environmental Policy, and the Yokohama Rubber Group Action Guidelines. To this end, we will develop and introduce environmental technologies while working together with various people involved in the provision of products and services to promote the reduction of emissions into the atmosphere throughout the entire value chain. Furthermore, from the perspective of contributing to a circular economy and promoting decarbonization throughout the value chain, we aim to expand the use of renewable and recycled materials for our products.

Yokohama Rubber Basic Environmental Policy, Yokohama Rubber Environmental Policy, and Yokohama Rubber Group Action Guidelines
https://www.y-yokohama.com/global/sustainability/environment/natural/

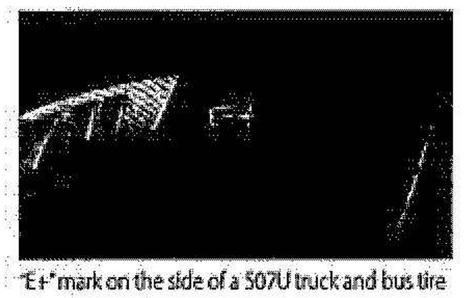
Contribute to a Decarbonized Society through Our Products

Yokohama Rubber begins placing its original "E+" mark on tires for electric vehicles

In response to the growing demand for tires for electric vehicles*1 in recent years, since the second half of fiscal 2023, the Company started placing its original "E+" mark on tires for electric passenger cars, trucks, and buses, signifying that the tires are compatible with electrified vehicles. The "E+" mark is placed on products equipped with technologies that meet the unique needs of EVs, such as support for high loads due to installed batteries and high torque output from the motor, quietness appropriate for quiet electric vehicles without engine noise, improvement of vehicle electricity and energy consumption efficiency, and increased driving range.

As for electric passenger car tires, the ADVAN Sport EV ultra-high performance summer tire for EVs, which was launched in Europe in autumn 2023, and the ADVAN dB V553 premium comfort tire released in February 2024 bear the "E+" mark. In the electric truck and bus tire category, the 507U, which is sold in Japan, and the 120U, which is sold in Europe, have carried the "E+" mark since 2024.

We will continue to strengthen R&D and installation of tires on new vehicles to meet the increasing demand for tires compatible with EVs for the realization of a decarbonized society.



"E+" mark on the side of a 507U truck and bus tire

"E+" mark

*1 Electric vehicles include BEV (battery electric vehicles), EV (electric vehicles), PHEV (plug-in hybrid vehicles), HEV (hybrid vehicles), and FCEV (fuel cell electric vehicles)

Reduce Greenhouse Gas Emissions and Energy Consumption

Started tire production using electricity derived from renewable energy

At the Shinshiro-Minami Plant (Shinshiro City, Aichi Prefecture), we introduced electricity derived from renewable energy in April 2023, officially started operation of our own solar power generation system in August 2023, and started production of ADVAN Sport EV ultra-high performance summer tires for premium EVs and other high-performance tires using that electricity for production.

The photovoltaic power generation system, which has been officially put into operation, has an output capacity of approximately 1.1 MW and an annual output of approximately 1,469 MWh, which is expected to reduce CO_2 emissions by approximately 599 tons per year. This project is supported by the Japanese Ministry of the Environment's FY2021 Subsidy for CO_2 Emission Control Measures (Project to Promote the Acceleration of Communities' Use of Renewable Energy and Stronger Energy Resilience through Use of Power Purchase Agreements (PPA), etc. [Project to Promote Price Reduction of Solar Power Generation Equipment, etc. to Achieve Storage Parity])*2.

The renewable-energy electricity is considered to be derived 100% from renewable energy sources and deemed to generate zero CO_2 emissions as electric power provider Chubu Electric Power Miraiz Co., Inc. has procured FIT non-fossil fuel certificates with tracking information*3 and non-FIT non-fossil fuel certificates with renewable energy attributes*4 for the electricity being provided to the plant. The Shinshiro-Minami Plant's shift to renewable-energy electricity is expected to reduce the plant's annual CO_2 emissions by about 570 tons.

The Shinshiro-Minami Plant aims to become a carbon-neutral model plant with zero CO_2 emissions by 2030. In addition to its new solar panel

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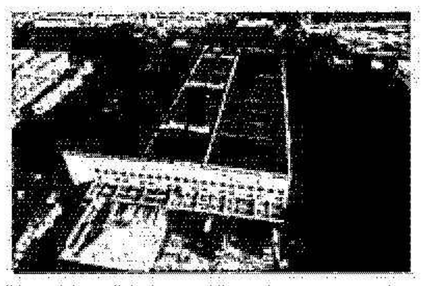
power generation system and use of renewable-energy electricity, the Shinshiro-Minami Plant is now converting boiler fuel to natural gas.

*2 This project subsidizes a portion of the expenses required by projects that aim to achieve storage parity by installing solar power generation and storage batteries for self-consumption through on-site PPA models, etc.
*3 FIT non-fossil fuel certificates are certificates of the environmental value of energy generated from non-fossil renewable energy sources that are subject to the FIT (Feed-In Tariff) system, including solar, wind, small hydropower, and biomass. FIT non-fossil fuel certificates with tracking information include a tracking function that provides such information as the specific power source and the type of power source linked to the production site. FIT non-fossil fuel certificates with tracking information can be used by companies to report their progress in advancing the use of renewable energy to such international organizations as RE100, a global corporate renewable energy initiative bringing together companies committed to using 100% renewable-energy electricity in all their business activities; CDP, a non-profit organization that aims to realize a sustainable economy; and the Task Force on Climate-related Financial Disclosures (TCFD).
*4 Non-FIT non-fossil fuel certificates with renewable energy attributes are awarded to renewable energy sources that are not subject to FIT, such as large hydropower plants.

Aiming to acquire SBT certification

In January 2024, the Company submitted a commitment letter to the Science Based Targets Initiative (SBTi),*5 an accreditation body, with the aim of obtaining accreditation for Science based Targets (SBT), a corporate greenhouse gas emission reduction target that is scientifically consistent with the standards of the Paris Agreement.*6 SBT certification requires companies to set reduction targets for all business activities, from direct emissions by companies to indirect emissions by other companies and customers.

Going forward, we will aim to acquire SBT certification in order to accelerate the reduction of greenhouse gas emissions throughout the supply chain in response to the increasingly serious climate change problem in recent years.


A solar power generation system installed on the roof of the Shinshiro-Minami Plant

*5 The SBTi was established by the CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) as an organization to evaluate companies' greenhouse gas emission reduction targets.
*6 An international treaty on climate change adopted at the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Paris in 2015. The treaty signees agreed to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C.

Promote the Use of Renewable and Recycled Raw Materials

Development of manufacturing technology for synthetic rubber core chemicals with carbon resource recycling

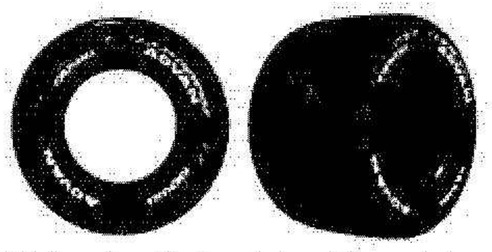
In January 2022, ZEON Corporation and Yokohama Rubber's "Development of Manufacturing Technology for Synthetic Rubber Core Chemicals with Carbon Resource Recycling" has been adopted by the New Energy and Industrial Technology Development Organization (NEDO) as a" Green Innovation Fund Project /Development of Technology for Producing Raw Materials for Plastics Using CO_2 and Other Sources." The Green Innovation Fund Project is a program established by the Ministry of Economy, Trade and Industry (METI) to support businesses in conducting innovative research for reducing greenhouse gas emissions.

This demonstration project aims to establish two advanced technologies to produce butadiene and isoprene based on carbon resource recycling, from renewable carbon resources such as used tires and biomass at high yield rates, and to implement them in society in the 2030s.


Butadiene produced from biomass

Supplying racing tires made from sustainable materials

Since 2023, the Company has been supplying ADVAN A005 dry racing tires using sustainable materials in support of the SUPER FORMULA NEXT 50 project by Japan Race Promotion Inc., which runs the SUPER FORMULA series. The dry tires being supplied by Yokohama Rubber use natural rubber and various naturally derived compounding agents including oil produced from oil palm nuts and orange peels, as well as wires made from recycled iron, and rubber recycled from waste tires. As a result, sustainable materials account for about 33% of all materials used in the tires, which have demonstrated performance equivalent to that of the conventional tires.


ADVAN racing tires (dry use) made from sustainable materials

Voice of Employee

Taking on the challenge of tire development that maximizes the use of sustainable raw materials

The circular economy, which includes the use of sustainable raw materials (recycled materials derived from non-petroleum resources and waste tires), is attracting attention worldwide. In the past, achieving a balance between conflicting performance characteristics such as low rolling resistance, wet grip, and anti-abrasion performance has been an issue in tire development, but in addition, it has become necessary to achieve this by using sustainable materials. Yokohama Rubber has been working on the adoption of sustainable raw materials such as orange oil and rice husk silica before it attracted public attention. However, this alone is no longer sufficient, and all raw materials used in tires must be replaced. I am constantly asking myself how can I use sustainable raw materials myself and how can we achieve both performance and cost. Such technological development leads to the creation of a circular economy and contributes not only to the Company but also to society. While there are difficulties involved in promoting the project while making contact with people around the world, our contribution is also on a global scale. I am proud to be working on this major issue.



Manabu Kato
Manager
No. 1 Tire Materials Dept., Research & Advanced Development Div.

20241108012l6

Environment —Coexistence with Nature

Relevant materiality	What we aim to do
Coexistence with nature	• Promote nature positive-oriented initiatives • Strengthen environmental management

Basic Approach

The Yokohama Rubber Group's businesses depend on the blessings of nature (ecosystem services) and the impact biodiversity at the same time. To achieve a "world living in harmony with nature", based on this recognition, the Yokohama Rubber Group complies with global goals, initiatives, and regulations such as the Kunming-Montreal Global Biodiversity Framework and reduces negative impacts on biodiversity throughout its entire business and promotes the restoration/regeneration of nature to contribute to a nature positive world.

Yokohama Rubber Group Biodiversity Guideline

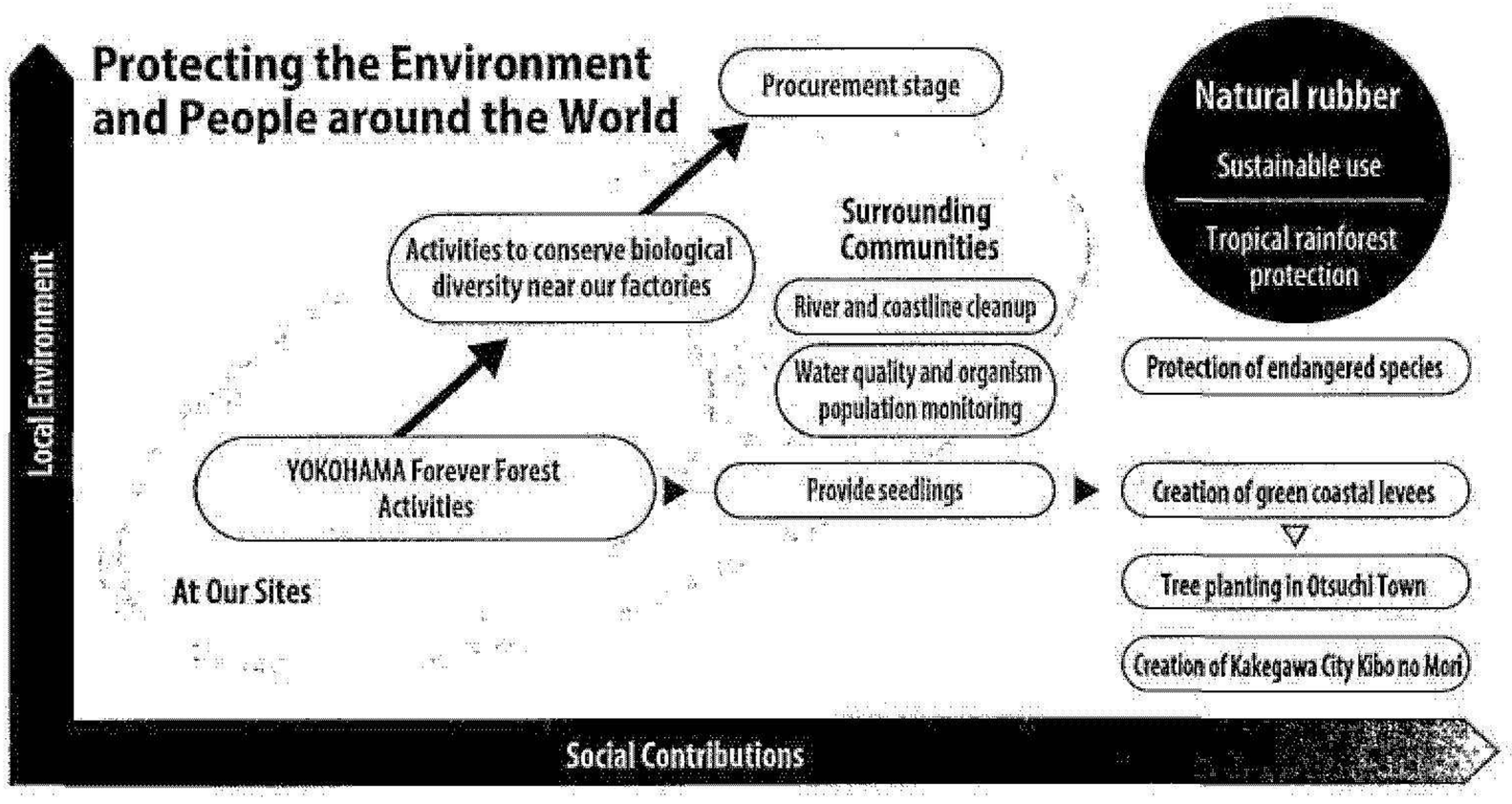
The Yokohama Rubber Group revised its Biodiversity Guideline in December 2023, based on the adoption of the Kunming-Montreal Global Biodiversity Framework at the 15th Conference of the Parties (COP15) to the UN Convention on Biological Diversity in December 2022, and the Japanese Government's Cabinet decision on the National Biodiversity Strategy 2023-2030 in March 2023. We will continue to work for the conservation, restoration and regeneration of biodiversity throughout the value chain.

The Yokohama Rubber Group Biodiversity Guideline: Action Guidelines (extract)

1. Recognize the issue of biodiversity as a business challenge and continually monitor the sustainable use of natural resources and biodiversity conservation.
2. Understand the relationship between business and impacts on biodiversity and its dependency on nature by scientific approaches.
3. Reduce negative impacts caused by our business activities, while increasing positive impacts.
4. Promote the sustainable use of natural resources throughout the entire value chain through technological innovation.
5. Have the integrated perspective to solve social issues including biodiversity and climate change.
6. Promote biodiversity conservation in collaboration with suppliers to increase sustainability of natural resources.
7. Support employees so they can contribute to biodiversity conservation.
8. Build a trust relationship through communication and collaboration with stakeholders to increase the effectiveness of initiatives.
9. Actively disclose information on a regular basis about efforts for biodiversity conservation in accordance with these policies.

Yokohama Rubber Group Biodiversity Guideline
https://www.y-yokohama.com/global/sustainability/data/pdf/biodiversity_guideline_en.pdf

Overview of Yokohama Rubber Group's Activities to Conserve Biological Diversity



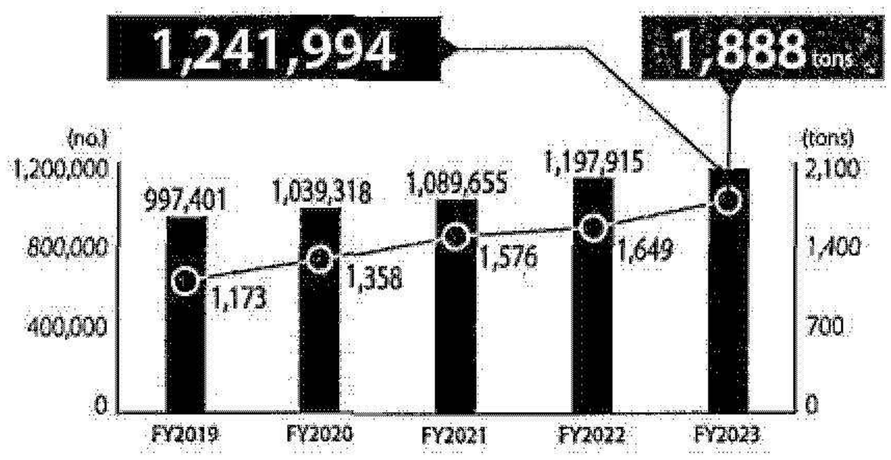
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Initiatives for Coexistence with Nature

YOKOHAMA Forever Forest Activities

To implement sustainable business activities, corporate management must seek to consider natural capital and conserve biodiversity. YOKOHAMA Forever Forest is a company-wide afforestation activity launched in 2007 in preparation for Yokohama Rubber's 100th anniversary in 2017 with the aim of curbing global warming and preserving the ecosystem. We planted trees at 14 sites in Japan and 21 sites in 8 countries overseas, achieving our target of 500,000 trees in September 2017. We have continued these activities since 2017, when the target was achieved, and as a result of calculating the fixed amount of carbon dioxide in YOKOHAMA Forever Forest from a survey of seedling growth, it is estimated that the entire area of planted forests had absorbed 1,888 tons of CO_2 by the end of 2023. Going forward, we will continue our activities at each of our domestic and overseas bases, targeting a total of 1.5 million trees planted and seedlings supplied by 2030.

Results of YOKOHAMA Forever Forest Activities



■ Total number of trees planted/seedlings supplied through YOKOHAMA Forever Forest activities
-●- Cumulative amount of CO_2 emissions absorbed/sequestered

Ibaraki Plant certified by the Ministry of the Environment as a "Nationally Certified Sustainably Managed Natural Site"

In October 2023, our Ibaraki Plant (Omitama City, Ibaraki Prefecture) was certified as a "Nationally Certified Sustainably Managed Natural Site" by the Ministry of the Environment. The "Nationally Certified Sustainably Managed Natural Sites" certification system was officially launched by the Ministry of the Environment in 2023 with the aim of achieving 30by30, an international goal of conserving and protecting more than 30% of land and sea that have normal ecosystems by 2030. The Ministry of the Environment evaluates land managed by companies in addition to land managed by the Japanese government and local governments, and certifies areas that contribute to the conservation of biodiversity as "Nationally Certified Sustainably Managed Natural Sites." Areas certified as "Nationally Certified Sustainably Managed Natural Sites" are registered in the international database as OECM,*1 except for nature reserves and other areas.

The Ibaraki Plant aims to be a plant that coexists with the grey-faced buzzard,*2 which was designated as an endangered species. In addition to the maintenance of the foraging environment, the Company has been monitoring the animals, plants, and water quality at the site and in the surrounding areas. These long-term biodiversity conservation activities led to this certification. In 2019, the plant acquired the ABINC*3 Certification and received the ABINC Award of Excellence in 2023 as an outstanding business site.

Since 2023, Yokohama Rubber has been participating in the 30by30 Alliance for Biodiversity, a coalition of companies, local governments, and other organizations committed to making efforts throughout Japan to achieve 30by30. In the future, we will aim to obtain OECM certification for other plants as well, aiming to further contribute toward achieving 30by30.

*1 OECM (Other Effective area-based Conservation Measures): A geographically defined area other than protected areas, such as national parks, which is governed and managed in ways that contribute to biodiversity conservation
*2 A migratory bird of the hawk family designated as Threatened II (VU) by the Ministry of the Environment
*3 Abbreviation for Association for Business Innovation in Harmony with Nature and Community. This organization was established in December 2013 for the purpose of promoting the creation of frameworks that enable human beings to live in harmony with other living things, the verification of such frameworks using scientific and technological methods, and the commercialization of such frameworks.


Staff at the Ibaraki Plant monitoring plants and animals living within site grounds


A grey-faced buzzard spotted near the Ibaraki Plant

30by30

Future Issues and Measures

With the expansion of global business activities, environmental sustainability issues are diversifying, including environmental impact in raw material procurement, energy consumption and emissions in the manufacturing process, waste issues after product use, and water risk management as well as environmental risk management in the global supply chain and compliance with environmental regulations in each region. In the future, we will identify our environmental materiality in the overall global business activities of the Yokohama Rubber Group, and promote activities to pursue the materiality and actively share and disclose information to deepen the understanding of our employees and stakeholders.

With regard to biodiversity, we will work to avoid and reduce the negative impact of biodiversity on land use, use of natural rubber, use of water and other resources, climate change, pollution, and invasive species through our business activities, and promote the sustainable use of natural resources and the conservation of biodiversity. Additionally, we aim to contribute to a nature positive world by enhancing the sustainability of natural resources throughout the supply chain in cooperation with suppliers and promoting the restoration/regeneration of nature.

Disclosure Based on the TCFD and TNFD Frameworks

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The Yokohama Rubber Group manufactures and sells tires and rubber products for industrial use by utilizing natural capital including natural rubber, etc. With environmental issues including climate change and damage to natural capital growing more and more serious on a global scale, we recognize the impact of greenhouse gas emission in our business activities on climate change and promote sustainable business activities. We are working on various initiatives including the development of tires compatible with changing climate conditions such as high temperatures, heavy rainfalls and snowfalls, and the procurement of highly sustainable raw materials.

We will proactively disclose information to a wide range of stakeholders with transparency in line with the recommendations from the Task Force on Climate-related Financial Disclosure (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD) while analyzing the risks and opportunities of issues related to climate change and natural capital and reflecting such risks and opportunities on business strategies.

Governance

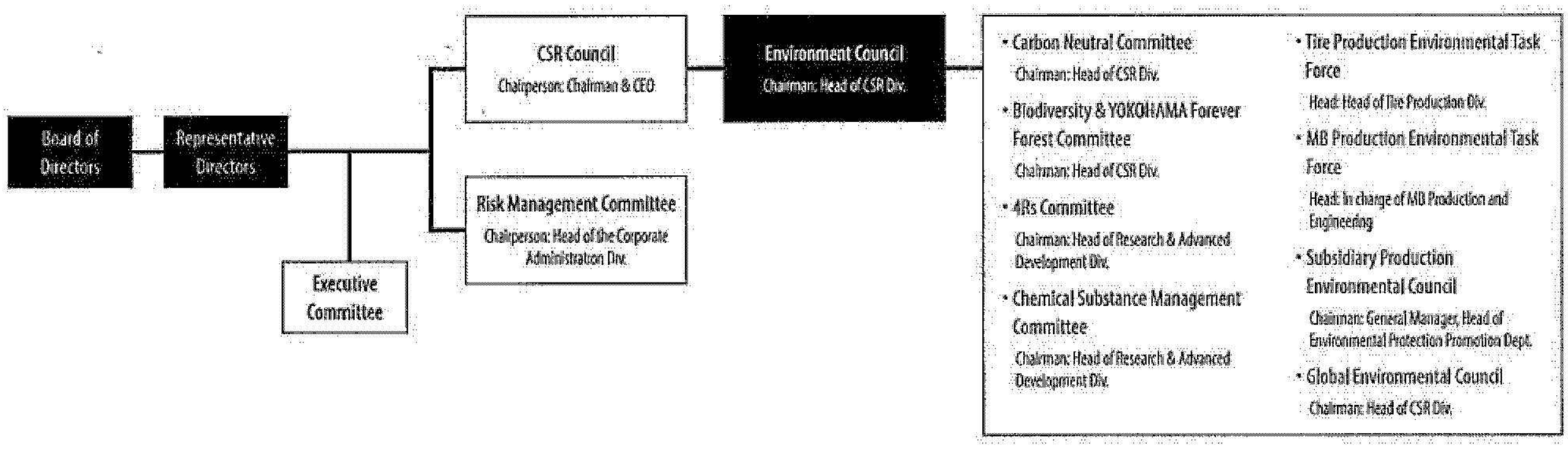
Our CSR Council, chaired by our Chairman and CEO, convenes twice a year (in May and November), and is positioned to plan and discuss sustainability issues to be addressed by the Yokohama Rubber Group.

Regarding issues related to climate change and natural capital, we have established the Environment Council (chairman: head of CSR Div.) as bodies subordinate to the CSR Council to consider strategies related to climate change and natural capital including carbon neutral strategies and conduct monitoring. We have also established four committees, two task forces, and two councils, as bodies subordinate to the Environment Council to give in-depth consideration to individual themes.

In addition, in the case that it is necessary to make decisions on important matters or make early decisions, or make reports or conduct deliberations, an Executive Committee will make reports and conduct deliberations, and submit the details of such reports and deliberations to the Board of Directors according to their importance.

The progress status of sustainability issues is reported to Chairman & CEO and Members of the Board in charge of the Corporate Social Responsibility Div., as well as to internal Audit & Supervisory Committee members on a monthly basis, and initiatives on carbon neutrality and circular economy are discussed as ongoing themes at meetings on management strategies held twice a year (May and November) by all senior management of the Group (including those of overseas group companies as continuous themes).

Governance Support System



Risk Management

Under the Environment Council, the Carbon Neutral Committee identifies and assesses risks related to climate change, and the Biodiversity & YOKOHAMA Forever Forest Committee and other individual committees, task forces and councils identify and assess risks related to natural capital, and engage in activities to mitigate them.

The more critical environmental risks identified by the individual committees, task forces, or councils will be directly worked on by the Environment Council to decide corporate actions. For physical risks such as natural disasters, the Central Meeting for Disaster Prevention promotes disaster control, and BCP and risk reduction efforts. Of the above-mentioned types of risks, the most critical and urgent ones are discussed, evaluated and acted upon by the Risk Management Committee, chaired by the head of our Corporate Administration Division. The Risk Management Committee is a body provided for the purpose of strengthening our defense against various risks surrounding the Yokohama Rubber Group. The activities of the Risk Management Committee are regularly reported to the Board of Directors.

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Strategy

Climate change

We have classified climate-related risks into two specific categories, risks associated with the transition to a low-carbon economy (transition risks), and risks associated with the physical impacts of climate change (physical risks). We have also assessed the magnitude of the resulting financial impacts and summarized the risks and opportunities for our business. In addition, we have conducted an analysis using scenarios presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) regarding temperature increases, and examined adaptation measures and financial impacts based on the risks and opportunities of the 1.5°C and 4°C scenarios, respectively.

Major risks and opportunities related to climate change

		Material factors	Category	Potential financial impact	Financial impact	Future countermeasures
Risks	Transition risks	Transition to a decarbonized society	Policies and regulations	Introduction and rise of carbon pricing	Large	• Formulate and implement a roadmap to carbon neutrality • Promote "activities to reduce energy consumption by 1% per year" (improve equipment efficiency, optimize operations, review processing specifications, etc.) • Expand use of renewable energy • Introduce new energy technologies
			Markets	Resource (raw material) price hikes and supply instability	Large	
				Increase in renewable energy and fuel prices (crude oil, natural gas)	Large	
			Technologies	Capital investment to improve manufacturing process efficiency	Medium	
			Reputation	Impact on customer evaluation of emission reduction efforts and stance, and on stock prices	Small	
				Response to the global movement to promote the use of renewable energy (reputation among stakeholders)	Small	
		Change in demand for products and services	Markets	Product selection based on evaluation of CO_2 emissions during manufacturing (competition within the same products)	Large	• Promote carbon neutral manufacturing sites to achieve zero CO_2 emissions during production
		Response to changes in the automotive industry	Markets	Decline in car sales due to MaaS	Large	• Explore commercial tires enhancements, costs, services, and DX
	Physical risks	Intensification of weather disasters due to rising temperatures	Acute	Raw material procurement difficulties and higher procurement costs due to supply chain disruptions	Large	• Diversify suppliers and raw material production sites • Strengthen manufacturing sites against windstorms, floods, and earthquakes, formulate BCP
				Equipment damage or shutdown due to extreme weather	Large	
		Intensification of climate change	Chronic	Depletion of natural rubber (natural resources) due to climate change, making procurement difficult	Large	• Strengthen sustainable raw materials research and development
				Decline in demand for winter tires due to reduced snowfall, etc.	Large	• Develop and launch sales of all-season tires
				Increased R&D investment required to improve product performance	Medium	• Promote joint R&D with business partners
Opportunities		Transition to a decarbonized society	Energy sources	Reduce energy costs by improving manufacturing process efficiency	Medium	• Promote "activities to reduce energy consumption by 1% per year" (improve equipment efficiency, optimize operations, review processing specifications, etc.)
			Products and services	Increase market share by responding quickly to changes in demand (carbon neutral compliance and performance requirements for electric vehicle (EV) installation) and stricter regulations.	Large	• Increase installation of EV-compatible tires on new vehicles • Expand sales of "E+" mark EV-compatible tires
		Change in demand for products and services	Products and services	Improve competitiveness and profitability by offering environmentally friendly products using renewable/recycled raw materials and fuel-efficient, low-carbon products	Large	• Expand sales of tires and rubber products using renewable/recycled raw materials • Expand sales of fuel-efficient tires with superior environmental performance • Expand sales of tires and rubber products with zero CO_2 emissions during manufacturing
		Response to changes in the automotive industry	Products and services	Increased demand for products and services that support next-generation mobility (CASE and MaaS compliance, new business opportunities through hydrogen utilization)	Large	• Sell sensor tires (IoT tires) • Strengthen tire solution services
		Climate change	Products and services	Increased demand for products and services that contribute to disaster prevention, recovery, temperature change, food and nature (for example, tires and other products that contribute to crop and forest growth)	Large	• Expand sales of off-highway tires (OHT) • Expand sales of rubber products such as conveyor belts that are highly resistant to impacts and heat

Summary of scenario analysis results

Scenario Conditions		1.5°C Scenario	4°C Scenario
Scenario overview		Limits the increase in global average temperature to 1.5°C above pre-industrial levels by 2100 through stringent climate policies and technological innovations for sustainable development.	Failure of strict climate policies and technological innovation, and rapid intensification of the physical effects of climate change, resulting in a 4°C increase in average temperature by 2100 relative to pre-industrial levels.
Reference scenarios	Transition risks	IEA Net Zero Emissions by 2050 Scenario (NZE)	IEA World Energy Outlook 2021 (WEO2021)
	Physical risks	IPCC 6th Report SSP1-1.9	IPCC 6th Report SSP5-8.5
Analysis results		Mainly transition risks/opportunities are manifested. [Risks] Increased energy costs and capital investment to improve manufacturing process efficiency required to comply with strict climate change regulations, renewable energy procurement, and the introduction of carbon pricing Increased R&D and procurement costs for renewable/recycled raw materials due to an increase in the number of products with lower environmental impact [Opportunities] Competitiveness and profitability enhancements through carbon neutral compliance, early response to EV-mounted performance requirements, and provision of environmentally friendly, fuel-efficient, and low-carbon products	Mainly physical risks/opportunities are manifested. [Risks] Increased occurrence of serious natural disasters at manufacturing sites and in the supply chain; Extreme weather conditions may also deplete natural resources, causing raw material supply instability Product demand fluctuation due to chronic climate change, including lower demand for winter tires due to reduced snowfall, among other factors [Opportunities] Increased demand for products and services compliant with disaster prevention, recovery, and temperature fluctuations

Disclosure Based on the TCFD and TNFD Frameworks

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Natural capital

First of all, regarding tire business, our Group's major business, we have summarized items that our stakeholders expect us to address related to the nature-related dependence and impact in consideration of the value chain based on analysis by ENCORE, a nature-related risk assessment tool.

Heat map of dependence

Low — High

	ENCORE Industry	Land use	Water use	Use of biological resources	Stabilization of climate	Decrease in natural disasters	Coordination/ decomposition/purification	Pest control
Tire business	Tires							
	Agricultural products	■	■		■			■
	Forestry products		■	■	■	■		■
	Chemical products		■					
	Metal/mining							
	Water disposal		■					
MB business	Rubber/automotive parts							
	Agricultural products	■	■	■	■			■
	Forestry products		■	■	■			■
	Chemical products		■					
	Metal/mining							
	Marine products							
	Water disposal		■					
PRGR business	Leisure products							
	Apparel products		■					
	Measurement instruments							
	Chemical products							
	Forestry products		■	■	■			■
	Metal/mining							
	Paper package containers							

Heat map of impact

Low — High

	ENCORE Industry	Land use	Depletion of water	Depletion of nature resources	Soil pollution	Water contamination	Air pollution	Impact on surrounding ecosystem	GHG emission	Waste
Tire business	Tires									
	Agricultural products	■		■				■		
	Forestry products	■		■				■		
	Chemical products		■							
	Metal/mining	■	■	■				■		
	Water disposal									
MB business	Rubber/automotive parts									
	Agricultural products	■		■				■		
	Forestry products	■		■				■		
	Chemical products		■							
	Metal/mining	■	■	■				■		
	Marine products									
	Water disposal									
PRGR business	Leisure products									
	Apparel products		■							
	Measurement instruments									
	Chemical products		■							
	Forestry products	■		■				■		
	Metal/mining	■	■	■				■		
	Paper package containers		■							

As a result of the analysis, it was confirmed that regarding dependency, our tire business has a great dependency on the use of biological resources and climate change at the stage of raw material procurement, and regarding impact, it has a great impact on land use at the stage of raw material procurement, and it also has a great impact on climate change; climate change and the surrounding ecosystem caused by in-house operation.

Based on these analytical results, we examined the potential impact of individual risks and opportunities on our tire business in reference to nature-related risks and opportunity classification of TNFD.

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Major risks and opportunities related to natural capital

TNFD classification			Business risks and opportunities for our organization	Potential impact on an organization's business	Time frame
Risks	Transition risks	Policies	Introduction and enhancement of regulations	Increase in procurement and development costs due to response to the enhancement of existing regulations and the introduction of new regulations related to deforestation, raw materials, and water	Short- to mid-term
		Markets	Increase in raw materials prices	Increase in costs for the procurement of natural rubber and other raw materials due to increase in costs for ecosystem preservation	Short- to mid-term
			Change in consumer behavior	Consumers' decision to avoid purchasing our product due to insufficient efforts for ecosystem preservation	Short- to mid-term
		Technologies	Development and dissemination of technologies with low environmental impact	Delay in the development of sustainable raw materials contributing to the reduction of environmental impacts, and increase in introduction costs	Short- to mid-term
		Reputation	Evaluation from consumers and society	Defection of customers and degradation of corporate image due to insufficient efforts for ecosystem preservation	Mid- to long-term
			Evaluation from investors	Decrease in ESG ratings and stock prices due to insufficient efforts for ecosystem preservation	Mid- to long-term
		Compensation liability	Occurrence of compensation liability due to the development of laws and regulations, and legal precedents	Increase in the number of lawsuits related to the violation of rights of indigenous people and local community	Short- to mid-term
				Response to lawsuits and administrative guidance by strengthening environmental regulations, etc.	Short- to mid-term
	Physical risks	Acute	Increase in natural disasters	Production halt due to the occurrence of natural disasters associated with ecosystem degradation around production sites	Short- to mid-term
Opportunities		Resource efficiency	Dissemination of efficiency solutions	Cost reduction by the adoption of recycled raw materials and the improvement of resource efficiency	Mid- to long-term
		Markets	Change in consumer behavior	Response to increased demand for products giving consideration to the reduction of environmental impacts and ecosystem preservation	Mid- to long-term
		Products and services	Expansion of businesses related to natural capital	Development and sales of tires for agricultural and forestry machinery vehicles giving consideration to ecosystem preservation	Mid- to long-term
		Reputation	Evaluation from consumers and society	Improvement of customer evaluation and corporate image due to accelerated efforts toward nature positive	Mid- to long-term
			Evaluation from investors	Improvement of ESG ratings and corporate value due to accelerated efforts toward nature positive	Mid- to long-term

Metrics and Targets

Climate change

Metrics (KPIs)	FY2026 Targets	FY2030 Targets	FY2050 Targets
Reduction of greenhouse gases emissions (Scope 1+2)	30% reduction compared with the FY2019 level	40% reduction compared with the FY2019 level	Achievement of carbon neutrality
Percentage of renewable energy	—	—	Achieving 100%
Renewable/recycled raw material usage	28%	30%	Achieving 100%

Actual greenhouse gas emissions

Scope 1, 2 (consolidated)

Category (Unit: thousand tons)	FY2019 (Base year)	FY2020	FY2021	FY2022	FY2023
Scope 1	656	605	699	648	588
Scope 2	614	550	601	593	494
Scope 1 and 2 combined	1,270	1,155	1,300	1,241	1,082
Reduction rate of Scope 1 and 2 combined (Base year: FY2019)	—	(9.1%)	2.3%	(2.3%)	(14.8%)

* Actual greenhouse gas emissions of each fiscal year (Scope 1 or 2) include actual emissions from Yokohama TWS before its merger.

Scope 3 (consolidated)

	Category (Unit: thousand tons)	FY2019	FY2020	FY2021	FY2022	FY2023
1	Purchased goods and services	2,628	2,317	4,031	4,022	3,381
2	Capital goods	58	52	152	175	199
3	Fuel- and energy-related activities (not included in Scope 1 or 2)	106	135	147	129	139
4	Upstream transportation and distribution	141	167	154	125	136
5	Waste generated in operations	2	16	50	27	29
6	Business travel	11	3	5	5	13
7	Employee commuting	25	20	21	19	24
8	Upstream leased assets	—	—	—	—	—
9	Downstream transportation and distribution	54	59	72	59	74
10	Processing of sold products	10	10	10	14	10
11	Use of sold products	18,394	16,776	19,940	21,087	20,735
12	End-of-life treatment of sold products	1,179	1,132	875	906	913
13	Downstream leased assets	—	—	—	—	—
14	Franchises	—	—	—	—	—
15	Investments	135	112	246	92	67
Total of the above		22,745	20,799	25,702	26,661	25,718

* Actual greenhouse gas emissions of each fiscal year (Scope 3) do not include actual emissions from Yokohama TWS before its merger. In addition, there were no actual emissions classified in the categories of 8, 13 or 14.

Natural capital

Metrics (KPIs)	Results			Targets
	FY2021	FY2022	FY2023	
(1) Total number of trees planted/seedlings supplied through YOKOHAMA Forever Forest activities	1,090,000	1,200,000	1,240,000	FY2030: Total number of trees planted and saplings provided of 1.5 million
(2) Number of business sites certified as Nationally Certified Sustainably Managed Natural Site by the Ministry of the Environment	—	—	1	FY2026: 5 sites in total
(3) Number of major environmental incidents (air, water, or soil)	0	0	0	Continuation of zero incidents

*1 "—" indicates that there were no results.

Sustainable Natural Rubber Procurement

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Relevant materiality	What we aim to do
Establishment of a sustainable supply chain	◦ Procure sustainable natural rubber ◦ Respect human rights in the supply chain
Coexistence with local communities	◦ Help solve local community problems

Basic position

The Yokohama Rubber Group is actively working to utilize natural rubber, which is indispensable for the manufacture of tires and industrial rubber products, as a sustainable resource. Natural rubber accounts for approximately 20% of the raw materials used by the Group and is an important raw material for the continuous provision of products to customers.

In 2018, Yokohama Rubber joined the Global Platform for Sustainable Natural Rubber (GPSNR),*1 which was established by the Tire Industry Project (TIP)*2 of the World Business Council for Sustainable Development (WBCSD)*3 as a founding member as a sustainable natural rubber procurement effort. In October 2018, we established our Procurement Policy for Sustainable Natural Rubber, aiming to improve the sustainability of natural rubber throughout our supply chain.

*1 GPSNR: Global Platform for Sustainable Natural Rubber
*2 TIP: Tire Industry Project
*3 WBCSD: World Business Council for Sustainable Development

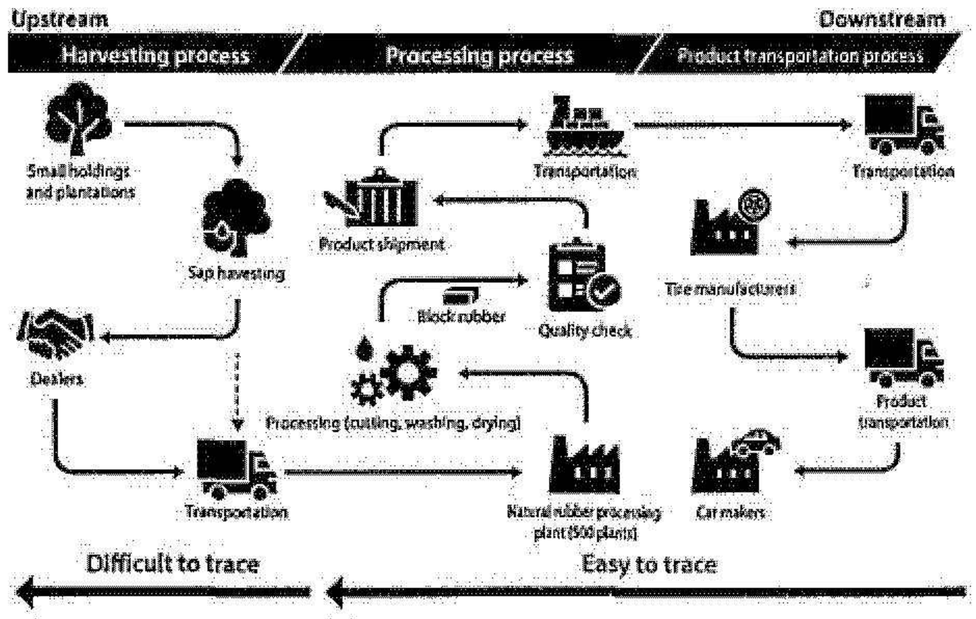
Natural Rubber Supply Chain

Natural rubber is mainly produced by small farms called "small holdings". It is estimated that there are six million such "small holders" primarily in Southeast Asia. These are concerns about inefficient production on such small farms due to economic hardship, insufficient knowledge, know-how, and experience in rubber farming and harvesting, and greater detrimental impact on nature due to lack of environmental consideration.

Because the price of natural rubber is volatile in the international market, dealers who purchase the raw material decide where to sell it and where to store it based on the price of that day. Since solid raw rubber can be effectively stored, it is frequently traded among dealers and across regional and national borders. Because distribution is complex, it can be difficult to identify by what commercial channel a given supply of natural rubber has reached the final rubber processing factory from the producer to establish traceability.

In recent years, however, it has become increasingly important to prove that the natural rubber purchased does not lead to deforestation or human rights violations. Sustainable procurement of natural rubber requires greater transparency and ethical procurement throughout the supply chain.

Natural Rubber Supply Chain



Sustainable Natural Rubber Procurement Policy

Yokohama Rubber has established the following concepts and initiatives to maintain natural rubber as a sustainable resource throughout the entire supply chain, and requests the cooperation of our suppliers.

- Enhancing traceability
- Respect for human rights and prohibit any form of harassment
- Fair and equitable treatment
- Prohibition of child labor and forced labor
- Compliance
- Initiatives for zero deforestation
- Consideration for biodiversity
- Respect for the land rights of indigenous peoples, etc.
- Creation of innovative technologies
- Communication with suppliers

Procurement Policy for Sustainable Natural Rubber
https://www.y-yokohama.com/global/sustainability/pdf/SNR2.0_English.pdf

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Yokohama Rubber's Thai Natural Rubber Processing Company Obtains CoC Certification from FSC

Y.T. Rubber Co., Ltd. (hereafter, YTRC), a Thai natural rubber processing company of the Yokohama Rubber Group, obtained the Chain of Custody (CoC) certification in July 2023. The CoC certification is provided by FSC®,*4 an international forest certification organization, for the management of processing and distribution.

The FSC® certification is a mechanism to provide consumers with visibility toward products using forest materials from well-managed forests and other low-risk forest products consistent with environmental, social, and economic benefits. The CoC certification certifies the processing and distribution of products until certified materials harvested from FSC®-certified forests reach consumers. This certification guarantees that all the processes up to the completion of products are controlled to prevent contamination by ineligible raw materials when YTRC manufactures natural rubber products using rubber harvested from FSC®-certified forests.

The acquisition of this CoC certification is an important step in increasing transparency throughout the supply chain and promoting sustainable natural rubber procurement. The Yokohama Rubber Group will continue to strengthen cooperation with suppliers and actively work to improve traceability.

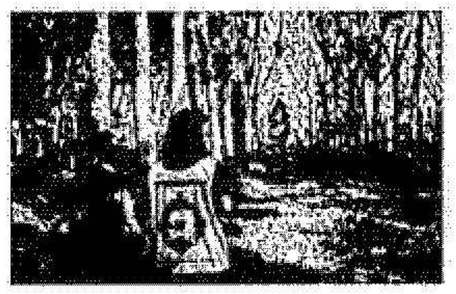
*4 FSC®: Forest Stewardship Council®. An international non-profit organization founded in 1994 with the goal of promoting responsible forest management worldwide.

Actions in Surat Thani, Southern Thailand

The Yokohama Rubber Group is strengthening its initiatives for procurement of sustainable natural rubber in Surat Thani Province in southern Thailand. Surat Thani is home to Y.T. Rubber Co., Ltd. (YTRC), the Group's natural rubber processing subsidiary, and is an important base for natural rubber production.

Since 2019, we have been conducting surveys of natural rubber farms in the province, focusing on YTRC suppliers, and by the end of December 2023, we had surveyed a total of 667 farms. As a result of the investigation, no illegal activities, such as unjust deforestation or human rights issues, have been confirmed at this time. We will continue to conduct the survey and plan to survey a total of 1,300 natural rubber farms by fiscal 2030.

In addition, we are actively engaged in activities that contribute to raising awareness of local farmers, such as holding seminar events to improve productivity. Yokohama Rubber will accumulate the survey results to analyze the issues faced by natural rubber plantations, and use the data to contribute to the sustainable management of natural rubber farmers, as well as improve traceability.



Seminars for Natural Rubber Farmers

As part of its sustainable natural rubber procurement activities, Yokohama Rubber works to strengthen cooperation with its natural rubber suppliers.

In Thailand, YTRC has been holding regular seminar events to improve the quality of natural rubber in collaboration with the Rubber Authority of Thailand (RAOT) with the aim of continuously supporting small-scale natural rubber farmers (small holders). In December 2023, a seminar event was held for 50 farmers in the Surat Thani region and were provided with 250 kg of fertilizer free of charge per farmer using RAOT's knowledge. In addition, participating natural rubber farmers also cooperate in follow-up surveys on the physical properties and productivity of natural rubber.



Natural rubber farmers who attended the event

Voice of a seminar participant

I will contribute to making better rubber products by making use of what I learned at the seminar

As a natural rubber farmer, I have been growing natural rubber by relying on what I have learned from my family and experience. However, I learned so much from professionals by acquiring new information. In particular, detailed explanations on how to choose saplings and how to fertilize them became valuable knowledge that will be useful for future cultivation. Until now, I had been giving fertilizers without much thought. However, I was very surprised to learn that the quality and yield of rubber greatly change depending on fertilizer type and how it is used. In addition, a specific method to prevent contamination of rubber was explained in an easy-to-understand manner, which was very helpful.

I would like to use what I learned at the seminar to produce high-quality natural rubber in order to contribute to the manufacture of better tires and rubber products. Thank you very much for this valuable opportunity.



Ms. Nobpamas Anuran
Natural rubber farmer from Surat Thani

Supply Chain Management

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Relevant materiality	What we aim to do
Establishment of a sustainable supply chain	◦ Procure sustainable natural rubber ◦ Respect human rights in the supply chain
Coexistence with local communities	◦ Help solve local community problems

Basic position

Aiming to be a company that continues providing value to society, Yokohama Rubber gives greater importance to strong partnerships with business partners. Considering that the scope of corporate responsibility extends to not only one's own company, but also business partners for the procurement of raw materials, goods, and services required for business activities, we aim to promote CSR activities that will contribute to building win-win relationships for both our business partners and Yokohama Rubber as well as to the enhancement of their corporate value.

In particular, because there are business partners from emerging and developing countries in the upstream of the supply chain for our business, we also recognize the importance of assessment from a social and environmental perspective. Based on this approach, we have formulated the Yokohama Rubber's Basic Procurement Policy, and are contributing to the improvement of sustainability across the entire supply chain by ensuring that our employees observe the Yokohama Rubber Group Action Guidelines as their guidelines for action.

Yokohama Rubber's Basic Procurement Policy
https://www.y-yokohama.com/global/sustainability/social/partner/#policy

Yokohama Rubber Group Action Guidelines
https://www.y-yokohama.com/global/sustainability/social/partner/#shishin

Initiatives for CSR Procurement

CSR Procurement Guidelines

Yokohama Rubber gives greater importance to the establishment of strong partnerships with suppliers, and aims to establish a sustainable supply chain. To this end, we have formulated guidelines such as the Yokohama Green Procurement Guidelines and CSR Procurement Guidelines, and shared our policies and philosophy internally and with business partners by holding briefings. In 2012, we also joined the United Nations Global Compact and have been promoting global initiatives. Furthermore, in 2022, we reviewed the Yokohama Rubber Environmental Policy in light of changes in social conditions and other factors, and revised the CSR Procurement Guidelines to further strengthen our efforts to respect the environment and human rights.

CSR Procurement Guidelines
https://www.y-yokohama.com/global/csr/pdf/CSR_Procurement_Guidelines_202210.pdf

Declaration of Partnership Building

Endorsing the objectives of the Declaration of Partnership Building established by the Cabinet Office, the Ministry of Economy, Trade and Industry, the Small and Medium Enterprise Agency and other organizations, Yokohama Rubber formulated and announced our Declaration of Partnership Building in March 2022, with the aim of promoting cooperation and prosperous coexistence with all business partners in the supply chain and businesses that create value.

Partnership Building Declaration of Yokohama Rubber
https://www.y-yokohama.com/sustainability/report/pdf/partner00_2023.pdf (Japanese only)

Environmental assessment of suppliers

The Yokohama Rubber Group's mainstay products are mostly petrochemical products (chemicals), including various synthetic rubbers, and the manufacturing process may have adverse impacts on environmental pollution and the lives of local residents. From the perspective of stable procurement of raw materials and from an ethical perspective, we are focusing on the environmental assessment of suppliers. We ask our suppliers, including new business partners, to comply with the Green Procurement Guidelines, and require them to conduct regular CSR self-checks and report the results.

Results of environmental assessments of suppliers

Environmental impact assessment when starting a new business relationship

- Confirmation whether newly adopted raw materials comply with environmental regulations
- Confirmation of environmental management system (ISO 14001) certification and management status of environmentally hazardous substances and greenhouse gas emissions, etc, through CSR self-checks

In fiscal 2023, none of our 57 new suppliers in Japan had adverse impacts on the environment.

Social assessment of suppliers

The Yokohama Rubber Group emphasizes coexistence and co-prosperity with local communities in order to develop sustainable business operations. Smooth communication with local residents where the Yokohama Rubber Group's manufacturing factories are located and the continuation of fair transactions are essential for sustainable business development. Moreover, ensuring a work environment where people

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involved in procurement can perform their job safely and respecting human rights are also important issues. From the above perspective, we assess whether our business partners comply with the Group's Code of Conduct and other guidelines, and if there is a significant adverse social impact, we ask them to take corrective action as part of our initiatives for improvement. In these ways, we aim to build the ethical supply chain. We are also committed to global procurement that takes into account impacts on human rights, the environment, and society, and are careful not to intentionally use minerals from conflict zones.

Results of social assessments of suppliers

Social impact assessment when starting a new business relationship

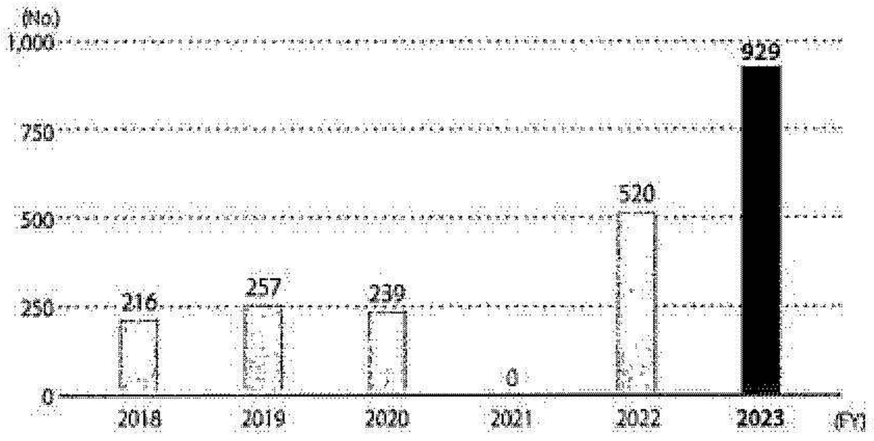
- Confirmation of fair and equitable transaction mechanisms and external communication mechanisms for newly adopted raw materials
- Confirmation of working conditions, initiatives to respect human rights, and the use of conflict minerals through CSR self-checks

In fiscal 2023, none of our 57 new suppliers in Japan had adverse impacts on society.

Holding of CSR briefings

We hold CSR briefings for business partners to share our philosophy and policies related to sustainability. In 2023, we held two briefings online as in 2022 with participation of 929 companies. We also held Suppliers' Day biennially for suppliers of natural rubber to call for their cooperation in our CSR initiatives after explaining the Procurement Policy for Sustainable Natural Rubber.

Number of companies participating in CSR briefings



Establishment of Supplier Hotline

For business partners, the compliance promotion managers of procurement and sales departments collect complaints and consultations regarding transactions through a business partner hotline and other means. When a complaint is filed, the Corporate Compliance Department confirms the facts and takes necessary measures in consultation with the procurement and sales departments.

In addition, the Yokohama Rubber Group is a member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), and has established a system to receive complaints from all stakeholders in Japan and overseas through the JaCER's complaint reporting desk and to respond appropriately.

*See "Human Rights" (p. 72) and "Compliance" (p. 84) for details.

Future Issues and Challenges

With the basic policy of practicing equitable and fair trade, the Yokohama Rubber Group has established trust relationships with partners in the supply chain, promoting cooperation and prosperous coexistence. Going forward, we will make Group-wide efforts to further strengthen partnerships with suppliers by bolstering cooperation with overseas subsidiaries with the aim of establishing a sustainable supply chain.

Voice of Employee

Utilizing a home office scheme to contribute to strengthening ties with suppliers and new business developments in Thailand

Following my family's job transfer to Thailand, since September 2022, I have been working from my home in Thailand by using the home office scheme. In addition to continuing almost the same contents of work I was doing in Japan, taking advantage of living in Thailand, I sometimes visit our plant in Thailand to participate in meetings with a manufacturer organized by local personnel and support the on-site purchase department with its business operations. I also attend trade exhibitions held in Thailand, where I conduct activity to cultivate new suppliers. In the past, I used to have face-to-face meetings with people inside and outside of the Company, but due to an increase in opportunities to work from home during the COVID-19 pandemic, it has become commonplace to have web conference meetings. Currently, I sometimes join face-to-face meetings with suppliers held in Japan by getting my co-worker to invite me to such meetings held on the Web. I am truly grateful that I have been able to continue to work without taking a leave of absence from work by using the home office scheme. I would like to strongly encourage workers who think they have to take a leave of absence from work due to their family's job transfer, etc. to consider using this scheme.



Yuri Mizuta
Indirect Materials Procurement Department

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Respect for Human Rights

Relevant materiality	What we aim to do
Development of human capital capabilities for sustainable corporate value enhancement	◦ Foster diversity and inclusion ◦ Develop safe and healthy work environments ◦ Respect the human rights of employees
Establishment of a sustainable supply chain	◦ Procure sustainable natural rubber ◦ Respect for human rights in the supply chain

Basic Approach

Human rights are fundamental rights afforded to all people, and since the Yokohama Rubber Group's business involves a very large number of people through its supply chain, there is a wide range of human rights that must be respected. With the globalization of our business activities, our interactions with various people have increased, and the possibility of having a direct or indirect impact on human rights violations has also increased.

For this reason, we believe it is important to fulfill our responsibility to respect human rights while considering the area of impact. Accordingly, we have established the Yokohama Rubber Group Action Guidelines, which stipulate that human rights should be respected both inside and outside the Company and define actions to be taken by employees.

Furthermore, based on the United Nations Guiding Principles on Business and Human Rights (UNGP),* we have formulated the Yokohama Rubber Group Human Rights Policy and are promoting initiatives aimed at respecting the human rights of all people involved in our business activities. The Yokohama Rubber Group recognizes the importance of implementing Group-wide efforts to respect human rights as the basis of our business activities in order to contribute to the realization of a sustainable society as a company that is widely trusted by society.

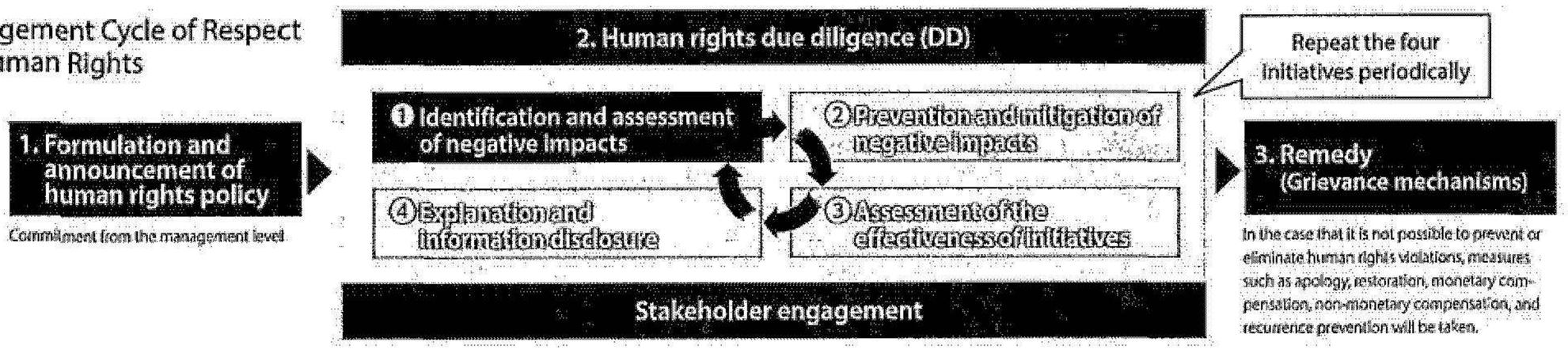
*The Guiding Principles on Business and Human Rights (UNGP) were approved by the United Nations Human Rights Council in 2011 as a framework for respecting human rights applicable to all nations and all companies. The Guiding Principles position "the responsibility of companies to respect human rights" and "the obligation of states to protect human rights" as important pillars of this effort.

Yokohama Rubber Group Action Guidelines
https://www.y-yokohama.com/global/sustainability/feature/

Yokohama Rubber Group Human Rights Policy
https://www.y-yokohama.com/global/sustainability/people/human_rights/policy/

Management Cycle of Respect for Human Rights

Management Cycle of Respect for Human Rights



Human Rights Due Diligence Initiatives

Based on the Yokohama Rubber Group Human Rights Policy formulated in April 2022, the Yokohama Rubber Group will develop and strengthen its human rights due diligence (human rights DD) system and conduct human rights due diligence on a regular basis to make sure that responsibilities to respect human rights are carried out, and that related duties are executed properly.

Fiscal 2023 initiatives

In fiscal 2023, in order to identify important human rights themes that can bring potential risks from the perspective of human rights in the supply chain, we held a Human Rights Due Diligence Workshop and conducted an impact assessment*1 based on the identified three material human rights themes.

<Material human rights themes>

1. Working environment of foreign workers in Japan
2. Impact on the working environments of workers and the environment of nearby residents at small holdings (Thailand, Indonesia, etc.) from which rubber raw materials are procured
3. Workplace environment for workers at contractors (manufacturing, distribution, sales, and disposal)

*1 A survey in which on-site interviews are conducted regarding specific human right issues and stakeholders to find out whose and what human rights are actually affected or not.

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Conducting an impact assessment

In fiscal 2023, we conducted an impact assessment about the first theme, "working environment of foreign workers in Japan."

<Questionnaire surveys of foreign workers working at manufacturing sites in Japan>

From September to October in 2023, we conducted questionnaire surveys on the employment status and working environment of foreign workers, including dispatched workers, engaging in services at seven manufacturing sites in Japan (Hiratsuka Factory, Mie Plant, Mishima Plant, Onomichi Plant, Shinshiro Plant, Ibaraki Plant, and Nagano Plant).

The questionnaire surveys were conducted in such a way that respondents read a QR code with their smartphone and answered questions (available in six languages of Japanese, English, Portuguese, Tagalog, Burmese, and Chinese) anonymously. Of 536 subjects, 484 people responded to the questions (response rate: 90.3%).

After analyzing the contents of questionnaire replies, we measured an overall trend and the level of respect for human rights of foreign workers at each manufacturing site, and selected sites to interview with foreign workers in person.

<Interviews with foreign workers>

Based on an analysis of the results of the questionnaire, we conducted first-person interviews with foreign workers at two sites in December, 2023. The interviews were conducted by CRT*2 Japan on a group of four or five foreign workers without the presence of Yokohama Rubber's managers or representatives. One of the foreign workers interviewed acted as interpreter at each site.

As the result of the interviews, even though it was found that there were no serious problems that would have negative impact on human rights, we received the following recommendations from CRT Japan regarding the working environment of the foreign dispatched workers working at our sites.

1. Encourage staffing companies to provide thorough explanations on workers' rights at the time of contract.
2. Encourage staffing companies to pay salaries as contracted faithfully.
3. Promote the development of substantial bailout measures.
4. Confirm whether living wages are guaranteed on a regular basis.
5. Record the contents of consultations and responses to such consultations.
6. Give feedback to workers (reports and disclosures about the way the contents of their consultations have been handled).

Going forward, we will more actively exert our influence on the staffing companies and enforce engagement with foreign workers in light of the recommendations from CRT Japan, and evaluate and improve the status of such efforts on a regular basis.

*2 CRT: Caux Round Table

Human Rights-related Grievance Mechanism

For Yokohama Rubber Group employees

For Yokohama Rubber Group employees working in Japan, we have established the Corporate Compliance Hotline and the General Counseling Room, where we directly receive complaints and consultations via phone and e-mail. We ensure that the privacy of whistle blowers and consulters is protected, and that the fact that we have received reports or consultations and their details are kept confidential. We also make sure that such whistleblowers and consulters will not suffer detrimental treatment on the ground of blowing the whistle or consulting unless they have done so for a malicious and fraudulent intention.

Grievance mechanism for all stakeholders worldwide

The Yokohama Rubber Group is a member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), and has developed a system facilitating the receipt and appropriate response to grievances from all domestic and overseas Yokohama Rubber Group stakeholders through JaCER's grievance reporting platform. This grievance reporting platform is accessible to anyone through the Contact Us page on the Yokohama Rubber's website or the JaCER's website. When a grievance is filed, JaCER confirms its details and takes necessary measures.

Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) grievance reporting platform
https://jacer-bhr.org/en/index.html

Practical Example of Exploitation × Exploration

Holding of Human Rights Due Diligence Workshop

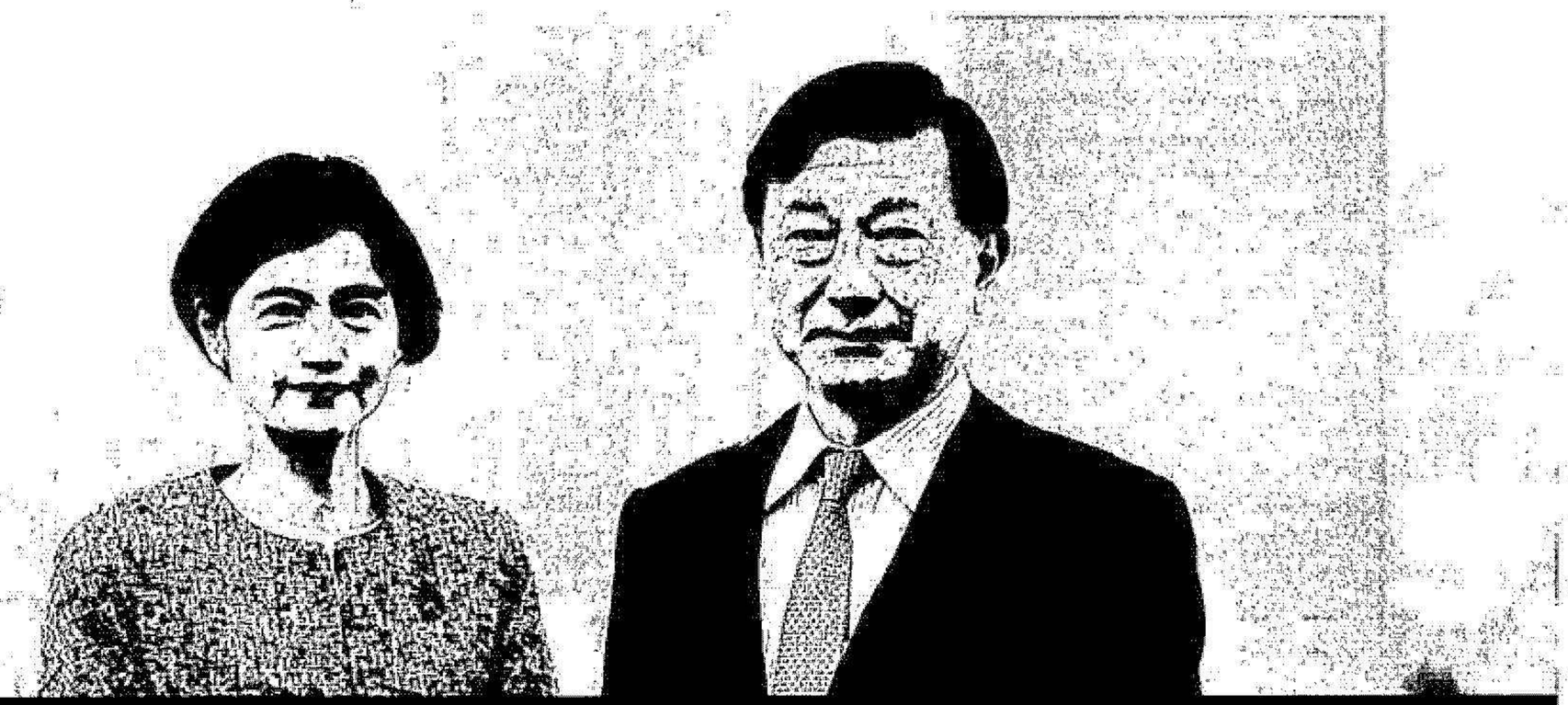
In May 2023, we held a Human Rights Due Diligence Workshop to discuss matters that can bring potential risks on a Group-wide level from the perspective of human rights in the supply chain developed by the Yokohama Rubber Group. Inviting Hiroshi Ishida, Executive Director of the Caux Round Table (CRT) Japan, as an instructor and advisor from a third-party institution, we held the workshop featuring 32 employees (20 in the meeting room, 12 online) at the department or section manager level from domestic and overseas sites of the Group. They carried out the discussion while drawing advice from CRT, and identified important human rights themes of the Yokohama Rubber Group.



Lecture presented by Mr. Ishida from CRT Japan

Dialogue Between Outside Directors

Under a new management structure from fiscal 2024, Yokohama Rubber launched its new Medium-term Management Plan, "Yokohama Transformation 2026 (YX2026)." In completing the transformation initiated under the previous plan, YX2023, we will remain mindful of not leaving any negative legacies for the next generation. Against this backdrop, we asked two outside directors about their thoughts on the new structure, governance in general, and the role that directors should play in enhancing corporate value.



Megumi Shimizu Member of the Board (Outside)

Career summary: Joined Nishimura & Sanada (now Nishimura & Asahi) in April 1993; Partner at that law firm since 2004 (current post). After graduating from Harvard Law School (LL.M) in 2005, she worked at Paul, Weiss, Rifkind, Wharton & Garrison LLP (New York) until March 2006. Took up the post of Audit & Supervisory Board Member of Yokohama Rubber in March 2018; Member of the Board (Outside Director) of Yokohama Rubber since March 2023.

Hirokazu Kono Member of the Board, Member of the Audit & Supervisory Committee (Outside)

Career summary: After serving as Assistant Professor at the Graduate School of Business Administration, Keio University, and a visiting scholar at Harvard Business School from 1991, assumed the office of Dean of the Keio Business School in 2009. Took up posts as a Member of the Independent Committee of Yokohama Rubber in 2011, and a Member of the Board of Yokohama Rubber in 2018. Outside Director, Audit & Supervisory Committee of Yokohama Rubber since 2023. Also serves as a Member of the Board of Stanley Electric Co., Ltd

How do you evaluate the current state of Yokohama Rubber's governance and the progress it has made?

Kono I have been engaged in the study of management engineering and business administration as a faculty member at Keio University. Appointed as an Outside Director of Yokohama Rubber in 2018, I have served concurrently as an Audit & Supervisory Committee member since 2023. When I was first appointed, Board of Directors' meetings generally began with an explanation of each agenda item, followed shortly thereafter by a resolution. Today, we share information, engage in lively discussions, and spend more time on the process before starting our deliberations. I think that, in a context where the Company is aiming for growth, and with a growing number of important matters requiring decision-making, a corporate culture that enables appropriate deliberation is now in place. I feel information related to internal audits conducted at global sites are adequately shared, and subjects for discussions are appropriately submitted to the Board of Directors, following proper organization by the Audit & Supervisory Committee or the Personnel Remuneration Committee for Corporate Officers and Directors. Moreover, I believe the governance structure has grown stronger. In addition to Board members visiting plants in Japan, Board meetings themselves are also held at plants. In 2023, all Members of the Board toured Shinshiro Plant in Aichi Prefecture. Similar opportunities are planned for this year as well.

Shimizu I became an Audit & Supervisory Board Member of Yokohama Rubber in 2018 and, upon its transition to a Company with an Audit & Supervisory Committee in 2023, was appointed an Outside Director. As a corporate lawyer who was involved in the Company's M&A projects in the past, I already had some knowledge of Yokohama Rubber at the time of my appointment as an Outside Director. In light of my background as a lawyer, I understand that I am expected to monitor the Company, specifically from a legal and compliance perspective. In this respect, I find that the matters related to compliance have been discussed seriously at Board meetings. When a report of an issue is submitted, the Board engages in deliberations as often as is required. For example, outside directors frequently make incisive comments on reported matters, which are discussed in depth at subsequent meetings. It is not uncommon for the Board to engage in vigorous debate about how to prevent the recurrence of an issue and to ensure the effectiveness of preventive measures. While remarks are not limited to compliance-related matters, I believe the internal directors are receptive to the opinions of outside directors and respond to them well.

Please tell us about discussions regarding changes in the management structure and your thoughts on management personnel?

Kono Under the new structure, President Masataka Yamaishi serves as Chairperson and CEO, Shinji Seimiya as Representative Director and COO, and Nitin Mantri as a Member of the Board, Senior Managing Officer, and Co-COO. As a member of the Personnel Remuneration Committee for Corporate Officers and Directors, I participated in the selection process. While achieving growth in excess of the initial targets set in the Medium-term Management Plan YX2023, Yokohama Rubber faces various issues with respect to its technical and production competitiveness as well as the need to enhance governance, against the backdrop of a rapid increase in sales and the expansion of its overseas sales ratio. With this in mind, the Company decided to revamp its management structure to ensure that it successfully carries out the next medium-term

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management plan. Under this three-person team, individual roles and responsibilities will be clarified. Given that Yokohama Rubber has grown to such a large scale and is engaged in a wide range of businesses in addition to tires, I believe that only people with a long-term and broad perspective can serve as its leaders. It is vital that the Company's leaders have a clear vision of what value should be provided in the next 10 to 20 years, and take the initiative in dealing with changes in the surrounding environment and work styles. Since expectations regarding tires vary from country to country, we need managers who can look both in and outside of Japan. At the same time, these leaders must also possess the necessary skills to cover functional areas, including manufacturing technology, sales, and marketing, while maintaining their own expertise.

Shimizu Through the acquisition of Alliance Tire Group B.V. (ATG) and Trelleborg Wheel Systems Holding AB (TWS), Yokohama Rubber has globalized rapidly in terms of the geographical scope of its business activities as well as its personnel composition. Yokohama Rubber has entered a phase of significant change. In order for the Company to continue growing, it needs to have leaders who possess the knowledge and qualities required to unite employees who have various backgrounds and experiences, and to leverage their capabilities. I believe that identifying the best way to develop management leaders, who will serve as the driving force behind the continuing growth of the Yokohama Rubber Group, is one of the Company's most important issues.

Kono Studying theories at a desk is just one of the requirements needed to become a management leader. It is vital to learn the difficulty of selling products, developing a production technology, as well as managing people with different cultures and customs, by experiencing several crisis situations from a young age. These experiences offer managers precious opportunities to think not only about the present but also the future of their company from wide perspectives. We should follow this cycle to develop management leaders.

Shimizu I understand that Japanese companies have traditionally trained personnel who will become members of management in-house, by allowing them to experience difficult situations on the job, over time. However, as the concept of lifetime employment fades, the mindset of young people entering the Company may change as well. It is critical to develop a personnel policy that helps to determine how the Company will train successors. People who entered the Company as a result of M&As, like Director Nitin, have gone through various experiences at other companies. In addition to educating employees from scratch within the Company, it is important to consider other measures.

What are your expectations for the YX2026 New Medium-term Management Plan, and what issues need to be addressed in the future?

Kono As a result of the acquisition of ATG in 2016 and TWS in 2023, Yokohama Rubber has experienced rapid sales growth. While recognizing the need to steadily achieve the target values set in YX2026, I am concerned whether the current personnel and organizational structure can undertake the proper internal and performance management, as the number of sites increases rapidly, and that certain departments may be overburdened. In addition to exceeding targets, I believe that it is equally important to strengthen production infrastructure, including IT systems, production technology, and plant automation, as well as personnel management, including recruitment and training under YX2026.

Shimizu There is continuity between the new and previous medium-term management plans. Each maps out clear strategies with measures to realize Yokohama Rubber's vision. This includes maximizing the ratio of high value-added products among consumer tires and enhancing our market position in the OHT business. As Mr. Kono mentioned, given the Company's rapid expansion, we seem to be experiencing growing pains, particularly with regard to the management of global operations and compliance. As similar points have often been noted during Board of Directors' meetings, I believe that management shares this view.

What is Yokohama Rubber's vision for the medium to long term and what role will the Board of Directors play toward its realization?

Kono A few years after completing YX2026, a critical stage, where we have to fight our most important battle, may await us. Extending beyond tires, Yokohama Rubber handles a wide variety of products in its businesses, including goods such as hoses, couplings, and conveyor belts. In addition, there is the need to develop production technology and engage in sales and marketing activities in the global market. Under such circumstances, there is no clear-cut answer as to the skill set required for Board members. Yet, outside directors are expected to point out risks based on their expertise, and frankly express their opinions with a sense of responsibility and without fearing the reaction of others. That is our duty to shareholders, employees, and customers. In carrying out these duties, we should help improve the Company in the belief that it also serves society. Free and impartial exchange of opinions among inside and outside directors can lead to active and deep discussions. I believe that Board of Directors' meetings should be the place for meaningful discussions about compliance, future problems, and other relevant issues.

Shimizu A proposal is submitted to the Board of Directors following consideration at various internal meetings, at the initiative of management personnel who are familiar with the Company's business activities. Outside directors are expected to ask questions and express opinions based on their knowledge, without being restrained by interests and common views within the Company. In this way, the Board of Directors can identify risks and issues that might have been overlooked at in-house meetings. By taking adequate measures to cope with these risks and issues, the Board of Directors can contribute to the sound growth and development of the Company, which I believe is one of the important roles of outside directors. Going forward, it will become extremely important for the Board to consider how to build a system to organize the entire Group effectively, efficiently, and properly. I would like to carry out my duty as an Outside Director by actively expressing my opinions at Board of Directors' meetings to promote and enhance the development of the Yokohama Rubber Group.

Corporate Governance

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Relevant materiality	What we aim to do
Improvement of management resilience by strengthening corporate governance	◦ Strengthen stakeholder engagement ◦ Strengthen governance of sustainability issues

Basic Approach

We in the Yokohama Rubber Group work in the spirit of our Corporate Philosophy to achieve continuing growth in corporate value and to thereby earn the unwavering confidence of all our stakeholders. Our efforts have included building a corporate governance framework for ensuring sound management that is fair and transparent, and we have worked continuously to reinforce that framework.

Basic Corporate Governance Policy

1. Ensuring shareholders' rights and equality
2. Appropriate collaboration with stakeholders other than shareholders
3. Ensuring appropriate information disclosure and transparency
4. Responsibilities of the Board of Directors
5. Dialogue with shareholders

Basic Corporate Governance Policy
https://www.y-yokohama.com/global/sustainability/governance/

Corporate Governance System

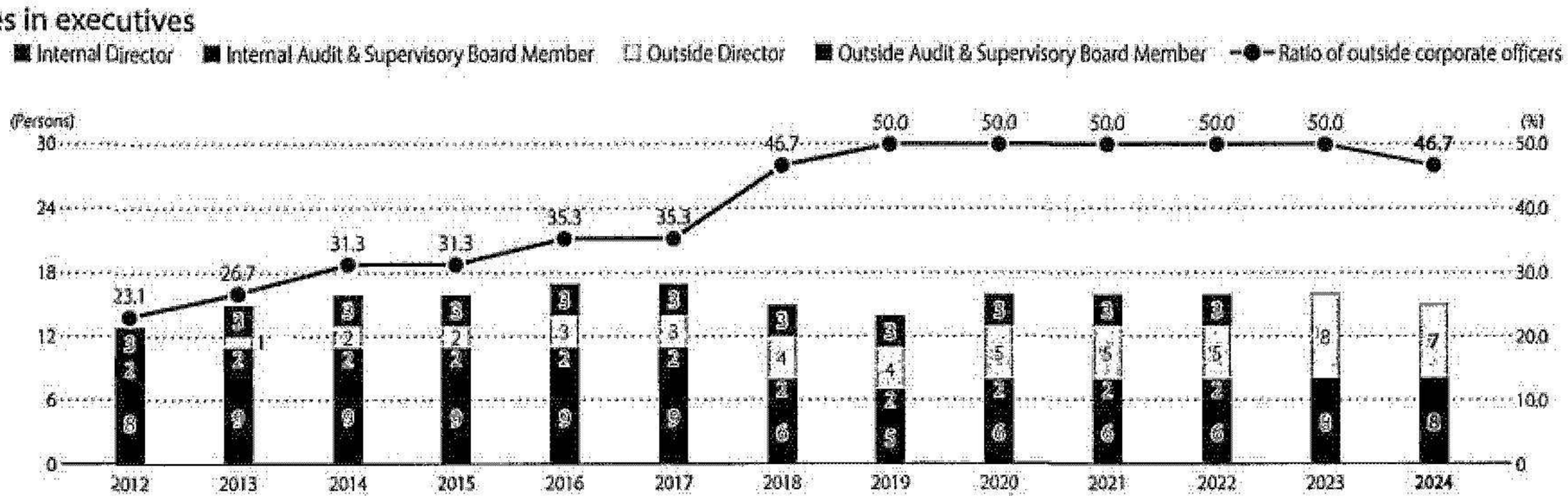
Management and business execution system

The Company transitioned its governance system from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee by a resolution approved at the 147th Ordinary General Meeting of Shareholders held on March 30, 2023. The intention of this move was to further enhance corporate governance by first strengthening the supervisory function of the Board of Directors and second further strengthening the monitoring system by making Audit and Supervisory Committee members, who are responsible for auditing the execution of duties by directors, members with voting rights at the Board of Directors.

In addition to the institutional design under the Companies Act (General Meeting of Shareholders, Representative Directors, Board of Directors, Audit & Supervisory Committee, and Accounting Auditor), the Company's corporate governance system employs a corporate officer system to clarify management oversight and business execution while thoroughly speeding up management decision making and business execution. Under the current structure, the Board of Directors comprises 15 members in total (including directors who are Audit & Supervisory Committee members), eight internal directors (including directors who serve concurrently as corporate officers) including the president, who holds the right to represent the Company, and seven outside directors. In addition, there are 17 corporate officers, excluding those who serve concurrently as directors.

In addition, to strengthen the strategic functioning of top management, we have established an Executive Committee on which directors serve as key members. The committee monitors the achievement status of business plans and deliberates matters concerning business strategy.

Changes in executives



Fiscal 2013
• Appointed 1 Outside Director

Fiscal 2016
• Outside Directors account for one-third of all Directors

Fiscal 2018
• Appointed 1 female Outside Audit & Supervisory Board member

Fiscal 2019
• Outside corporate officers account for half of all corporate officers

Fiscal 2020
• Appointed 1 non-Japanese Internal Director

Fiscal 2022
• Appointed 1 female Outside Director

Fiscal 2023
• Transitioned to a Company with an Audit & Supervisory Committee

*The number of Internal Directors and Outside Directors for fiscal 2023 includes the number of Directors serving as Audit & Supervisory Committee members.

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Management audit oversight

The Company has an Audit & Supervisory Committee that serves as an audit function for management, and consists of five members in total, two internal Audit & Supervisory Committee members, and three outside Audit & Supervisory Committee members. A system has been established for full-time Audit & Supervisory Committee members to learn of the state of business execution by attending important meetings and committees including the Executive Committee. The auditing structure comprises audits conducted by Audit & Supervisory Committee members to audit directors in the performance of their duties, financial auditing conducted by independent public accountants as outside audits and financial and business audits of each executive department and Group company conducted by the Internal Audit Dept.

These activities maintain independence from each other and serve to establish a three-pronged audit structure. At the same time, Audit & Supervisory Committee members receive information from the accounting auditor and the Internal Audit Dept. as appropriate in an effort to strengthen audit functions. Furthermore, we have assigned employees to the Audit & Supervisory Committee Secretariat to assist the Audit & Supervisory Committee in order to enhance the effectiveness of audits and facilitate audit operations.

Personnel Remuneration Committee for Corporate Officers and Directors

To ensure fairness and transparency in officer personnel affairs and remuneration, the Company has voluntarily established the Personnel Remuneration Committee for Corporate Officers and Directors. The committee comprises five members, namely, Chairman & CEO, President & COO, and three independent outside directors, ensuring that a majority of its members are independent outside directors. The Personnel Remuneration Committee for Corporate Officers and Directors met seven times in fiscal 2023 to deliberate on the personnel moves and remuneration of officers, and submitted recommendations to the Board of Directors.

The operation of the Personnel Remuneration Committee for Corporate Officers and Directors has changed as follows as a result the establishment of the Audit & Supervisory Committee on March 30, 2023.

(1) With regard to personnel matters, the committee deliberates on candidates for director to be submitted to the General Meeting of Shareholders, advises the Board of Directors on the results the consent of the Audit & Supervisory Committee for directors who are Audit & Supervisory Committee members and the opinions of the Audit & Supervisory Committee for directors who are not Audit & Supervisory Committee members. In turn, the Board of Directors makes the final determination. In addition, the appointment of corporate officers is deliberated by the committee, which then advises the Board of Directors, which makes the final decision.

(2) With regard to remuneration, within the total amount approved at the General Meeting of Shareholders, the committee deliberates on the system of fixed remuneration, short-term performance-linked remuneration, medium-term performance-linked remuneration, and restricted stock remuneration as medium- to long-term performance-linked remuneration for representative directors and executive directors, and fixed remuneration for outside directors, and advises the Board of Directors. The remuneration system for directors who are Audit & Supervisory Committee members is determined by the Audit & Supervisory Committee in consideration of the opinions of the Personnel Remuneration Committee for Corporate Officers and Directors.

Composition of the Personnel Remuneration Committee for Corporate Officers and Directors

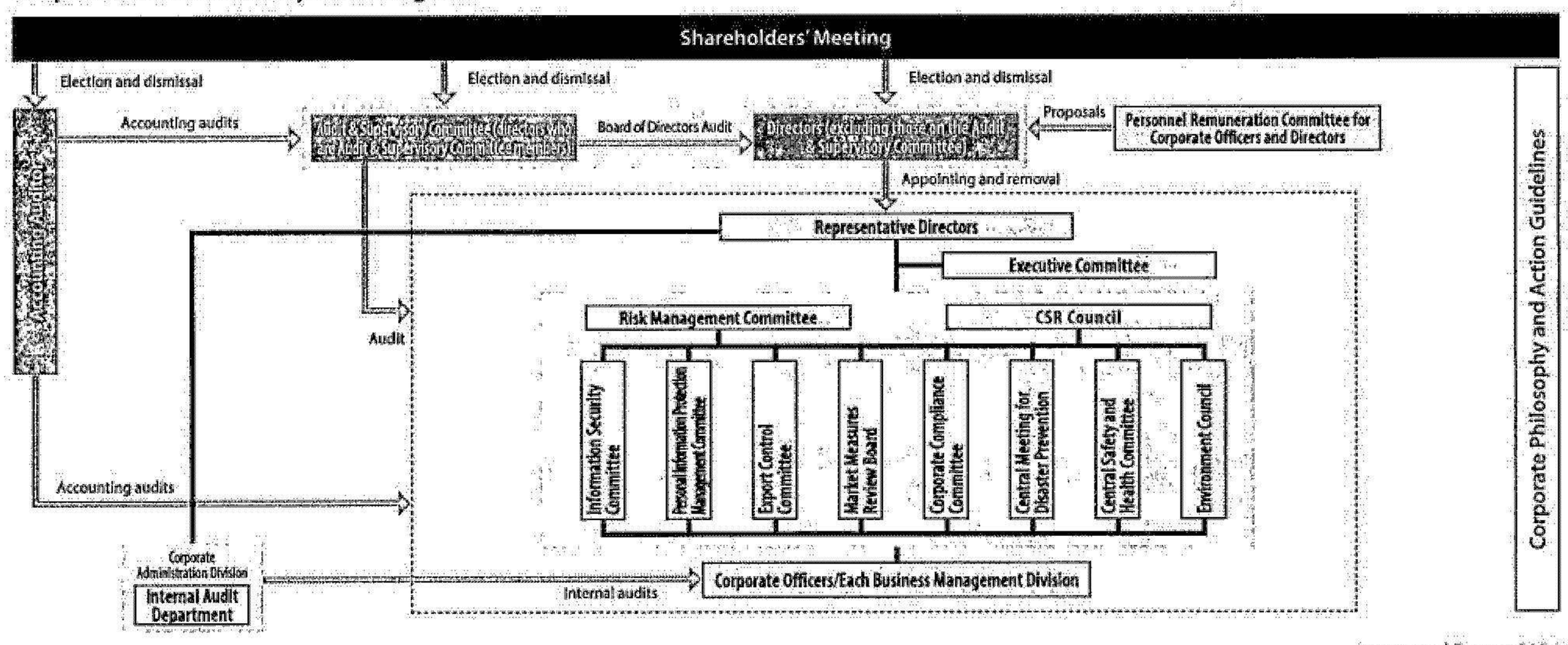
*After the General Meeting of Shareholders on March 28, 2024

All members	5
Internal Director	Masataka Yamaishi (Chair) Shinji Seimiya
Outside Director	Hideichi Okada Hirokazu Kono Megumi Shimizu

Executive Committee

The Executive Committee, a meeting body that serves as an executive organ, meets three times per month, in principle, with the attendance of full-time Audit & Supervisory Committee members, to deliberate and determine management policy as well as important matters concerning management execution. Important matters discussed at the Executive Committee are reported to the Board of Directors together with a summary of such matters, and those of the highest priority (as stipulated by the Board of Directors Regulations) are also discussed by the Board of Directors.

Corporate Governance System Diagram



Corporate Governance

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Members of each institution (As of July 31, 2024)

Internal officers　Outside officers

Institution	Board of Directors	Audit & Supervisory Committee*1	Personnel Remuneration Committee for Corporate Officers and Directors	Executive Committee
Composition	15 directors*2 (of which, 7 outside directors)	5 Audit & Supervisory Committee members (of which, 3 outside Audit & Supervisory Committee members)	5 directors*3 (of which, 3 outside directors)	8 directors (of which, 5 corporate officers)
Number of meetings held in fiscal 2023	14 times	Audit & Supervisory Board: Three times Audit & Supervisory Committee: Five times	Seven times	50 times

*1 The Audit & Supervisory Board operated until March 30, 2023.
*2 There were 16 directors (of which, 8 outside directors) until March 28, 2024.
*3 There were 3 directors (of which, 2 outside directors) until March 28, 2024.

Reason for election of outside directors and attendance in meetings

	Name	Activities in FY2023	Reason for election
Directors who are not Audit & Supervisory Committee member	Hideichi Okada	Board of Directors: attended all 14 meetings	Hideichi Okada actively provides opinions and suggestions from his international perspective and based on his deep insight of economic and social events surrounding corporate management. The Company appointed him as an outside director in the belief that he will contribute to the management of the Company with his ample experience in the government ministry and knowledge of corporate management accumulated in Japan Petroleum Exploration Co., Ltd. and other companies.
	Megumi Shimizu	Board of Directors: attended all 14 meetings Audit & Supervisory Board: attended all 3 meetings* * Served as an Audit & Supervisory Board Member until March 2023	Megumi Shimizu has long worked as an attorney and currently serves as a partner at a leading law office of Japan. The Company appointed her as an outside director in the belief that she will use her ample insight and knowledge as a law expert for the management of the Company.
	Junichi Furukawa	Board of Directors: attended 9 of 10 meetings	Junichi Furukawa is a corporate manager who possesses abundant experience and extensive knowledge of corporate management. The Company appointed him as an outside director in the belief that he will reflect his insights in finance and accounting and abundant knowledge with a sense of balance in the management of the Company.
	Hisako Takada (newly elected)	–	Hisako Takada has abundant experience working at companies in Japan and overseas, and she currently is an Executive Officer of OMRON Corporation. The Company appointed her as an outside director in the belief that she will reflect her knowledge and experience in management strategy, including M&A, in the management of the Company.
Directors who are Audit & Supervisory Committee members	Hirokazu Kono	Board of Directors: attended 12 of 14 meetings Audit & Supervisory Committee: attended all 5 meetings	Hirokazu Kono has actively provided opinions and suggestions based on his deep insight accumulated through his long-year studies of management engineering and business administration at universities in Japan and the US. The Company appointed him as a director who is an Audit & Supervisory Committee member in the belief that he will contribute to further reinforcing the auditing functions of the Company's management by utilizing his ample expertise and experience in management engineering and business administration.
	Atsushi Kamei	Board of Directors: attended 13 of 14 meetings Audit & Supervisory Board: attended all 3 meetings Audit & Supervisory Committee: attended all 5 meetings	Atsushi Kamei has actively provided frank opinions from the perspectives of his long years of experience and corporate management in leading retail business players. The Company appointed him as a director who is an Audit & Supervisory Committee member in the belief that he will continue to supervise the management of the Company from an external viewpoint.
	Hiroki Kimura	Board of Directors: attended 12 of 14 meetings Audit & Supervisory Board: attended all 3 meetings Audit & Supervisory Committee: attended all 5 meetings	Hiroki Kimura serves as President and Representative Director of Asahi Mutual Life Insurance Company, and he actively provides suggestions from his experience as a corporate manager of a financial institution. The Company appointed him as a director who is an Audit & Supervisory Committee member in the belief that he will contribute to further reinforcing the auditing functions of the Company's management with his professional knowledge accumulated in the fields of accounting, finance and asset management.

Operational Status of the Board of Directors

The Board of Directors holds an ordinary Board of Directors meeting monthly and interim Board of Directors meetings as needed, where decision-making is undertaken after flexible and sufficient deliberation. In fiscal 2023, the Board of Directors met 14 times. At the Board of Directors meetings held in fiscal 2023, in addition to the disposition and acceptance of important property, the election and dismissal of important employees, the establishment, modification, and discontinuation of important organizations, and the statement of accounts, which are required to be resolved under the Companies Act, medium-term management plans, business investment, the progress status of efforts related to sustainability and ESG, and IR and SR, capital efficiency, risk management and compliance, internal control, etc., were handled as main subjects for discussion.

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Evaluation of Board Effectiveness

Regarding the evaluation of the effectiveness of the Board of Directors, the Company conducted an anonymous survey in October 2023 targeting all directors (excluding the Chairman of the Board of Directors), including all outside directors, and all Audit & Supervisory Committee members, in which the participants evaluated themselves on a scale of one to four in terms of the following three themes and a total of 18 items, and put their opinions, etc. for each item.

1 Operation of the Board of Directors
2 Agenda items and discussions at Board of Directors meetings
3 Composition of the Board of Directors and its operational support

In addition, after an additional questionnaire survey was conducted on the outside directors based on aggregate and analytical results, a meeting was held to exchange opinions with the outside directors, and then, the Board of Directors summarized its effectiveness, shared issues and discussed measures.

The results indicated that the Board of Directors of the Company is operating appropriately from a comprehensive perspective and that the effectiveness of the Board of Directors is ensured.

At the same time, however, as various issues such as those related to the improvement of discussion from strategic and diversified standpoints, and follow-up of the progress status of management plans and investment plans were recognized, the Company will continue to address the improvement of the Board of Directors' functions.

Regarding the expansion of training opportunities, about which recommendations were made at the previous evaluation, steady improvement has been made through holding training and briefings for new directors, and Board of Directors' meetings including a plant inspection tour, etc.

Remuneration for Corporate Officers and Directors

Basic policy

The Company has established the basic policy regarding the determination of the amount of remuneration of directors (excluding directors who are Audit & Supervisory Committee members), and to ensure the fairness and transparency, the details of remuneration amounts are deliberated by the Personnel Remuneration Committee for Corporate Officers and Directors serving as an advisory council, and then determined by the Board of Directors. The Board of Directors has confirmed that the details of the remuneration amounts of individual directors of the current business year are consistent with the basic policy and determined that they were decided in line with the policy.

Remuneration system

Remuneration of directors (excluding directors who are outside directors and Audit & Supervisory Committee members) consists of basic remuneration, which is provided as fixed remuneration, short-term performance-linked remuneration, and restricted stock remuneration provided as medium- to long-term performance-linked remuneration. Short-term performance-linked remuneration refers to a bonus linked to the company performance (the performance of the Company and individual performance, etc. corresponding to that) against published value and the attainment level related to the extension rate, etc. of performance. Restricted stock remuneration provided as medium- to long-term performance-linked remuneration was introduced* in order for directors (excluding directors who are outside directors and Audit & Supervisory Committee members) to become more highly motivated than ever to contribute to an increase in stock prices and the enhancement of corporate value through sharing the benefits and risks of stock price fluctuations with shareholders.

* Resolution approved at the 142nd Ordinary General Meeting of Shareholders held on March 29, 2018 (With the resolution to transfer to a Company with an Audit & Supervisory Committee approved at the 147th Ordinary General Meeting of Shareholders held on March 30, 2023, the above resolution was made again.)

Medium-term performance-linked remuneration

Starting in fiscal 2021, the Company has introduced a medium-term performance-linked remuneration system for all directors, excluding outside directors and Audit & Supervisory Committee members, and corporate officers, with the aim of further incentivizing the achievement of quantitative targets in the Medium-term Management Plan.

Eligibility for medium-term performance-linked remuneration

The officers eligible for medium-term performance-linked remuneration as of March 28, 2024, are as follows.

Position	Number of persons
Representative Director	2
Member of the Board and Senior Managing Officer	1
Member of the Board and Managing Officer	2
Member of the Board and Corporate Officer	1
Corporate Officer	17

Method for calculating medium-term performance-linked remuneration

The applicable period is the three years from fiscal 2024 to fiscal 2026 that represent the quantitative target of the Group's Medium-term Management Plan. The standard is set at a cumulative consolidated business profit of ¥365 billion in total, with the remuneration calculated for all eligible persons according to the following formula.

Cumulative consolidated business profit over the applicable period ÷ 365 billion yen x 100	Calculation method
120% or more	Monthly remuneration x 12 months x payment factor of 1.5
100% or more but less than 120%	Monthly remuneration x 12 months x payment factor of 1
Less than 100%	No payment

Monthly remuneration used in the above formula is the remuneration set for each position in April 2024, and if a position changes part way through the applicable period, the calculation is to be made based on the monthly remuneration in the month the new position was assumed. For eligible persons, an individual monetary limit of ¥84.78 million is set.

Medium-term performance-linked remuneration is paid in cash within one month of the day following that day on which the cumulative consolidated business profit during the applicable period has been finalized at the first Ordinary General Meeting of Shareholders held after the end of the applicable period.

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Corporate Governance

Amount of remuneration of Directors, Audit & Supervisory Board Members and Audit & Supervisory Committee members (fiscal 2023)

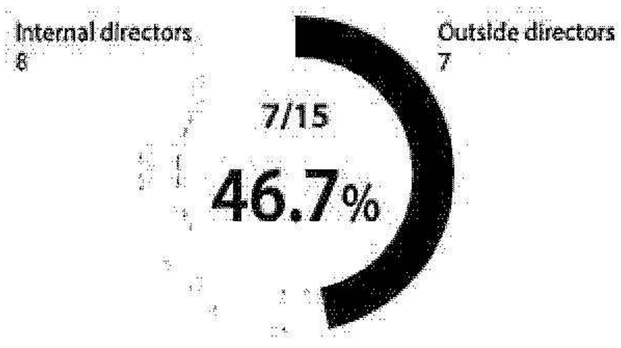
Category	Total remuneration (millions of yen)	Total by type of remuneration (millions of yen)				Number of eligible officers (persons)
		Basic remuneration	Performance-linked remuneration			
			Bonus	Restricted stock compensation	Medium-term performance-linked remuneration	
Member of the Board (excluding Member of the Board (Outside))	549	190	87	117	153	9
Audit & Supervisory Board Members (excluding outside members)	11	11	—	—	—	2
Audit & Supervisory Committee members (excluding outside members)	64	37	27	—	—	2
Member of the Board (Outside) and Audit & Supervisory Board Member (Outside)	96	96	—	—	—	13

Board Diversity

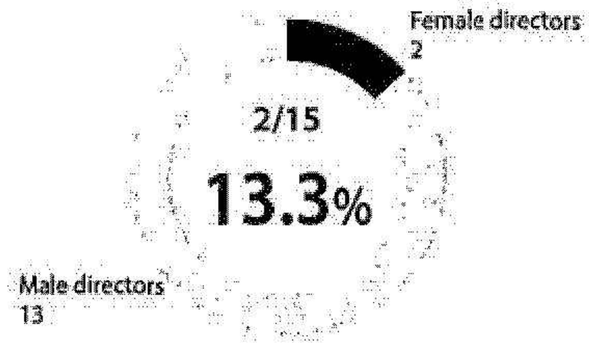
The Board of Directors of the Company consists of no more than 15 directors (excluding directors who are Audit & Supervisory Committee members) while the Audit & Supervisory Committee consists of no more than five members as stipulated in the Articles of Incorporation. Our basic approach is to ensure their diversity, including outside directors, and an appropriate composition, while giving consideration to the balance of knowledge, experience, and abilities associated with each business.

Composition of the Board of Directors (after transition to a Company with an Audit & Supervisory Committee)

Ratio of Outside Directors
(Including Directors who are Audit & Supervisory Committee Members)



Ratio of Female directors
(Including Directors who are Audit & Supervisory Committee Members)



Officer Training

The Company will appropriately provide necessary information to ensure the sustainable growth of the Company, the enhancement of corporate value over the medium to long term, and the full exercise of management supervision and auditing functions by directors. In addition, in order to enhance deliberations at Board of Directors meetings, outside directors are continuously provided with opportunities to understand the Company's business operations, such as prior distribution and explanation of Board of Directors materials and the provision of related information, as well as orientation at the time of appointment, plant tours, and dialogue with management. In addition, even after assuming office, we encourage officers to continue to participate in external seminars, external organizations, and human networks for the purpose of acquiring new ideas and self-development through exposure to real information, and the Company bears the costs of such seminars. The Board of Directors confirms through surveys and other means whether or not the provision and mediation of training opportunities and support for such expenses are being appropriately implemented.

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Tax Transparency and Tax Governance

We established the Yokohama Group Tax Policy to ensure compliance with tax-related laws and regulations, considered a social norm, and to contribute to society through appropriate tax payments based on the Yokohama Group Organizational Governance Policy. In addition, we will fulfill our tax obligations as a global company by complying with the tax-related laws and regulations of each country and guidelines provided by the OECD.

The Yokohama Rubber Group's tax-related corporate governance is included within the Group's overall governance. This governance is implemented within the scope of responsibility of the General Manager of the Corporate Administration Division of the Yokohama Rubber Co., Ltd. The Yokohama Rubber Group's tax planning is implemented appropriately based on the actual status of the Group's business activities and in line with its business objectives. We strive to prevent tax planning for the purpose of tax avoidance using tax havens and capital structures, understand the legislative intent of the preferential tax treatment available in each country, and utilize it within the scope of normal business activities to improve tax efficiency.

We will build sound, healthy relationships with the tax authorities of each country and respond seriously and with integrity to requests from the relevant authorities to participate in tax investigations. In the event of a difference of opinion between the Group and the tax authorities, the Group strives to engage in dialog with the authorities and to resolve the issue in accordance with the relevant tax-related laws and regulations.

Corporate income taxes paid

(Unit: billions of yen)

	FY2021	FY2022	FY2023
Japan	5.29	9.23	7.64
Overseas	8.53	16.29	20.13
Total	13.82	25.52	27.77

Yokohama Rubber Group Tax Policy
https://www.y-yokohama.com/global/sustainability/governance/tax/

Status of Reducing Cross-Shareholdings

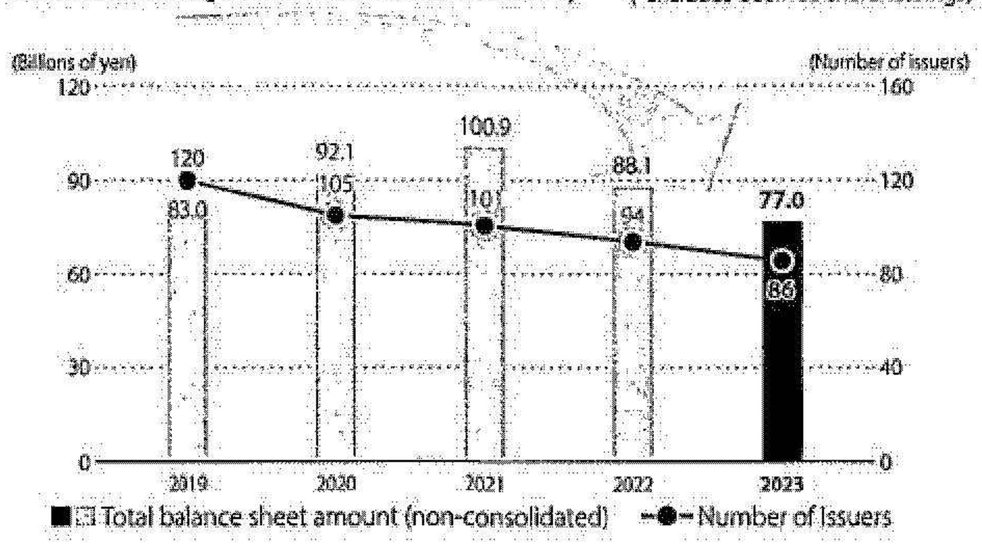
Policy on cross-shareholdings

In the interests of corporate expansion and sustainable development, the Company believes it is essential to maintain cooperative ties with various companies. We adopt a medium-to-long-term perspective for enhancing the Company's corporate value and follow a policy of holding shares deemed strategically necessary after comprehensively accounting for strategic ties with the companies with whom we maintain important cooperative relationships, cooperative business-related ties with suppliers, and other factors.

Verifying the appropriateness of cross-shareholdings

Once a year, the Company verifies, in both qualitative and quantitative terms, the benefits and risks associated with its individual cross-shareholdings from a medium- to long-term perspective, also considering the nature and scale of transactions, among other factors. These findings are reported to the Board of Directors. In fiscal 2023, the Company sold all shares held in six companies and some of the shares it holds in ten companies in light of verification by the Board of Directors in February 2023.

Trend in cross-shareholdings (amount on balance sheet [non-consolidated] and number of issuers) (*excludes deemed shareholdings)



Constructive Dialogue with Shareholders

When engaging in dialogue (meetings) with shareholders, the director in charge of Corporate Finance & Accounting Dept. and IR Dept. serves as a director in charge, and the Corporate Administration Division and the Corporate Planning Division cooperate with the director in charge within a reasonable scope based on the wishes of shareholders and the main interests of the interview. If necessary, to a reasonable extent, we consider having outside directors or directors who are Audit & Supervisory Committee members attend meetings.

In principle, we conduct substantive shareholder surveys once a year and multiple times as necessary to understand the shareholder structure, after which the Corporate Planning Division, Accounting Division, and Legal Division strive to respond to shareholders by exchanging opinions based on their respective professional perspectives.

In order to enhance the means of dialogue with shareholders other than individual meetings, financial results briefings are held quarterly, and explanations are given by the Representative Directors at the end of the fiscal year and after the first half financial results, and the director in charge of the Corporate Planning Division provides other explanations. The results of dialogue (interviews) with shareholders are reported to the Representative Directors as appropriate.

At the dialogue with investors as well as at financial results briefings, we pay attention to the management of insider information.

Risk Management

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Relevant materiality	What we aim to do
Improvement of management resilience by strengthening corporate governance	◦ Strengthen stakeholder engagement ◦ Strengthen governance of sustainability issues

Basic Approach

Yokohama Rubber is working to strengthen risk management as part of its internal control in order to minimize diversifying risks. We are focusing on identifying matters that have a significant impact on our business, taking preventive measures to stop risks before they occur, and creating a system for prompt and appropriate responses to minimize damage in the event of a serious risk incident.

Currently, there is a need to respond to various changes in the business environment in Japan and overseas, such as growing awareness of human rights and global business expansion. In addition, the impacts of risks caused by the external environment, such as the COVID-19 pandemic, tight supply and demand of raw materials, and cyberattacks, are also enormous.

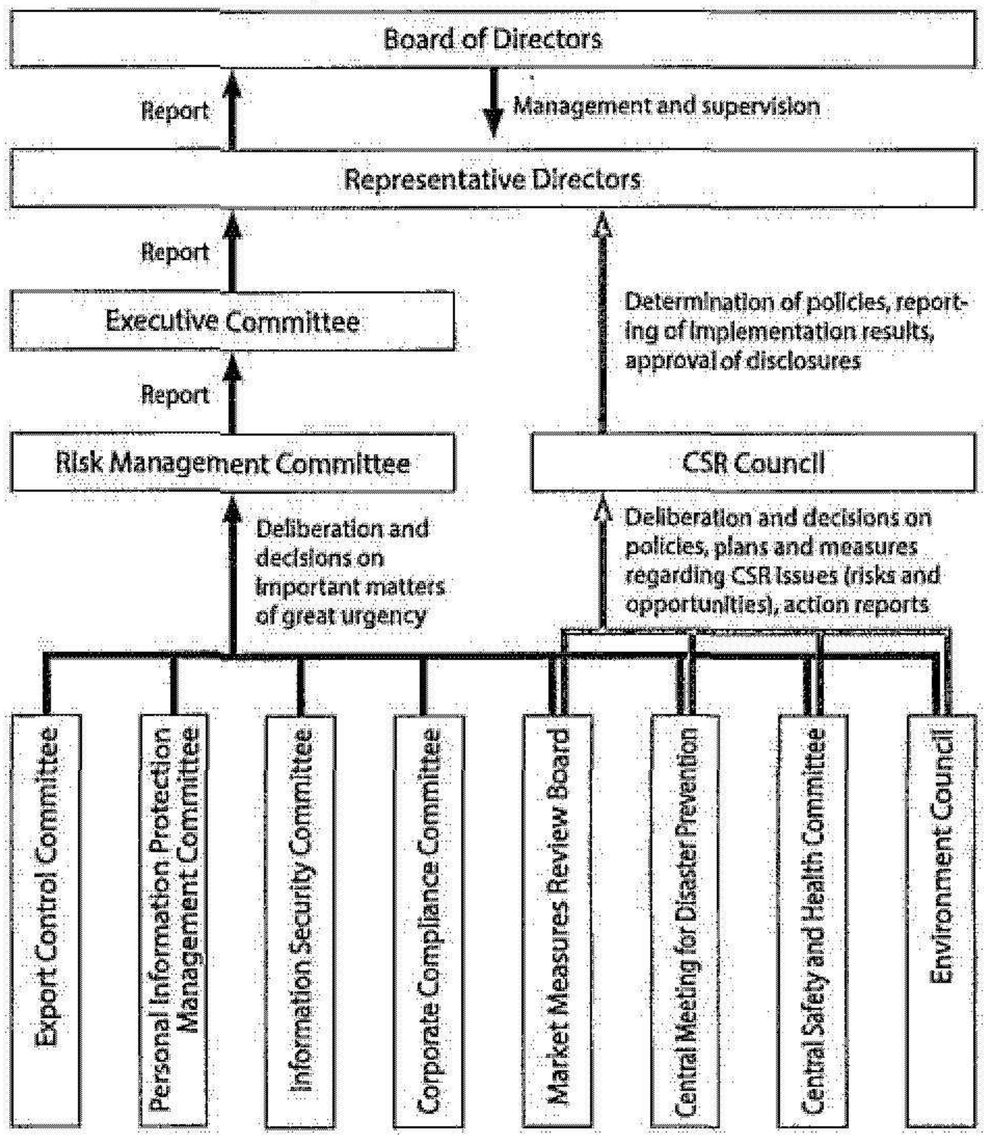
In light of these circumstances, we recognize that risk management is one of the most important issues in terms of management sustainability, and we are working to maintain and strengthen our risk management system.

Risk Management System

In order to strengthen our defense system against various risks facing the Company, we have established the Risk Management Committee, chaired by the director in charge of the Corporate Administration Division to manage risks that may have a significant impact on management in a cross-functional manner and to appropriately evaluate and respond to them. The activities of the Risk Management Committee are regularly reported to the Board of Directors. In addition, for matters related to compliance, occupational health and safety, disasters, the environment, information security, and export control that pose specific risks, the Corporate Compliance Committee, the Central Safety and Health Committee, the Central Meeting for Disaster Prevention, the CSR Council, the Environment Council, the Information Securities Committee, the Personal Information Protection Management Committee, the Export Control Committee, etc. have been established to formulate and develop rules, guidelines, and manuals and provide training.

The activities of the Risk Management, Corporate Compliance, Export Control, and Personal Information Protection Management committees are regularly reported to the Board of Directors. The status of activities of meeting bodies other than the above is reported to the Executive Committee as appropriate, and those deemed necessary are reported to the Board of Directors.

Risk management system



Fiscal 2023 results

In addition to the regular meetings of the Risk Management Committee and other committees twice a year, ad hoc committee meetings may be held based on the standards stipulated in the committee rules. In fiscal 2023, the Risk Management Committee and the Personal Information Protection Management Committee held extraordinary committee meetings, and the results of these meetings were as follows. Going forward, we will continue to work more on PDCA activities to identify possible risks, consider countermeasures, inform related parties, and verify them while sustaining our normal day-to-day business activities.

Committee meetings (including extraordinary meetings)

Risk Management Committee	8 times
Personal Information Protection Management Committee	3 times
Export Control Committee	2 times
Information Security Committee	2 times

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Information Security Initiatives

The Yokohama Rubber Group has established the Information Security Basic Policy, and is implementing a variety of information security measures based on it to protect customers' personal information and other confidential information from threats such as cyberattacks, which are becoming more sophisticated and complex every day, along with other information leakage risks.

We have also established information security management rules, procedures and global guidelines, and regularly review them in response to changes in the environment surrounding information security. As a specific initiative, we have assigned Information management managers to each organization and Group company to establish a liaison system for information security.

In addition to collecting and providing information, including problems from stakeholders, through the Information Security Desk, we regularly conduct assessment of information security and evaluate risks. In the unlikely event of an information security incident, we are working to strengthen our relationships so that we can respond promptly in accordance with the procedure to respond to information security phenomena. We also regularly provide security awareness training for employees through conducting targeted e-mail attack drills and education. Our information security management system acquired TISAX certification, which is an information security assessment formulated by the German Association of the Automotive Industry, and our information-related subsidiary acquired ISO 27001 certification.

Activities in Fiscal 2023

Fire and disaster prevention initiatives

Learning from the fire that occurred at Yokohama Tire Philippines, Inc. (YTPI)'s production site in the Philippines in 2017, we are working to operate our business with safety as a top priority based on our vow to never cause a fire or accident again. In terms of fire prevention activities, in April 2024, we revised the company-wide Fire Prevention Guideline, which aims to prevent fires and prevent the spread of fires in the event of an emergency. In addition, we worked on the upgrading of aging electric components at the production sites in Japan and completed this after two years of work from 2022. We will continue to strengthen the Yokohama Rubber Group's fire prevention system from fiscal 2024 onward focusing on prevention and recurrence prevention activities by implementing the PDCA cycle for improvements that lead to fire prevention.

In terms of disaster prevention activities, we revised the Disaster Prevention Guidelines in November 2023 to clarify our preparedness for intensifying natural disasters and infectious diseases occurring over a wide area. Formulated with the aim of maintaining corporate activities based on human life first, these guidelines promote the strengthening of Yokohama Rubber's disaster preparedness capabilities by clarifying the actions that employees should take in the event of a disaster, the Company's disaster prevention system, and the enhancement and management of disaster stockpiles. Disaster prevention drills are also held on a regular basis, and their content and frequency, and the number of participants are confirmed to ensure a quick response to disasters.

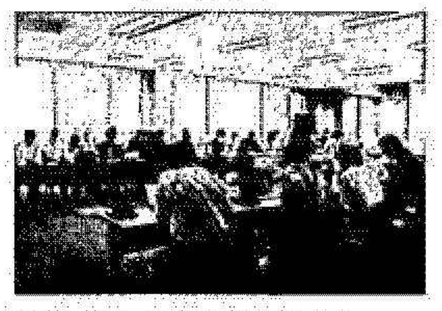


Fire prevention audit

We have introduced a safety confirmation system covering the Company and our domestic production subsidiaries, and carry out disaster drills continuously. In addition to conducting safety confirmation drills regularly at each site, we have conducted nationwide safety confirmation drills every year in March since 2021. By increasing the frequency of safety confirmation drills, we are working to improve our initial response capabilities in the event of a disaster and raise our employees' awareness of disaster prevention. As the system to establish the Central disaster prevention management headquarter of the corporation in the event of a large-scale disaster as well as to collect and share information, we have built a tool that enables the pluralization of communication means and the sharing of information at a meeting room in Internet space, ensuring tools for prompt communication that are available even under a situation difficult to meet physically.

BCP initiatives

With regard to the Business Continuity Plan (BCP), we have prepared guidelines including the Basic BCP Guidelines for responding to various destructive and non-destructive disasters, such as infectious diseases. These guidelines are revised as necessary. In 2023, we conducted a first large-scale BCP drill after the relocation of head office functions to Hiratsuka. Going forward, we will continue our efforts to protect our employees from disasters and strengthen our systems and mechanisms to continue the supply of products and services when our business is exposed to disasters.



BCP training (Head Office/Hiratsuka Factory)

Future Issues and Measures

Since the environment surrounding companies is becoming increasingly severe as symbolized by the unstable global situation, the intensification and frequency of natural disasters due to climate change, and cyberattacks, which are becoming more sophisticated and stealthy, further strengthening of risk management as well as information sharing and communication among departments will continue to be issues that need to be addressed.

Going forward, we will continue to improve risk countermeasures by regularly conducting risk assessment and implementing the PDCA cycle by each department in charge, and raise the awareness of each and every employee through BCP drills and information security training and drills.

Compliance

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Relevant materiality	What we aim to do
Improvement of management resilience by strengthening corporate governance	◦ Strengthen stakeholder engagement ◦ Strengthen governance of sustainability issues

Basic Approach

In response to the expanding risks due to globalization, the Yokohama Rubber Group established the Group's Competition Law Compliance Policy and Anti-Corruption Policy, defined regulations and guidelines that embody these policies, and shared these requirements to members* of the Yokohama Rubber Group. By combining the above with the Global Whistle-Blowing System, which are rolled out in our subsidiaries in each country and region, we aim to further raise the level of compliance in the Yokohama Rubber Group.

With regard to product liability, our mission is to contribute to the development of the Company and society by winning the trust of our customers and securing appropriate levels of profit. In order to achieve this, we must continue to provide products of quality that satisfy customers around the world and can be purchased with peace of mind. The Yokohama Rubber Action Guidelines state that, "We shall provide safe and high-quality products and services."

* All employees working in the Yokohama Rubber Group, including full-time employees, contract employees, temporary employees, and outsourced employees.

Compliance System

Yokohama Rubber has established a Corporate Compliance Committee chaired by the director in charge of the Corporate Administration Division and a Corporate Compliance Department as the department that handles compliance implementation. The committee meets four times a year for ongoing implementation of various measures related to the Yokohama Rubber Group's compliance, and to report on its activities to the Board of Directors and the Audit & Supervisory Board. The Yokohama Rubber Group's Corporate Philosophy and Code of Conduct have been disseminated to all Group companies, including those overseas, and serve as guidelines via an internal bulletin, etc. for the execution of duties by the directors and employees of each company. In addition, by assigning a person from each division to be a concurrent member of the Corporate Compliance Department, we strive to share updates on workplace training and awareness raising activities and relevant information. We have also appointed a Compliance Promoter at each of the domestic and overseas group companies to carry out the same activities.

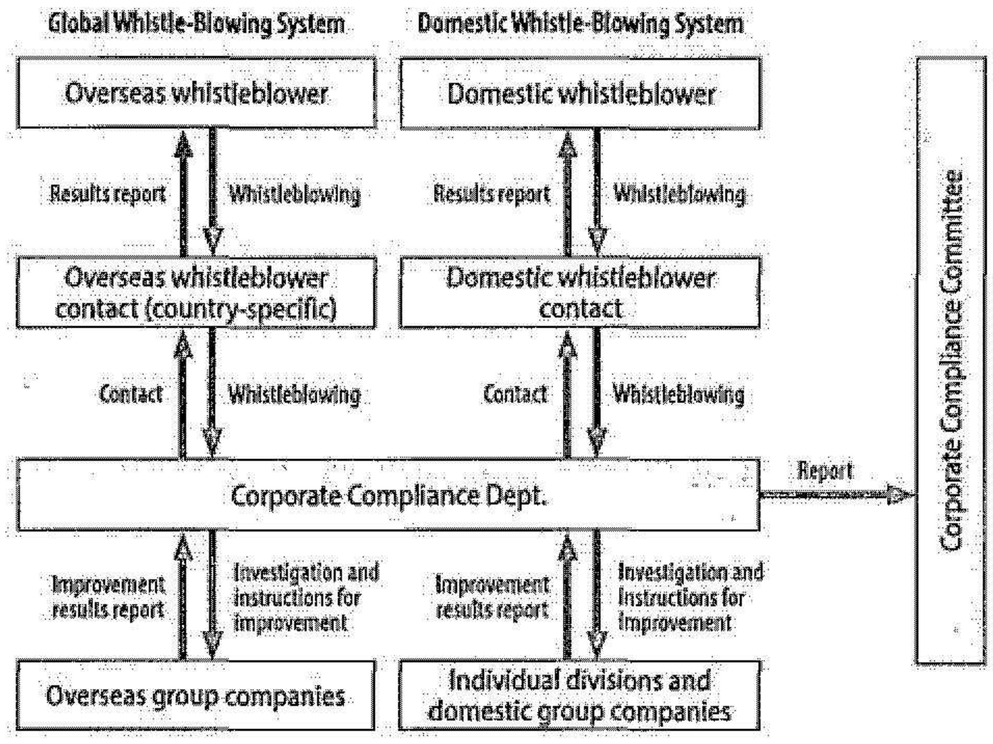
In the event of a quality problem or complaint in the market regarding a product that we have provided to customers, we respond promptly to resolve the problem and take measures to prevent its recurrence. These measures involve regularly conducting quality audits to confirm the implementation status of corrective actions and verifying their effectiveness.

Whistle-Blowing System

The Compliance Hotline is a system available that also handles anonymous whistleblowing in accordance with the Whistle-Blower Protection Act. There are two Compliance Hotlines, one internal and one external. The external Compliance Hotline is set up at a law firm to ensure independence. In addition, the Compliance Consultation Contact has been set up as a service for any member of the domestic Group to consult over doubts regarding compliance. In fiscal 2023, the Compliance Hotline and the Compliance Consultation Contact fielded 242 reports or consultations in total.

For overseas subsidiaries, a Global Whistle-Blowing System, in which certain whistleblowing is handled directly by the Corporate Compliance Department, has been set up and is gradually becoming operational in overseas locations. Despite the delay due to COVID-19, phased introduction has been completed in China, the Philippines, Thailand, North America, Europe, and Vietnam as of 2022, except for a portion of business sites. The introduction of the system has been advanced at production sites in Indonesia since November 2023.

Whistle-Blowing System



20241108O1239

Education and Awareness Raising Activities

The Corporate Compliance Dept. plans and promotes compliance training for Group members. It distributes educational materials and conducts Group learning and training activities at workplaces, depending on whether the content is intended for general employees or specific divisions or ranks as necessary.

In 2023, we continued training related to harassment and quality fraud, and focused on topics such as personal information protection, paid leave, and workplace accidents.

Compliance Workplace Training Themes (2023)

The Yokohama Rubber Group uses its own educational materials to conduct Group training on compliance at each workplace monthly. In fiscal 2023, the following themes were covered.

January	Personal information protection	July	Drunk driving
February	Cases in which whistleblowing cannot be handled	August	Industrial accidents
March	Having trouble taking paid leave	September	Seal and sign
April	Observing business guidelines	October	Grooming and appearance
May	Harassment	November	Prevention of quality-related fraud
June	Taking out trade secrets	December	Whistleblower contact

Initiatives to Prevent Corruption

The Yokohama Rubber Group Action Guideline states in 6. "We shall observe not only laws and regulations but also social norms." It also declares that "We shall not engage in any activity that is in violation of the competition-related law (antitrust legislation), any acts of bribery, and any other acts that deviate from laws, regulations, or business conventions." and "We shall maintain sound relations with political groups and public administrative authorities, and shall not engage in any acts of bribery, in Japan or any other country or region. We shall not entertain, give any gifts to, or give any money to business partners for the purpose of gaining illicit advantage." The Yokohama Rubber Group Action Guideline also refers to actions involving not only public servants, but also business partners as well.

In addition, we have established the Yokohama Rubber Group Competition Law Compliance Policy and the Yokohama Rubber Group Anti-Bribery Policy, and have promoted the compliance with these policies and provided management and supervision by making the policies known to the members of the Yokohama Rubber Group and providing training to them. Under our Global Whistle-Blowing System, we have established an external contact point with a primary focus on promptly identifying illegal activities such as competition law violations and bribery, and we provide training to all employees of overseas subsidiaries that are scheduled to introduce the system in order to increase the effectiveness of the system.

Training opportunities	Number of people
Training concerning antitrust laws (cartel prevention)	2,718
Training concerning antitrust laws (abuse of superior bargaining positions)	3,399
Pre-departure training for overseas posting	23
Pre-departure training for posting as a supervisor at an overseas locations	5
Newly appointed manager training	21
Total	6,166

Initiatives to Prevent Quality Fraud

Yokohama Rubber Group Action Guidelines states in 4. "We shall provide safe and high-quality products and services." It also declares that "We shall develop, design, manufacture, and sell attractive products that satisfy customers; provide society as a whole with safe and high-quality products and services; and endeavor to enhance the value of the Yokohama Rubber brand."

To prevent quality fraud, we provide quality fraud prevention training to all members of the Yokohama Rubber Group, and a total of 28,840 employees took part in the training in fiscal 2023.

Number of participants in quality fraud prevention training

FY	2021	2022	2023
Number of participants	28,168	30,463	28,840

Future Issues and Measures

To respond to the growing risks associated with globalization, we will continue to expand the introduction of our Global Whistle-Blowing System and provide training. To prevent quality fraud, we will create an environment impervious to fraudulent activity by creating a training program that approaches motives based on case studies of other companies, and by planning and implementing training for all employees in Japan and overseas, including affiliated companies. In addition, from the perspective of compliance with rules, we are confirming operations and inspecting processes, and, if necessary, we will make improvements.

Senior Management As of July 31, 2024

20241108012240

Members of the Board



Masataka Yamaishi

Chairman & CEO, Chairman of the Board
(General Management/Planning and Administration/North America/MB)



Shinji Seimiya

President & COO
(Engineering/Production/Quality Assurance/IT/Japan, China, and Asia)



Nitin Mantri

Member of the Board and Senior Managing Officer & Co-COO (OHT Business/Tire Overseas)



Tomoaki Miyamoto

Member of the Board and Managing Officer, Head of Japan Replacement Tire Sales & Marketing Div., Head of Consumer Tire Product Planning Div., In charge of Corporate Administration Div., Head of Hiratsuka Factory, Member of the Board of Yokohama Tire Japan Co., Ltd.



Yoshikuni Nakamura

Member of the Board and Managing Officer, Assistant to President, Head of Tire Business Planning Div., In charge of Corporate Social Responsibility Div.



Masahiro Yuki

Member of the Board and Officer, In charge of Corporate Finance & Accounting Dept. and IR Dept., Deputy Head of Tire Business Planning Div., Chairman of Yokohama Rubber (China) Co. Ltd.



Hideichi Okada

Member of the Board (Outside)



Megumi Shimizu

Member of the Board (Outside)



Junichi Furukawa

Member of the Board (Outside)



Hisako Takada

Member of the Board (Outside)



Gota Matsuo

Member of the Board, Member of the Audit & Supervisory Committee



Hisao Uchida

Member of the Board, Member of the Audit & Supervisory Committee



Hirokazu Kono

Member of the Board, Member of the Audit & Supervisory Committee (Outside)



Atsushi Kamei

Member of the Board, Member of the Audit & Supervisory Committee (Outside)



Hiroki Kimura

Member of the Board, Member of the Audit & Supervisory Committee (Outside)

The Board of Directors of the Company consists of no more than 15 directors (including directors who are Audit & Supervisory Committee members) while the Audit & Supervisory Committee consists of no more than five members as stipulated in the Articles of Incorporation. Our basic approach is to ensure their diversity, including outside directors, and an appropriate composition, while giving consideration to the balance of knowledge, experience, and abilities associated with each business.

In addition, we believe that the skills required for each director in light of the Company's medium- to long-term management strategies, management plans, etc. are those shown in "Skills Matrix of Directors" on the next page. Skills possessed by current directors are indicated with a "●" in the corresponding column.

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Skills Matrix of Directors

Name	Position	Corp mgt Mgt strategy	HR policies & development	Overseas knowledge Int'l business	Tech development & quality	Procurement/ Prod'n/Prod'n technology/SCM	Finance & accounting	Governance Internal controls	ESG/ CSR	Sales & marketing
Masataka Yamaishi	Chairman & CEO, Chairman of the Board	●	●	●				●		
Shinji Seimiya	President & COO				●	●			●	
Nitin Mantri	Member of the Board and Senior Managing Officer & Co-COO	●		●		●				●
Tomoaki Miyamoto	Member of the Board and Managing Officer	●						●		●
Yoshikuni Nakamura	Member of the Board and Managing Officer	●		●					●	●
Masahiro Yuki	Member of the Board and Officer	●		●			●			●
Hidetchi Okada	Member of the Board (Outside)	●		●				●	●	
Megumi Shimizu	Member of the Board (Outside)			●				●		
Junichi Furukawa	Member of the Board (Outside)	●	●				●			
Hisako Takada	Member of the Board (Outside)						●	●	●	
Gota Matsuo	Member of the Board, Member of the Audit & Supervisory Committee						●	●	●	
Hisao Uchida	Member of the Board, Member of the Audit & Supervisory Committee					●		●		
Hirokazu Kono	Member of the Board, Member of the Audit & Supervisory Committee (Outside)	●			●	●				
Atsushi Kamei	Member of the Board, Member of the Audit & Supervisory Committee (Outside)	●	●					●		●
Hiroki Kimura	Member of the Board, Member of the Audit & Supervisory Committee (Outside)	●					●	●		

Note) ● entered for maximum of 4 skills or areas of specialization for each director, chart does not indicate all the skills or professional knowledge possessed by the directors.

Officers

Name	Position
Shinichi Takimoto	Senior Managing Officer, Chairman and CEO of Yokohama Corporation of North America, Chairman of Yokohama Tire Corporation, Chairman of Yokohama Tire (Canada) Inc., Chairman of Yokohama Tire Mexico S. de R.L. de C.V., in charge of O.E. Tire Sales & Marketing Div.
Jeff Barna	Senior Managing Officer, President of Yokohama Corporation of North America, President and CEO of Yokohama Tire Corporation
Tadaharu Yamamoto	Managing Officer, President of Yokohama Asia Co., Ltd., Chairman of Yokohama Tire Manufacturing (Thailand) Co., Ltd., Chairman of Yokohama Tire Sales (Thailand) Co., Ltd., Chairman of Yokohama Tyre Sales Malaysia Sdn. Bhd., Chairman of Yokohama Tire Sales Philippines, Inc., Chairman of Yokohama Tyre Sales Vietnam Co., Ltd.
Katsuhiko Yahata	Managing Officer, President of Yokohama Tire Japan Co., Ltd., Deputy Head of Japan Replacement Tire Sales & Marketing Div.
Takehisa Morimoto	Managing Officer, President of Yokohama Tire Manufacturing Mississippi, LLC., Chairman of Yokohama Tire Manufacturing Virginia, LLC.
Kazuhito Yanadori	Managing Officer, Head of Procurement Div., President of Yokohama Rubber Singapore Pte. Ltd.
Hiroyuki Narabayashi	Managing Officer, Head of Quality Assurance Div.

Name	Position
Shingo Ishimitsu	Managing Officer, Head of Corporate Administration Div., in charge of Personnel and Labor Affairs, Assistant to Head of Hiratsuka Factory, President of Yokohama Peer Support Co., Ltd.
Hiroyuki Shioiri	Officer, Head of Corporate Planning Div., Head of Corporate Planning Dept.
Satoshi Fujitsu	Officer, Head of O.E. Tire Sales & Marketing Div.
Anil Gupta	Officer, COO of ATC Tires Pvt. Ltd., Vice Chairman of Yokohama India Pvt. Ltd.
Tetsuya Nagao	Officer, Head of Tire Production Div., Head of Tire Logistics Div.
Takeshi Masatomo	Officer, Head of Tire Overseas Sales & Marketing Div.
Shoichiro Matsuda	Officer, Head of Tire Development Div., Head of Tire Designing Dept. No.1
Takayuki Hamaya	Officer, Head of MB Div., Head of Industrial Products Div., President of Yokohama Industrial Products Japan Co., Ltd.
Angelo Noronha	Officer, President – Global Aftermarket Business - ATG
Motoji Fujita	Officer, Head of Research & Advanced Development Div.

20241108012242

11-year Key Financial and Non-Financial Data

Years ended December 31

	Unit	Japan GAAP FY2013	FY2014	FY2015	FY2016
Financial Data					
Profit and Loss					
Sales revenue	(Billions of yen)	601.6	625.2	629.9	596.2
Business profit	(Billions of yen)	56.6	59.1	54.5	42.3
Business profit margin	(%)	9.4	9.4	8.7	7.1
Profit attributable to owners of parent	(Billions of yen)	35.0	40.5	36.3	18.8
Financial Position					
Total assets	(Billions of yen)	653.6	734.5	710.7	903.0
Interest-bearing debt	(Billions of yen)	175.3	184.3	190.9	336.4
Equity attributable to owners of the parent	(Billions of yen)	270.8	323.6	339.0	348.8
Management Indicators					
Ratio of equity attributable to owners of parent*1	(%)	41.4	44.1	47.7	38.6
Return on assets*2	(%)	5.8	5.8	5.0	2.3
Return on equity*3	(%)	14.7	13.6	11.0	5.5
D/E ratio*4	(Times)	0.65	0.57	0.56	0.96
Cash Flows					
Cash flows from operating activities	(Billions of yen)	46.7	59.0	57.5	75.4
Cash flows from investing activities	(Billions of yen)	(44.6)	(53.7)	(55.1)	(166.5)
Free cash flows	(Billions of yen)	2.1	5.3	2.5	(91.1)
Cash flows from financing activities	(Billions of yen)	8.5	(0.1)	(6.4)	100.2
Investment					
Capital expenditures*5	(Billions of yen)	33.5	55.3	50.9	35.9
Depreciation & Amortization*5	(Billions of yen)	24.0	27.4	31.4	33.2
R&D expenses	(Billions of yen)	12.6	13.4	14.2	14.5
Return on Invested Capital	(%)	7.2	8.1	7.3	3.0
Dividends per share					
Annual	(yen)	22	26	39*7	52
Dividend payout ratio*6	(%)	20.31	10.37	17.25	44.38
Earnings per share	(yen)	108.32	250.67	226.07	117.17
Non-financial Data					
Business					
Patents		4,589	4,868	4,941	5,109
Tire production volume*8	(thousand tons)	596	668	681	662
Environment					
Greenhouse gas emissions Scope 1-2 (consolidated)*9	(thousand tons)	610	685	697	714
Greenhouse gas emissions Scope 3 (consolidated)	(thousand tons)	23,301	30,844	23,831	23,920
Total energy consumption*10	(MWh)	–	1,231,611	1,313,523	1,341,111
Total amount of waste (consolidated)	(tons)	18,165	30,967	32,901	35,782
Recycling rate (consolidated)	(%)	93	97	96	91
Total water withdrawal (consolidated)	(thousand m^3)	8,525	8,660	8,682	8,925
Biodiversity preservation activity implementation rate at production sites	(%)	32	32	40	41
Number of production sites implementing biodiversity preservation activities		10	10	12	14
Cumulative number of trees planted and saplings provided under YOKOHAMA Forever Forest Activities		487,384	602,232	682,394	756,039
Cumulative CO_2 absorption and fixation volume	(tons)	329	447	576	711
Employees					
Total number of employees (consolidated)		19,770	21,441	22,187	24,610
Total number of employees (non-consolidated)		5,336	5,316	5,263	5,242
Percentage of female employees (non-consolidated)	(%)	6.3	6.6	6.6	6.7
Percentage of persons with disabilities (domestic)*11	(%)	2.1	2.1	2.0	2.3
Number of employees taking childcare leave (non-consolidated)		10	15	30	31
Rate of lost-worktime injuries (consolidated)*12		0.59	0.08	0.38	0.60

*1. Ratio of equity attributable to owners of parent = Total equity attributable to owners of parent / Total assets × 100
*2. Return on assets = Profit attributable to owners of parent / Assets (average of previous and current fiscal period) × 100
*3. Return on equity = Profit attributable to owners of parent / Total equity attributable to owners of parent (average of previous and current fiscal period) × 100
*4. Debt-to-equity ratio = Interest bearing debt / Total equity attributable to owners of parent
*5. From 2019 onwards, depreciation on right-of-use assets is excluded due to the application of IFRS 16 Leases.
*6. Payout ratio = Dividend per share / Earnings per share
*7. On July 1, 2015, the Company conducted a one-for-two reverse stock split.

	IFRS						
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
2024年3月期							
	646.3	650.2	650.5	551.1	670.8	860.5	**985.3**
	58.3	59.3	50.1	35.9	62.2	70.1	**99.1**
	9.0	9.1	7.7	6.5	9.3	8.1	**10.1**
	40.0	35.6	42.0	26.3	65.5	45.9	**67.2**
	920.8	855.8	907.6	860.4	985.0	1,151.1	**1,600.5**
	315.6	260.4	239.9	207.8	177.2	238.7	**469.4**
	379.8	374.0	418.9	415.5	525.3	614.4	**739.6**
	41.2	43.7	46.2	48.3	53.3	53.4	**46.2**
	4.4	4.0	4.8	3.0	7.1	4.3	**4.9**
	11.1	9.5	10.6	6.3	13.9	8.1	**9.9**
	0.83	0.70	0.57	0.50	0.34	0.39	**0.63**
	60.5	82.8	75.4	78.3	68.3	39.2	**159.7**
	(29.7)	(43.1)	(43.6)	(27.9)	(4.5)	(46.4)	**(344.0)**
	30.7	39.7	31.7	50.4	63.8	(7.1)	**(184.3)**
	(28.1)	(64.9)	(35.5)	(46.6)	(55.2)	35.2	**205.8**
	39.9	46.9	51.3	28.4	38.8	54.9	**62.4**
	34.6	36.8	36.0	37.5	38.3	41.9	**49.8**
	15.1	15.2	15.0	14.1	15.3	16.0	**18.0**
	5.7	6.1	6.5	4.5	8.2	5.2	**5.3**
	62	62	64	64	65	66	**84**
	24.87	27.91	24.46	39.00	15.91	23.05	**20.03**
	249.32	222.12	261.61	164.09	408.47	286.38	**419.32**
	5,480	5,675	5,956	6,291	6,009	6,242	**6,479**
	685	678	866	799	962	1,000	**955**
	716	720	1,270	1,155	1,300	1,241	**1,082**
	23,237	22,055	24,155	22,578	25,701	26,661	**25,718**
	1,353,082	1,333,451	1,787,203	1,678,571	1,879,142	1,837,184	**1,726,924**
	43,991	53,044	52,564	48,275	51,884	48,865	**54,632**
	97	95	96	95	95	98	**97**
	8,266	8,102	8,718	8,036	8,494	8,247	**9,164**
	43	47	49	49	50	50	**50**
	18	20	21	21	21	21	**21**
	853,047	943,788	997,401	1,039,318	1,089,655	1,197,915	**1,242,307**
	858	1,009	1,173	1,358	1,576	1,649	**1,888**
	25,439	26,274	27,428	27,252	27,222	28,468	**33,617**
	5,245	5,473	5,543	5,574	5,257	5,399	**5,480**
	6.8	7.1	7.3	7.4	7.5	7.2	**7.3**
	2.2	2.2	2.4	2.5	2.6	2.7	**2.6**
	30	35	37	40	35	42	**41**
	0.50	0.36	0.30	0.24	0.18	0.28	**0.28**

*8. Total volume based on tire product weight
*9. From FY2019 onwards, emissions of greenhouse gases Scope 1 and 2 include the emissions of Yokohama TWS before the merger.
*10. Calculated and disclosed since FY2014
*11. Four companies, The Yokohama Rubber Co.,Ltd., Yokohama Peer Support Co., Ltd., Yokohama Tire Japan Co., Ltd., Yokohama Industrial Products Japan Co., Ltd.
*12. An indicator of the frequence of occupational accidents, expressed as the number of employees experiencing lost worktime due to occupational accidents per million total hours worked

Financial Section

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2023 and 2022

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	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2023** (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
CURRENT ASSETS:			
Cash and cash equivalents (Note 8)	**¥ 97,613**	¥ 75,572	**$ 688,241**
Trade and other receivables (Notes 9 and 31)	**243,393**	193,749	**1,716,091**
Other financial assets (Notes 11 and 31)	**6,217**	3,594	**43,836**
Inventories (Note 10)	**249,721**	216,392	**1,760,709**
Other current assets	**21,160**	14,673	**149,192**
Total current assets (Note 18)	**618,105**	503,980	**4,358,070**
NON-CURRENT ASSETS:			
Property, plant and equipment (Notes 12, 14, 15 and 18)	**492,796**	372,933	**3,474,556**
Goodwill (Notes 13 and 15)	**275,830**	104,244	**1,944,794**
Intangible assets (Notes 13, 14 and 15)	**73,013**	37,168	**514,789**
Other financial assets (Notes 11 and 31)	**104,812**	112,804	**738,999**
Deferred tax assets (Note 16)	**9,141**	8,140	**64,450**
Other non-current assets (Note 20)	**26,761**	11,808	**188,685**
Total non-current assets (Note 18)	**982,353**	647,097	**6,926,273**
TOTAL ASSETS	**¥ 1,600,458**	¥ 1,151,076	**$ 11,284,343**
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables (Notes 17 and 31)	**¥ 105,239**	¥ 78,131	**$ 742,009**
Bonds and borrowings (Notes 18 and 31)	**96,135**	117,480	**677,817**
Other financial liabilities (Notes 14, 19 and 31)	**28,989**	24,470	**204,396**
Income taxes payable	**38,085**	8,581	**268,524**
Other current liabilities	**79,441**	65,846	**560,112**
Total current liabilities	**347,889**	294,508	**2,452,858**
NON-CURRENT LIABILITIES:			
Bonds and borrowings (Notes 18 and 31)	**373,221**	121,221	**2,631,470**
Other financial liabilities (Notes 14, 19 and 31)	**41,497**	36,901	**292,580**
Liabilities for retirement benefits (Note 20)	**17,707**	15,584	**124,844**
Deferred tax liabilities (Note 16)	**58,856**	48,702	**414,975**
Other non-current liabilities	**12,494**	11,038	**88,091**
Total non-current liabilities	**503,774**	233,447	**3,551,959**
TOTAL LIABILITIES	**851,663**	527,955	**6,004,818**
EQUITY:			
Share capital (Note 21)	**38,909**	38,909	**274,337**
Share premium (Note 21)	**31,255**	31,308	**220,373**
Retained earnings (Note 21)	**510,004**	432,224	**3,595,879**
Treasury shares (Note 21)	**(11,587)**	(11,650)	**(81,694)**
Other components of equity	**170,983**	123,633	**1,205,549**
Total equity attributable to owners of the parent	**739,565**	614,424	**5,214,444**
Non-controlling interests	**9,231**	8,698	**65,082**
TOTAL EQUITY	**748,795**	623,121	**5,279,526**
TOTAL LIABILITIES AND EQUITY	**¥ 1,600,458**	¥ 1,151,076	**$ 11,284,343**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
CONTINUING OPERATIONS			
Revenue (Notes 6 and 7)	**¥ 985,333**	¥ 860,477	**$ 6,947,279**
Cost of sales (Notes 12, 13 and 20)	**(659,442)**	(572,803)	**(4,649,521)**
Gross profit	**325,891**	287,674	**2,297,758**
Selling, general, and administrative expenses (Notes 12, 13, 20 and 23)	**(226,764)**	(217,585)	**(1,598,847)**
Business profit (Note 6)	**99,127**	70,089	**698,911**
Other income (Note 24)	**7,559**	2,266	**53,298**
Other expenses (Notes 15 and 25)	**(6,335)**	(3,504)	**(44,666)**
Operating profit	**100,351**	68,851	**707,543**
Finance income (Note 26)	**12,764**	10,341	**89,998**
Finance costs (Note 26)	**(7,140)**	(7,571)	**(50,341)**
Profit before tax	**105,975**	71,622	**747,200**
Income taxes (Note 16)	**(37,545)**	(24,473)	**(264,720)**
Profit for the year	**68,430**	47,149	**482,480**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent	**67,234**	45,918	**474,044**
Non-controlling interests	**1,197**	1,231	**8,436**
Profit for the year	**68,430**	47,149	**482,480**
EARNINGS PER SHARE (YEN/U.S. DOLLARS):			
Basic earnings per share (Note 28)	**419.32**	286.38	**2.96**
Diluted earnings per share (Note 28)	**418.31**	285.80	**2.95**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
PROFIT FOR THE YEAR	**¥ 68,430**	¥ 47,149	**$ 482,480**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 27 and 31)	**14,469**	(2,281)	**102,014**
Remeasurements of defined benefit plans (Notes 20 and 27)	**6,794**	1,131	**47,904**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges (Note 27)	**(1,388)**	(1,253)	**(9,790)**
Exchange differences on translating foreign operations (Note 27)	**49,128**	56,358	**346,386**
Total other comprehensive income, net of tax	**69,002**	53,955	**486,514**
COMPREHENSIVE INCOME	**¥ 137,432**	¥ 101,104	**$ 968,995**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**135,926**	99,561	**958,371**
Non-controlling interests	**1,507**	1,542	**10,624**
COMPREHENSIVE INCOME	**¥ 137,432**	¥ 101,104	**$ 968,995**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2023 and 2022

Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Millions of Yen

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Share premium	Retained earnings	Treasury shares	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE, JANUARY 1, 2023	¥ 38,909	¥ 31,308	¥ 432,224	¥ (11,650)	¥ 72,854	¥ 1,083
Profit for the year			67,234			
Other comprehensive income (Note 27)					48,821	(1,388)
Comprehensive income	—	—	67,234	—	48,821	(1,388)
Purchase of treasury shares (Note 21)				(4)		
Disposal of treasury shares (Note 21)		1				
Share-based payment transactions (Notes 21 and 29)		79		68		
Dividends from surplus (Note 22)			(10,768)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		(133)				
Transfer to retained earnings			21,342			
Others			(28)			
Total transactions with owners	—	(52)	10,546	63	—	—
BALANCE, DECEMBER 31, 2023	¥ 38,909	¥ 31,255	¥ 510,004	¥ (11,587)	¥ 121,674	¥ (305)

	Equity attributable to owners of the parent					
	Other components of equity					
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
BALANCE, JANUARY 1, 2023	¥ 49,695	¥ —	¥ 123,633	¥ 614,424	¥ 8,698	¥ 623,121
Profit for the year			—	67,234	1,197	68,430
Other comprehensive income (Note 27)	14,461	6,799	68,692	68,692	310	69,002
Comprehensive income	14,461	6,799	68,692	135,926	1,507	137,432
Purchase of treasury shares (Note 21)			—	(4)		(4)
Disposal of treasury shares (Note 21)			—	1		1
Share-based payment transactions (Notes 21 and 29)			—	147		147
Dividends from surplus (Note 22)			—	(10,768)	(961)	(11,730)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(133)	(13)	(145)
Transfer to retained earnings	(14,542)	(6,799)	(21,342)	—		—
Others			—	(28)		(28)
Total transactions with owners	(14,542)	(6,799)	(21,342)	(10,785)	(974)	(11,759)
BALANCE, DECEMBER 31, 2023	¥ 49,614	¥ —	¥ 170,983	¥ 739,565	¥ 9,231	¥ 748,795

Financial Section

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Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	Millions of Yen					
	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Share premium	Retained earnings	Treasury shares	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE, JANUARY 1, 2022	¥ 38,909	¥ 31,261	¥ 391,949	¥ (11,758)	¥ 16,790	¥ 2,336
Profit for the year			45,918			
Other comprehensive income (Note 27)					56,063	(1,253)
Comprehensive income	—	—	45,918	—	56,063	(1,253)
Purchase of treasury shares (Note 21)				(2)		
Disposal of treasury shares (Note 21)		0		0		
Share-based payment transactions (Notes 21 and 29)		27		110		
Dividends from surplus (Note 22)			(10,603)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		20				
Transfer to retained earnings			4,962			
Others			(1)			
Total transactions with owners	—	47	(5,643)	108	—	—
BALANCE, DECEMBER 31, 2022	¥ 38,909	¥ 31,308	¥ 432,224	¥ (11,650)	¥ 72,854	¥ 1,083

	Equity attributable to owners of the parent					
	Other components of equity					
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
BALANCE, JANUARY 1, 2022	¥ 55,825	¥ —	¥ 74,952	¥ 525,312	¥ 7,646	¥ 532,958
Profit for the year			—	45,918	1,231	47,149
Other comprehensive income (Note 27)	(2,283)	1,115	53,643	53,643	312	53,955
Comprehensive income	(2,283)	1,115	53,643	99,561	1,542	101,104
Purchase of treasury shares (Note 21)			—	(2)		(2)
Disposal of treasury shares (Note 21)			—	0		0
Share-based payment transactions (Notes 21 and 29)			—	137		137
Dividends from surplus (Note 22)			—	(10,603)	(573)	(11,177)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	20	(55)	(35)
Transfer to retained earnings	(3,847)	(1,115)	(4,962)	—		—
Others			—	(1)	138	137
Total transactions with owners	(3,847)	(1,115)	(4,962)	(10,450)	(490)	(10,940)
BALANCE, DECEMBER 31, 2022	¥ 49,695	¥ —	¥ 123,633	¥ 614,424	¥ 8,698	¥ 623,121

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Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

	Thousands of U.S. Dollars					
	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Share premium	Retained earnings	Treasury shares	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE, JANUARY 1, 2023	**$ 274,337**	**$ 220,741**	**$ 3,047,481**	**$ (82,141)**	**$ 513,669**	**$ 7,639**
Profit for the year			**474,044**			
Other comprehensive income (Note 27)					**344,220**	**(9,790)**
Comprehensive income	**—**	**—**	**474,044**	**—**	**344,220**	**(9,790)**
Purchase of treasury shares (Note 21)				**(28)**		
Disposal of treasury shares (Note 21)		**8**				
Share-based payment transactions (Notes 21 and 29)		**560**		**476**		
Dividends from surplus (Note 22)			**(75,925)**			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		**(936)**				
Transfer to retained earnings			**150,473**			
Others			**(194)**			
Total transactions with owners	**—**	**(368)**	**74,354**	**448**	**—**	**—**
BALANCE, DECEMBER 31, 2023	**$ 274,337**	**$ 220,373**	**$ 3,595,879**	**$ (81,694)**	**$ 857,889**	**$ (2,150)**

	Equity attributable to owners of the parent					
	Other components of equity					
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
BALANCE, JANUARY 1, 2023	**$ 350,387**	**$ —**	**$ 871,695**	**$ 4,332,113**	**$ 61,324**	**$ 4,393,437**
Profit for the year			**—**	**474,044**	**8,436**	**482,480**
Other comprehensive income (Note 27)	**101,958**	**47,939**	**484,327**	**484,327**	**2,187**	**486,514**
Comprehensive income	**101,958**	**47,939**	**484,327**	**958,371**	**10,624**	**968,995**
Purchase of treasury shares (Note 21)			**—**	**(28)**		**(28)**
Disposal of treasury shares (Note 21)			**—**	**8**		**8**
Share-based payment transactions (Notes 21 and 29)			**—**	**1,036**		**1,036**
Dividends from surplus (Note 22)			**—**	**(75,925)**	**(6,777)**	**(82,703)**
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			**—**	**(936)**	**(89)**	**(1,025)**
Transfer to retained earnings	**(102,534)**	**(47,939)**	**(150,473)**	**—**		**—**
Others			**—**	**(194)**		**(194)**
Total transactions with owners	**(102,534)**	**(47,939)**	**(150,473)**	**(76,039)**	**(6,866)**	**(82,906)**
BALANCE, DECEMBER 31, 2023	**$ 349,811**	**$ —**	**$ 1,205,549**	**$ 5,214,444**	**$ 65,082**	**$ 5,279,526**

Financial Section

CONSOLIDATED STATEMENT OF CASH FLOWS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2023 and 2022

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	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	**¥ 105,975**	¥ 71,622	**$ 747,200**
Depreciation and amortization	**59,494**	49,914	**419,474**
Impairment losses	**2,296**	285	**16,190**
Increase (decrease) in liabilities for retirement benefits	**(322)**	(267)	**(2,273)**
Interest and dividend income	**(5,244)**	(5,021)	**(36,972)**
Interest expenses	**6,300**	2,939	**44,423**
Loss (gain) on sale and retirement of non-current assets	**12**	78	**86**
Decrease (increase) in trade receivables	**(1,172)**	(11,733)	**(8,261)**
Increase (decrease) in trade payables	**(6,194)**	5,983	**(43,670)**
Decrease (increase) in inventories	**31,643**	(47,682)	**223,105**
Gain on sale of businesses	**(3,316)**	—	**(23,381)**
Other	**(4,530)**	(571)	**(31,938)**
Subtotal	**184,944**	65,547	**1,303,983**
Interests and dividends received	**5,236**	5,017	**36,918**
Interests paid	**(6,155)**	(2,890)	**(43,399)**
Income taxes (paid) refund	**(24,284)**	(28,444)	**(171,217)**
Net cash provided by operating activities	**159,741**	39,231	**1,126,285**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits	**5,868**	2,283	**41,373**
Payments into time deposits	**(8,944)**	—	**(63,061)**
Purchases of property, plant and equipment	**(58,253)**	(54,378)	**(410,724)**
Proceeds from sale of property, plant and equipment	**2,969**	2,072	**20,935**
Purchases of intangible assets	**(473)**	(514)	**(3,333)**
Purchases of investment securities	**(612)**	(326)	**(4,315)**
Proceeds from sale of investment securities	**29,863**	7,340	**210,553**
Proceeds from sale of businesses	**5,386**	—	**37,975**
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired (Note 32)	**(321,928)**	—	**(2,269,814)**
Other	**2,108**	(2,834)	**14,864**
Net cash used in investing activities	**(344,015)**	(46,357)	**(2,425,545)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings (Note 30)	**(41,646)**	34,460	**(293,633)**
Net increase (decrease) in commercial paper (Note 30)	**(7,000)**	7,000	**(49,355)**
Proceeds from long-term borrowings (Note 30)	**314,700**	13,524	**2,218,854**
Repayments of long-term borrowings (Note 30)	**(29,894)**	(19,494)	**(210,775)**
Proceeds from issuance of bonds (Note 30)	**—**	30,000	**—**
Redemption of bonds (Note 30)	**(9,000)**	(12,000)	**(63,456)**
Purchases of treasury shares	**(4)**	108	**(28)**
Proceeds from sale of treasury shares	**148**	27	**1,044**
Cash dividends paid (Note 22)	**(10,767)**	(10,603)	**(75,917)**
Other (Note 30)	**(10,777)**	(7,849)	**(75,983)**
Net cash provided by financing activities	**205,760**	35,172	**1,450,750**
Effect of exchange rate changes on cash and cash equivalents	**555**	5,003	**3,914**
Net increase (decrease) in cash and cash equivalents	**22,041**	33,049	**155,403**
Cash and cash equivalents at the beginning of year (Note 8)	**75,572**	42,523	**532,838**
Cash and cash equivalents at the end of year (Note 8)	**¥ 97,613**	¥ 75,572	**$ 688,241**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries

1. REPORTING ENTITY

The Yokohama Rubber Co., Ltd. (the "Company") is a corporation located in Japan. The consolidated financial statements of the Company consist of the Company and its consolidated subsidiaries (collectively, the "Group"), and the consolidated financial statements for the fiscal year ended December 31, 2023 were approved by the Board of Directors on March 28, 2024. The details of the Group's main businesses are described in 6. "SEGMENT INFORMATION."

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of Compliance with IFRS

The Group prepares its consolidated financial statements in accordance with IFRS issued by the International Accounting Standards Board. As the Company meets all the requirements for a "specified company under designated international accounting standards" prescribed in Article 1-2 of the Ordinance on Consolidated Financial Statements, the Company applies Article 93 of the Ordinance.

2. Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis, except for financial instruments and other items presented in 3. "MATERIAL ACCOUNTING POLICIES."

3. Presentation Currency and Unit

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and fractions less than one million yen are rounded to the nearest million.

The US dollar amounts included herein are solely for the convenience of the reader and have been translated from the Japanese yen amounts at the rate of ¥141.83 = $1.00, the approximate exchange rate prevailing on December 31, 2023.

4. Changes in Accounting Policies

Standards and Interpretations applied by the Group from the fiscal year ended December 31, 2023 were as follows:

IFRS	Overview of the amendment or new establishment
IAS 1 *Presentation of Financial Statements*	Requires companies to disclose *material* accounting policies in place of *significant* accounting policies.
IAS 12 *Income Taxes*	Introduces a temporary exception to the accounting for income taxes and disclosure requirements arising from the enactment or substantive enactment of tax laws to implement the Pillar Two model rules announced by OECD.

Judgements for material accounting policies were reviewed based on the amended standard, and changes (deletions) were made accordingly. Please refer to Note 3 for the revised material accounting policies. Apart from those explained in above notes, there are no effects to the consolidated financial statements for the year ended December 31, 2023 resulting from the application of these changes.

3. MATERIAL ACCOUNTING POLICIES

1. Basis of Consolidation

Subsidiaries are entities over which the Group has control. The Group determines that it has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All subsidiaries of the Group are consolidated from the acquisition date (that is, the date on which the Group obtains control) until the date on which the Group loses the control.

When the accounting policies of a subsidiary are different from those of the Group, adjustments are reflected, as needed, to the financial statements of the subsidiary.

Any changes in interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and the gains or losses are not recognized. On the other hand, if there are any changes in interest in a subsidiary that result in a loss of control, the Group derecognizes the subsidiary's assets and liabilities as well as non-controlling interests and the cumulative amount of other comprehensive income related to the subsidiary.

Comprehensive income of a subsidiary is attributed to the Company's interest and non-controlling interests in the subsidiary even if this results in the non-controlling interests having a deficit balance. Intra-group balances of receivables and payables, intra-group transactions, and unrealized gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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2. Business Combinations

Business combinations are accounted for by the acquisition method. The Group elects to measure non-controlling interests in the acquiree for each business combination at either fair value or at the proportionate share of the acquiree's identifiable net assets. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. Acquisition costs incurred are expensed when incurred.

Goodwill is measured as the excess of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree and the fair value of equity interest in the acquiree previously held by the acquirer, over the net amount of identifiable assets and liabilities at the acquisition date.

3. Foreign Currency Translation

(1) Foreign Currency Transactions

Foreign currency transactions are translated into each functional currency of the Company and its subsidiaries at the spot exchange rate on the transaction date.

Foreign currency monetary assets and liabilities at the end of the fiscal year are retranslated into the functional currency using the exchange rate at the end of the fiscal year, and exchange differences arising from the translation and settlement are recognized in profit or loss; provided that exchange differences arising from financial assets and liabilities measured at fair value through other comprehensive income are recognized in other comprehensive income, and the cumulative amount of the exchange differences is recognized in other components of equity.

(2) Translation of Foreign Operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the fiscal year, while revenue and expenses of the foreign operations are translated into Japanese yen using the average exchange rate for the fiscal year, unless there have been material changes in exchange rates during the period. Exchange differences arising from the translation of financial statements of the foreign operations are recognized in other comprehensive income, and the cumulative amount of the exchange differences is recognized in other components of equity.

4. Financial Instruments

(1) Non-derivative Financial Assets

(i) Initial recognition and measurement

Trade and other receivables are initially recognized on the date when they occur. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contract of the financial assets. All financial assets, other than those measured at fair value through profit or loss, are initially measured at fair value plus transaction costs. Financial assets are classified into financial assets measured at amortized cost, at fair value through profit or loss, and at fair value through other comprehensive income. The classification is determined at initial recognition of the financial asset. Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost.

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

When the Group elects to recognize equity financial assets measured at fair value through other comprehensive income, the Group shall make the designation thereof and apply such method of recognition consistently in subsequent periods.

Debt financial assets measured at fair value that meet both of the following conditions are classified as financial assets measured at fair value through other comprehensive income and all other debt financial assets are classified as financial assets measured at fair value through profit or loss.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Subsequent measurement

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

For equity financial assets measured at fair value that are designated as measured at fair value through other comprehensive income, any changes in fair value are recognized in other comprehensive income. When these financial assets are derecognized or the decline in their fair value is significant, cumulative gains or losses previously recognized in other comprehensive income are transferred directly to retained earnings.

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For debt financial assets measured at fair value that are classified as measured at fair value through other comprehensive income, any changes in fair value, excluding impairment gains or losses and foreign currency exchange gains or losses, are recognized in other comprehensive income until the financial assets are derecognized. When these financial assets are derecognized, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Dividends on equity financial assets measured at fair value through other comprehensive income are recognized as finance income.

(iii) Impairment of financial assets

For impairment of financial assets measured at amortized cost, an allowance for doubtful receivables is recognized for expected credit losses on the financial assets.

Expected credit losses are measured as the present value (discounted using the effective interest rate determined at initial recognition) of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. At the end of each fiscal year, the Group assesses whether the credit risk on financial instruments has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the allowance for doubtful receivables at an amount equal to 12-month expected credit losses. Meanwhile, if the credit risk has increased significantly since initial recognition, the Group measures the allowance for doubtful receivables at an amount equal to lifetime expected credit losses. However, for receivables, such as trade receivables, the Group always measures the allowance for doubtful receivables at an amount equal to lifetime expected credit losses.

The provision of allowance for doubtful receivables on financial assets is recognized in profit or loss. When an event that results in a reduction of the allowance for doubtful receivables occurs, the amount of reversal of the allowance for doubtful receivables is recognized in profit or loss.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the end of the fiscal year about past events, current conditions, and forecasts of future economic conditions.

(iv) Derecognition

The Group derecognizes financial assets when the contractual rights to receive cash flows of the financial assets expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset as a result of transferring the contractual right to receive cash flows of that financial asset.

(2) Non-derivative Financial Liabilities

(i) Initial recognition and measurement

The Group initially recognizes debt securities issued by the Group at the date of issuance. Financial liabilities other than debt securities are initially recognized on the transaction date when the Group becomes a party to the contract of the financial liabilities. All financial liabilities are classified as financial liabilities measured at amortized cost and are initially measured at fair value less transaction costs.

(ii) Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged or canceled or expires.

(3) Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and presented as a net amount in the consolidated statement of financial position when, and only when, the Group currently has a legal right to set off their balances and intends either to settle on a net basis or to recover the asset and settle the liability simultaneously.

(4) Derivatives and Hedge Accounting

The Group uses derivatives, such as forward foreign exchange contracts, to hedge foreign currency risk and interest rate risk. Such derivatives are initially measured at fair value on the date when the contract is entered into and are subsequently measured at fair value. Changes in the fair value of derivatives are accounted for depending on the hedging purpose and hedge designation when the derivatives are designated as qualifying hedging instruments, and are recognized in profit or loss when the derivatives are not designated as qualifying hedging instruments.

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Financial Section

5. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash and subject to an insignificant risk of changes in value with original maturities of three months or less.

6. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined primarily using the weighted average method.

7. Property, Plant and Equipment

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes costs directly attributable to the acquisition of the asset, the costs of dismantling and removing the asset and restoring the site to the original condition, and borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset.

Expenditure incurred after the acquisition of an item of property, plant and equipment is recognized as an asset if, and only if:

- It is probable that future economic benefits associated with the expenditure will flow to the Group; and
- the expenditure can be measured reliably.

Property, plant and equipment are initially recognized at cost, which is measured using the cost model.

Property, plant, and equipment are depreciated using the straight-line method over the estimated useful life of each asset.

The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures	5 to 50 years
Machinery, equipment, and vehicles	2 to 10 years
Tools, furniture, and fixtures	2 to 10 years

The depreciation method, residual value, and estimated useful life of an asset are reviewed at the end of each fiscal year. Any changes are applied prospectively as changes in accounting estimates.

The gain or loss realized on the disposal of an asset is calculated as the difference between the price for disposal and the carrying amount of the asset, and included in profit or loss.

8. Goodwill and Intangible Assets

(1) Goodwill

Goodwill is presented at cost less accumulated impairment losses. Goodwill is not amortized and is tested for impairment. For impairment, please refer to "(10) Impairment of Non-financial Assets."

(2) Other Intangible Assets

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Intangible assets are subsequently measured using the cost model and presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with definite useful lives are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible assets are as follows:

Customer-related assets:	11 to 13 years
Software:	primarily 5 years

The amortization method, residual value, and estimated useful life of an asset are reviewed at the end of each fiscal year. Any changes are applied prospectively as changes in accounting estimates.

9. Leases

A right-of-use asset is depreciated systematically over the lease term.

Lease payments are allocated to finance costs and the repayments of the remaining balance of a lease liability in order to produce a constant rate of interest on the remaining balance of the lease liability. The finance costs are presented separately from the depreciation charge for the right-of-use assets in the consolidated statement of profit or loss.

A lease liability under a lease transaction is measured at the discounted present value of the total lease payments that are not paid at the commencement date of the lease. A right-of-use asset is initially measured at the amount of the initial measurement of the lease liability, adjusted by any initial direct costs, prepaid lease payments, and other elements, together with costs for the restoration and other obligations required by the lease contract.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement even if the arrangement does not take the legal form of a lease.

Lease payments relating to leases with a lease term of 12 months or less and those for which the underlying asset is of low value are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

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10. Impairment of Non-financial Assets

The Group assesses whether there is any indication of impairment for each asset. When an event or change in circumstance indicates that the carrying amount might not be recoverable, the asset is tested for impairment. Intangible assets with indefinite useful lives and goodwill are, regardless of whether there is an indication of impairment or not, tested for impairment annually at a cash-generating unit (CGU) level by estimating the recoverable amount of the CGU to which the asset belongs.

Impairment tests are performed by estimating the recoverable amount of an asset or CGU and comparing it with the carrying amount. For the purpose of impairment testing, individual assets are grouped at the lowest levels for which there are separately identifiable cash flows. Goodwill is allocated to each CGU or a group of CGUs that is expected to benefit from the synergies of the business combination. The recoverable amount is the higher of fair value less cost to sell the asset and its value in use. In calculating the value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects the time value of money and inherent risks of the asset.

The Group assesses at the end of the fiscal year the possibility of reversal of impairment losses recognized in prior years for property, plant and equipment and intangible assets other than goodwill.

11. Retirement Benefits

The Group has a defined contribution plan and a defined benefit plan.

(1) Defined contribution plan

Under a defined contribution plan, the employer contributes a fixed amount to an independent company and has no legal or constructive obligation to pay an amount in excess of the contributed amount. Therefore, the amount of contribution to be paid to the defined contribution plan is recognized as an expense in the period in which employees render related services to the Group.

(2) Defined benefit plan

The Group determines the present value of defined benefit obligations and the related current service cost and past service cost using the projected unit credit method for each plan individually.

The discount rate is determined by reference to yields at the end of the fiscal year on high quality corporate bonds corresponding to a discounting period set based on a period until the expected date of benefit payment in each future fiscal year.

The present value of the defined benefit obligations less the fair value of the plan assets is recognized as an asset or liability.

Service cost, past service cost, and interest cost on the net defined benefit liability (asset) are recognized in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognized in its entirety in other comprehensive income in the period in which they occur and are immediately transferred to retained earnings.

12. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. When the time value of money is material, the provisions are determined by discounting the estimated future cash flows to the present value at a pre-tax discount rate that reflects the time value of money and the risks specific to the obligation.

13. Revenue

The Group recognizes revenue in the amount that reflects a consideration to which the Group expects to be entitled in exchange for the transfer of goods and services to customers, based on the following five-step approach:

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to separate performance obligations
Step 5: Recognize revenue when the entity satisfies a performance obligation

Revenue from the sale of goods is recognized when the control of goods is transferred to customers. Expected returns, discounts, rebates, and other items are deducted from revenue. The amount of returns is derived by estimating an expected return rate of goods based on historical data and other information. The amount of discounts and rebates is derived by estimating future payments based on the contract or through other means. Please also refer to 7. "REVENUE."

14. Income Taxes

Income taxes comprise current taxes and deferred taxes. They are recognized in profit or loss, except for items arising from business combinations, items recognized in other comprehensive income, and items directly recognized in equity.

Current taxes are measured as the amount that is expected to be paid to or refunded for current taxable profit based on the tax rates and the tax laws that have been enacted or substantively enacted by the end of the fiscal year.

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Deferred taxes are recognized, through an asset-and-liability approach, for the differences (temporary differences) between the tax base of assets and liabilities and their carrying amount for accounting purposes at the end of the fiscal year.

However, deferred tax assets and liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, that affects neither accounting nor taxable profit (loss), and that does not give rise to equal taxable and deductible temporary differences at the time of the transaction; and
- taxable temporary differences associated with investments in subsidiaries or associates, to the extent that the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to taxable profit for the fiscal year in which the temporary differences will be reversed. Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and when income taxes are levied by the same taxation authority on the same taxable entity.

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Pillar Two model rules designed to address the tax challenges arising from the digitalization of the global economy. It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on May 23, 2023 and June 27, 2023, respectively, the International Accounting Standards Board (IASB) and the Australian Accounting Standards Board (AASB) issued amendments to IAS 12 Income taxes introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognize or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules.

The Group applied the temporary exception at December 31, 2023.

15. Equity

(1) Share Capital and Share Premium

The issue prices of equity financial instruments issued by the Company are recognized in share capital and share premium. Transaction costs directly attributed to the issuance are deducted from equity.

(2) Treasury Shares

When treasury shares are acquired, the acquisition cost is recognized as a deduction item from equity. When treasury shares are disposed of, any difference between the carrying amount and the consideration received at the time of disposal is recognized in share premium.

16. Share-based Payment

The Group has adopted a restricted stock compensation plan for payments to the Company's members of the Board excluding outside members based on equity-settled shares. Consideration for services received is measured at fair value of the Company's shares at the grant date, recognized as an expense in the consolidated statement of profit or loss over the vesting period starting from the grant date, and the corresponding amount is recognized as an increase in equity in the consolidated statement of financial position.

17. Discontinued Operations

The Group classifies its business operation, a unit for managerial decision making, as a discontinued operation if it has been disposed of, or meets the criteria to be classified as held for sale.

4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

To prepare consolidated financial statements in conformity with IFRS, the Group uses judgments, accounting estimates, and assumptions that have an impact on the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Estimates and assumptions are based on management's best judgments made based on various factors which are considered to be reasonable in accordance with past results and conditions. By their nature, actual results may differ from these estimates and assumptions.

These estimates and assumptions, the basis of the estimates, are reviewed on an ongoing basis. The effects of any revisions to these estimates are recognized in the period of the revisions and future periods which are impacted by the revisions.

Although it is still uncertain when the ongoing Ukraine situation and Israeli-Palestinian conflict will settle down, the Group assumes that these factors will not significantly affect its operating environment.

However, given that the above assumptions used for estimates involve a lot of uncertainties, any changes in the operating environment may affect the estimates and assumptions.

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Information related to judgments made in the process of applying accounting policies that have a material impact on the consolidated financial statements is as follows:
- Scope of consolidated subsidiaries (3. "MATERIAL ACCOUNTING POLICIES (1) Basis of Consolidation")
- Revenue recognition (3. "MATERIAL ACCOUNTING POLICIES (13) Revenue," 7. "REVENUE")

Estimates and assumptions that have a material impact on the amounts recognized in the consolidated financial statements are as follows:
- Measurement of inventories (10. "INVENTORIES")

Inventories are measured at cost. When their net realizable value at the end of a reporting period falls below their cost, inventories are measured at such net realizable value and, in principle, the difference between the net realizable value and the cost is recognized as cost of sales. The net realizable value is the estimated selling price in the ordinary course of business less estimated cost required for completion and estimated selling expenses.

The estimates can be affected by factors such as uncertain future changes in the market environment. A loss may arise in the event of significant decline in the net realizable value.

- Impairment of non-financial assets (15. "IMPAIRMENT OF NON-FINANCIAL ASSETS")

Impairment tests for non-financial assets are conducted by calculating the recoverable amounts based on a number of assumptions and estimates, such as assumptions for measuring fair value of CGUs after deducting the costs of disposal, or estimates of future cash flows of CGUs and assumptions of discount rates for calculating their value in use. These assumptions and estimates might cause material revisions to the amount of impairment losses as a result of uncertain future changes in economic conditions. Estimates and assumptions of the material CGUs for which indication of impairment was identified in the fiscal year ended December 31, 2022 are described in 15. "IMPAIRMENT OF NON-FINANCIAL ASSETS."

- Recoverability of deferred tax assets (16. "INCOME TAXES")

In calculating income taxes, estimates and judgments are required for various factors, such as the interpretation of tax laws and regulations and the results of tax investigations in prior years. Therefore, the amount recognized as income taxes may differ from the amount actually imposed. Furthermore, deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; however, the timing and amount of available taxable profits may be affected by uncertain future changes in economic conditions. If the actual timing and amount differ from their estimates, they might cause material changes in the amount to be recognized in the following fiscal years.

- Measurement of defined benefit obligations (20. "EMPLOYEE BENEFITS")

The present value of defined benefit obligations and relevant service costs are calculated based on actuarial assumptions. In determining actuarial assumptions, estimates and judgments on a broad range of variables, such as discount rates and salary increase rates, are required.

The Group has obtained an external actuary's advice regarding the appropriateness of actuarial assumptions, including these variables.

Actuarial assumptions are determined based on management's best estimates and judgments; however, they may be affected by uncertain future changes in economic conditions and the amendment or promulgation of relevant laws and regulations. Any revision to actuarial assumptions, when necessary, might cause material changes in the amounts to be recognized in the consolidated financial statements in the following fiscal years.

- Valuation of financial instruments (31. "FINANCIAL INSTRUMENTS")

The Group uses valuation techniques using inputs that are unobservable in the market in measuring the fair value of certain financial instruments which are categorized as Level 3. Unobservable inputs may be affected by uncertain future changes in economic conditions. When revisions are needed, they might cause material changes in the amounts to be recognized in the following fiscal years.

- Contingent liabilities (36. "CONTINGENT LIABILITIES")

For contingent liabilities, items which may have a material impact on future business operations are disclosed by considering all available evidence at the end of the fiscal year and taking into account the likelihood and financial impact.

5. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

There are no material standards or interpretations that have been established or amended by the date of approval of the consolidated financial statements but have not been applied by the Group as of December 31, 2023.

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6. SEGMENT INFORMATION

1. Outline of Reportable Segments

The Group's business segments are organizational units for which the Group is able to obtain discrete financial information in order for the Company's Board of Directors to regularly review performance to determine the distribution of management resources and evaluate business results.

The Group classifies organizational units by product and service. Each organizational unit plans domestic or overseas general strategies for its products and services and operates its business.

Major products in each reportable segment

Reportable segment	Major products
Tires	Tires for passenger cars, trucks and buses, light trucks, agricultural machinery, construction equipment, industrial equipment, forestry machinery, etc.; tire tubes; aluminum alloy wheels; and auto supplies
MB	Conveyor belts, hoses, pneumatic marine fenders, oil fences, marine hoses, and aerospace products

2. Information on Segment Revenues and Results

The accounting methods applied to the reportable segments are the same as those described in 3. "MATERIAL ACCOUNTING POLICIES."

The figures related to reportable segments are based on business profit. Intersegment revenues are based on prevailing market prices.

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	Millions of Yen					
	Reportable segment		Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB				
Revenues						
Revenue from external customers	¥ 754,309	¥ 96,248	¥ 9,919	¥ 860,477	¥ —	¥ 860,477
Intersegment revenue	1,212	146	10,465	11,823	(11,823)	—
Total	¥ 755,521	¥ 96,394	¥ 20,384	¥ 872,300	¥ (11,823)	¥ 860,477
Segment profit (business profit) (Note 2)	66,843	3,965	(758)	70,050	40	70,089
Other income and expenses						(1,238)
Operating profit						68,851
(Other material items) (Note 4)						
Depreciation and amortization	37,777	2,964	101	40,841	1,042	41,883
Impairment losses	247	38	—	285	—	285
Capital expenditures	48,678	3,895	332	52,904	2,038	54,942

Notes:

1. "Others" includes the sports business.
2. Segment profit (business profit) is calculated by deducting cost of sales and selling, general, and administrative expenses from revenues.
3. Segment profit adjustments include the elimination of intersegment transactions.
4. Depreciation and capital expenditures for right-of-use assets are not included.

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Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

	Millions of Yen					
	Reportable segment		Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB				
Revenues						
Revenue from external customers	¥ 874,863	¥ 101,885	¥ 8,585	¥ 985,333	¥ —	¥ 985,333
Intersegment revenue	1,196	103	12,395	13,694	(13,694)	—
Total	¥ 876,059	¥ 101,988	¥ 20,980	¥ 999,026	¥ (13,694)	¥ 985,333
Segment profit (business profit) (Note 2)	92,026	7,155	(76)	99,105	22	99,127
Other income and expenses						1,224
Operating profit						100,351
(Other material items) (Note 4)						
Depreciation and amortization	45,871	3,020	119	49,010	838	49,848
Impairment losses	6	2,290	—	2,296	—	2,296
Capital expenditures	55,145	5,383	292	60,821	1,592	62,412

	Thousands of U.S. Dollars					
	Reportable segment		Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB				
Revenues						
Revenue from external customers	$ 6,168,392	$ 718,358	$ 60,529	$ 6,947,279	$ —	$ 6,947,279
Intersegment revenue	8,433	726	87,392	96,551	(96,551)	—
Total	$ 6,176,825	$ 719,084	$ 147,922	$ 7,043,830	$ (96,551)	$ 6,947,279
Segment profit (business profit) (Note 2)	648,844	50,449	(537)	698,756	155	698,911
Other income and expenses						8,632
Operating profit						707,543
(Other material items) (Note 4)						
Depreciation and amortization	323,423	21,292	840	345,555	5,911	351,466
Impairment losses	44	16,145	—	16,190	—	16,190
Capital expenditures	388,812	37,957	2,058	428,827	11,223	440,050

Notes:
1."Others" includes the sports business.
2. Segment profit (business profit) is calculated by deducting cost of sales and selling, general, and administrative expenses from revenues.
3. Segment profit adjustments include the elimination of intersegment transactions.
4. Depreciation and capital expenditures for right-of-use assets are not included.

3. Revenue from External Customers by Product and Service Category

Disclosure is omitted because product and service categories are the same as the reportable segments.

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4. Geographic Information

(1) Revenue from External Customers

Revenue from external customers by area is presented in 7. "REVENUE."

(2) Non-current Assets

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Japan	**¥ 167,475**	¥ 151,277	**$ 1,180,814**
United States of America ("USA")	**73,552**	57,925	**518,594**
India	**208,985**	184,280	**1,473,492**
China	**37,452**	32,432	**264,064**
Philippines	**28,372**	29,944	**200,043**
Europe	**266,086**	19,743	**1,876,092**
Others	**70,377**	44,954	**496,204**
Total	**¥ 852,299**	¥ 520,555	**$ 6,009,303**

Note:

Non-current assets are classified based on the location of each company in the Group. They exclude other financial assets, assets for retirement benefits, and deferred tax assets.

5. Information on Major Customers

There was no single external customer that accounted for 10% or more of revenue on the consolidated statement of profit or loss.

7. REVENUE

1. Disaggregation of Segment Revenues by Geographic Area

Fiscal year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	Millions of Yen			
	Tires	MB	Others	Total
Areas				
Japan	¥ 199,140	¥ 51,837	¥ 6,808	¥ 257,784
North America	279,384	23,626	269	303,279
Asia	116,713	15,462	2,843	135,017
Europe	106,672	1,807	—	108,479
Others	52,402	3,516	—	55,917
Total	¥ 754,309	¥ 96,248	¥ 9,919	¥ 860,477

Note:

Revenues are classified based on the location of customers and exclude intersegment transactions.

North America mainly refers to the USA (¥284,938 million).

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Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

	Millions of Yen			
	Tires	MB	Others	Total
Areas				
Japan	**¥ 217,165**	**¥ 55,151**	**¥ 6,512**	**¥ 278,828**
North America	**285,872**	**23,038**	**65**	**308,975**
Asia	**126,514**	**13,969**	**2,008**	**142,491**
Europe	**180,413**	**3,254**	**—**	**183,667**
Others	**64,898**	**6,473**	**—**	**71,371**
Total	**¥ 874,863**	**¥ 101,885**	**¥ 8,585**	**¥ 985,333**

	Thousands of U.S. Dollars			
	Tires	MB	Others	Total
Areas				
Japan	**$ 1,531,167**	**$ 388,853**	**$ 45,914**	**$ 1,965,934**
North America	**2,015,599**	**162,433**	**456**	**2,178,488**
Asia	**892,010**	**98,490**	**14,159**	**1,004,659**
Europe	**1,272,039**	**22,943**	**—**	**1,294,982**
Others	**457,577**	**45,639**	**—**	**503,216**
Total	**$ 6,168,392**	**$ 718,358**	**$ 60,529**	**$ 6,947,279**

Note:
Revenues are classified based on the location of customers and exclude intersegment transactions.
North America mainly refers to the USA (¥289,004 million, $2,037,682 thousand).

The Group is engaged in the manufacturing of products in the Tires, MB, and Others segments, and conducts a range of business with the tire business at its core. In these businesses, the Group itself is a party to contracts with customers.

Since performance obligations for revenues from automakers, retailers, and other business operators, all of which are the major customers of the Tires and MB segments, are satisfied when the Group's products are delivered to customers, revenues are recorded at that point in time. This is because control over the Group's products is deemed to be transferred on delivery, the point in time in which customers can use and sell the products on their own will and obtain benefits from the products.

The amounts of contractual considerations include no significant financing components since they are paid primarily within one year from the delivery of products to customers.

In the Tires and MB segments, the Group determines product transaction prices when initiating transactions with each customer. For some transactions which provide sales rebates and sales fees according to the volume of transactions and other aspects for certain periods from several months to one year, the Group adjusts transaction prices by estimating the amounts of variable consideration based on contractual conditions and other factors. Refund liabilities relating to these adjustments are included in "Other financial liabilities." Since the variable consideration payable to customers is reasonably estimable, it is determined that significant reversal of cumulative revenue recognized will not occur and thus the estimate of variable consideration will not be constrained.

The Tires and MB segments do not classify product warranties as independent performance obligations or allocate part of transaction prices to product warranties because they do not provide service-type product warranties, such as providing services beyond repairing defects that existed at the time of sale.

The Tires segment, which records a reversal of revenues from winter tires mainly sold in Japan partly due to returns from winter to spring, reduces revenues by estimating expected returns, and the right to collect products to be returned is recognized as a returned asset in "Other current assets."

2. Contract Balance

The Group's contract balance consists of receivables (notes and accounts receivables) arising from contracts with customers and contract liabilities (advances received). The balance of receivables arising from contracts with customers is presented in 9. "TRADE AND OTHER RECEIVABLES." The balance of contract liabilities recorded under "Other current liabilities" is as follows:

During the fiscal years ended December 31, 2022 and 2023, the amounts of revenues recognized from the performance obligations satisfied in the previous periods are immaterial.

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Contract liabilities	**¥ 3,904**	¥ 1,446	**$ 27,526**

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3. Transaction Prices Allocated to Remaining Performance Obligations

The Group has no material transactions whose respective contract period exceeds one year. The Group applies the practical expedient set forth in Paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations that have original expected durations of one year or less.

Moreover, consideration arising from contracts with customers includes no material amounts excluded from transaction prices.

4. Assets Recognized from Costs for Obtaining or Performing Contracts with Customers

The Group has no additional costs for obtaining contracts or costs for performing contracts which should be recognized as assets.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Cash and deposits	**¥ 85,924**	¥ 63,238	**$ 605,820**
Time deposits with maturities of three months or less	**11,690**	12,335	**82,421**
Total	**¥ 97,613**	¥ 75,572	**$ 688,241**

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Notes and accounts receivable-trade	**¥ 227,427**	¥ 182,511	**$ 1,603,519**
Others	**19,844**	14,780	**139,916**
Allowance for doubtful receivables	**(3,878)**	(3,542)	**(27,344)**
Total	**¥ 243,393**	¥ 193,749	**$ 1,716,091**

The amounts less allowance for doubtful receivables are presented in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortized cost.

Credit risk management and the fair value of trade and other receivables are presented in 31. "FINANCIAL INSTRUMENTS."

10. INVENTORIES

The breakdown of inventories is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Merchandise and finished goods	**¥ 173,446**	¥ 152,697	**$ 1,222,916**
Work in progress	**12,185**	9,319	**85,911**
Raw materials and supplies	**64,091**	54,376	**451,883**
Total	**¥ 249,721**	¥ 216,392	**$ 1,760,709**

The valuation loss on inventories was ¥1,371 million and ¥3,089 million ($21,778 thousand) for the fiscal years ended December 31, 2022 and 2023, respectively.

The valuation loss on inventories for the fiscal year ended December 31, 2022 includes fixed manufacturing costs of ¥52 million that incurred during the operation restriction period to prevent the spread of COVID-19.

During the fiscal year ended December 31, 2023, fixed manufacturing costs incurred due to the decline in operation in some of the Group's overseas manufacturing subsidiaries caused by the impact of the situation in Ukraine were reclassified from cost of sales to other expenses. Please refer to 25. "OTHER EXPENSES" for the amount reclassified.

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11. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Non-derivative financial assets measured at amortized cost			
Loans	**¥ 389**	¥ 317	**$ 2,741**
Others	**7,418**	3,848	**52,305**
Allowance for doubtful receivables	**(163)**	(118)	**(1,146)**
Non-derivative financial assets measured at fair value through profit or loss			
Others	**170**	179	**1,200**
Non-derivative financial assets measured at fair value through other comprehensive income			
Shares	**94,847**	102,935	**668,740**
Others	**1,035**	610	**7,294**
Derivative assets	**7,333**	8,626	**51,701**
Total	**¥ 111,029**	¥ 116,398	**$ 782,835**
Current assets	**6,217**	3,594	**43,836**
Non-current assets	**104,812**	112,804	**738,999**
Total	**¥ 111,029**	¥ 116,398	**$ 782,835**

The amounts less allowance for doubtful receivables are presented in the consolidated statement of financial position.

Derivative assets are classified as financial assets measured at fair value through profit or loss, except for those to which hedge accounting is applied.

Major equity financial assets measured at fair value through other comprehensive income and their fair values were as follows:

Fiscal Year Ended December 31, 2022 (December 31, 2022)

Share Issuer	Millions of Yen Amount
TOYOTA MOTOR CORPORATION	¥ 31,377
Zeon Corporation	25,060
Honda Motor Co., Ltd.	9,504
SUZUKI MOTOR CORPORATION	3,519
ADEKA Corporation	2,382

Fiscal Year Ended December 31, 2023 (December 31, 2023)

Share Issuer	Millions of Yen Amount
TOYOTA MOTOR CORPORATION	**¥ 31,430**
Zeon Corporation	**16,837**
Honda Motor Co., Ltd.	**9,650**
SUZUKI MOTOR CORPORATION	**3,480**
Yellow Hat Ltd.	**1,946**

Share Issuer	Thousands of U.S. Dollars Amount
TOYOTA MOTOR CORPORATION	**$ 221,606**
Zeon Corporation	**118,711**
Honda Motor Co., Ltd.	**68,040**
SUZUKI MOTOR CORPORATION	**24,535**
Yellow Hat Ltd.	**13,721**

These shares are classified as equity financial assets measured at fair value through other comprehensive income as they are mainly held for strategic investment purposes.

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Financial Section

The Group sells (derecognizes) equity financial assets measured at fair value through other comprehensive income to streamline and effectively use the assets it holds.

The fair values and accumulated gains or losses recognized in other comprehensive income in equity at the time of sale in each fiscal year were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Fair value	**¥ 29,776**	¥ 7,701	**$ 209,944**
Accumulated gains (losses) recognized in other components of equity (Note)	**¥ 14,544**	¥ 3,847	**$ 102,545**

Note:
Accumulated gains or losses recognized in other components of equity were transferred to retained earnings at the time of sale.

The breakdown of dividends received which are recognized from equity financial instruments is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Investments derecognized during the year	**¥ 640**	¥ 156	**$ 4,516**
Investments held as of the end of the year	**2,617**	3,794	**18,452**
Total	**¥ 3,258**	¥ 3,950	**$ 22,968**

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12. PROPERTY, PLANT AND EQUIPMENT

Changes

Changes in the cost, accumulated depreciation, and accumulated impairment losses and carrying amounts of property, plant and equipment were as follows:

	Millions of Yen						
Cost	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at January 1, 2022	¥ 217,185	¥ 509,805	¥ 92,814	¥ 47,959	¥ 22,835	¥ 65,286	¥ 955,884
Individual acquisition	193	1,506	1,955	—	49,660	6,848	60,163
Sale or disposal	(2,071)	(8,986)	(5,680)	(674)	(221)	(560)	(18,193)
Exchange differences on translating foreign operations	11,473	29,845	4,704	1,716	2,448	3,332	53,518
Transfer from construction in progress	8,317	29,711	6,252	3,163	(47,443)	—	—
Others	(1,033)	(147)	17	(1,449)	1,025	(354)	(1,942)
Balance at December 31, 2022	¥ 234,064	¥ 561,734	¥ 100,062	¥ 50,715	¥ 28,304	¥ 74,552	¥ 1,049,431
Individual acquisition	434	1,635	2,579	112	56,714	10,600	72,074
Acquisition through business combinations	28,525	34,326	5,431	13,183	7,041	5,544	94,050
Sale or disposal	(5,555)	(11,718)	(4,689)	(507)	(391)	(6,901)	(29,760)
Exchange differences on translating foreign operations	10,612	17,619	3,116	1,805	1,081	2,635	36,867
Transfer from construction in progress	9,550	32,961	6,982	—	(49,493)	—	—
Others	(2,166)	2,685	(837)	(109)	(3,490)	(9,800)	(13,717)
Balance at December 31, 2023	¥ 275,464	¥ 639,241	¥ 112,645	¥ 65,199	¥ 39,766	¥ 76,630	¥ 1,208,944

	Thousands of U.S. Dollars						
Cost	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at December 31, 2022	$ 1,650,315	$ 3,960,612	$ 705,509	$ 357,575	$ 199,563	$ 525,642	$ 7,399,216
Individual acquisition	3,058	11,528	18,185	791	399,874	74,737	508,174
Acquisition through business combinations	201,120	242,021	38,292	92,947	49,647	39,090	663,117
Sale or disposal	(39,164)	(82,620)	(33,059)	(3,575)	(2,758)	(48,654)	(209,830)
Exchange differences on translating foreign operations	74,820	124,223	21,970	12,727	7,619	18,577	259,936
Transfer from construction in progress	67,331	232,398	49,231	—	(348,960)	—	—
Others	(15,268)	18,930	(5,904)	(770)	(24,606)	(69,097)	(96,715)
Balance at December 31, 2023	$ 1,942,211	$ 4,507,092	$ 794,225	$ 459,695	$ 280,379	$ 540,296	$ 8,523,898

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Accumulated depreciation and accumulated impairment losses	Millions of Yen						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at January 1, 2022	¥ (124,740)	¥ (390,080)	¥ (77,615)	¥ (530)	¥ (23)	¥ (26,627)	¥ (619,616)
Depreciation	(6,868)	(23,119)	(7,315)	—	—	(8,031)	(45,334)
Impairment losses	(12)	(88)	(12)	(173)	—	—	(285)
Sale or disposal	1,892	8,503	5,532	189	—	528	16,644
Exchange differences on translating foreign operations	(4,663)	(19,615)	(3,504)	(67)	(4)	(1,012)	(28,865)
Others	677	19	47	—	—	215	958
Balance at December 31, 2022	¥ (133,715)	¥ (424,380)	¥ (82,868)	¥ (581)	¥ (27)	¥ (34,927)	¥ (676,498)
Depreciation	(8,363)	(27,239)	(8,426)	—	—	(9,646)	(53,674)
Impairment losses	(509)	(1,573)	(211)	—	(1)	—	(2,295)
Sale or disposal	4,782	9,206	4,266	—	—	5,189	23,443
Exchange differences on translating foreign operations	(3,042)	(11,359)	(2,083)	(27)	0	(953)	(17,463)
Others	157	138	429	(27)	27	9,616	10,338
Balance at December 31, 2023	¥ (140,690)	¥ (455,208)	¥ (88,894)	¥ (635)	¥ (1)	¥ (30,721)	¥ (716,148)

Accumulated depreciation and accumulated impairment losses	Thousands of U.S. Dollars						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at December 31, 2022	$ (942,782)	$ (2,992,174)	$ (584,277)	$ (4,097)	$ (189)	$ (246,258)	$ (4,769,778)
Depreciation	(58,965)	(192,056)	(59,411)	—	—	(68,008)	(378,440)
Impairment losses	(3,590)	(11,094)	(1,488)	—	(7)	—	(16,178)
Sale or disposal	33,718	64,908	30,076	—	—	36,586	165,288
Exchange differences on translating foreign operations	(21,448)	(80,087)	(14,685)	(187)	0	(6,722)	(123,128)
Others	1,104	971	3,023	(193)	189	67,800	72,893
Balance at December 31, 2023	$ (991,962)	$ (3,209,531)	$ (626,764)	$ (4,477)	$ (7)	$ (216,601)	$ (5,049,342)

Carrying amount	Millions of Yen						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets (Note)	Total
Balance at January 1, 2022	¥ 92,446	¥ 119,726	¥ 15,198	¥ 47,429	¥ 22,812	¥ 38,658	¥ 336,269
Balance at December 31, 2022	100,349	137,354	17,194	50,134	28,277	39,625	372,933
Balance at December 31, 2023	134,774	184,033	23,751	64,564	39,765	45,910	492,796

Carrying amount	Thousands of U.S. Dollars						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets (Note)	Total
Balance at December 31, 2023	$ 950,249	$ 1,297,561	$ 167,461	$ 455,218	$ 280,372	$ 323,695	$ 3,474,556

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The carrying amounts of right-of-use assets were as follows:

	Millions of Yen				
Right-of-use assets	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Total
Balance at January 1, 2022	¥ 28,974	¥ 3,366	¥ 897	¥ 5,422	¥ 38,658
Balance at December 31, 2022	29,223	3,840	907	5,655	39,625
Balance at December 31, 2023	35,087	3,979	898	5,946	45,910

	Thousands of U.S. Dollars				
Right-of-use assets	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Total
Balance at December 31, 2023	$ 247,390	$ 28,053	$ 6,328	$ 41,923	$ 323,695

Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general, and administrative expenses" in the consolidated statement of profit or loss.

13. GOODWILL AND INTANGIBLE ASSETS

1. Changes

Changes in the cost, accumulated amortization, and accumulated impairment losses and carrying amounts of goodwill and intangible assets were as follows:

	Millions of Yen					
Cost	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2022	¥ 90,130	¥ 29,134	¥ 15,156	¥ 6,340	¥ 7,292	¥ 148,052
Individual acquisition	—	—	—	511	2	514
Sale or disposal	—	—	—	(131)	(64)	(195)
Exchange differences on translating foreign operations	14,114	4,454	2,390	295	433	21,686
Others	—	—	—	(1,671)	(9)	(1,680)
Balance at December 31, 2022	¥ 104,244	¥ 33,588	¥ 17,546	¥ 5,344	¥ 7,654	¥ 168,376
Individual acquisition	—	—	2	393	39	434
Acquisition through business combinations	154,949	6,596	23,617	666	5,947	191,775
Sale or disposal	—	—	—	(76)	(4)	(80)
Exchange differences on translating foreign operations	16,637	2,716	2,060	240	660	22,313
Others	—	—	1,256	(866)	(78)	311
Balance at December 31, 2023	¥ 275,830	¥ 42,901	¥ 44,480	¥ 5,702	¥ 14,217	¥ 383,130

	Thousands of U.S. Dollars					
Cost	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2022	$ 734,993	$ 236,821	$ 123,709	$ 37,678	$ 53,969	$ 1,187,169
Individual acquisition	—	—	17	2,770	272	3,059
Acquisition through business combinations	1,092,500	46,506	166,513	4,698	41,929	1,352,146
Sale or disposal	—	—	—	(533)	(28)	(561)
Exchange differences on translating foreign operations	117,301	19,153	14,524	1,695	4,650	157,323
Others	—	—	8,854	(6,106)	(553)	2,195
Balance at December 31, 2023	$ 1,944,794	$ 302,480	$ 313,617	$ 40,202	$ 100,239	$ 2,701,331

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Accumulated amortization and accumulated impairment losses	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2022	¥—	¥ (12,491)	¥ (475)	¥ (3,521)	¥ (5,342)	¥ (21,829)
Amortization	—	(2,535)	(15)	(1,268)	(766)	(4,584)
Impairment losses	—	—	—	(0)	—	(0)
Sale or disposal	—	—	—	129	35	164
Exchange differences on translating foreign operations	—	(1,921)	(135)	(210)	(245)	(2,511)
Others	—	—	—	1,783	13	1,796
Balance at December 31, 2022	¥—	¥ (16,947)	¥ (626)	¥ (3,087)	¥ (6,305)	¥ (26,964)
Amortization	—	(3,205)	(760)	(1,091)	(766)	(5,822)
Impairment losses	—	—	—	(2)	—	(2)
Sale or disposal	—	—	—	70	0	70
Exchange differences on translating foreign operations	—	(1,203)	(132)	(152)	(167)	(1,654)
Others	—	—	(1,296)	1,374	6	85
Balance at December 31, 2023	¥—	¥ (21,355)	¥ (2,813)	¥ (2,888)	¥ (7,231)	¥ (34,287)

Accumulated amortization and accumulated impairment losses	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2022	$—	$ (119,488)	$ (4,411)	$ (21,767)	$ (44,451)	$ (190,117)
Amortization	—	(22,597)	(5,361)	(7,690)	(5,402)	(41,050)
Impairment losses	—	—	—	(11)	—	(11)
Sale or disposal	—	—	—	493	4	497
Exchange differences on translating foreign operations	—	(8,481)	(930)	(1,075)	(1,178)	(11,664)
Others	—	—	(9,134)	9,688	45	598
Balance at December 31, 2023	$—	$ (150,566)	$ (19,836)	$ (20,362)	$ (50,984)	$ (241,748)

Carrying amount	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2022	¥ 90,130	¥ 16,643	¥ 14,681	¥ 2,819	¥ 1,950	¥ 126,223
Balance at December 31, 2022	104,244	16,641	16,920	2,257	1,350	141,412
Balance at December 31, 2023	275,830	21,546	41,667	2,814	6,986	348,843

Carrying amount	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2023	$ 1,944,794	$ 151,914	$ 293,781	$ 19,839	$ 49,255	$ 2,459,583

Amortization of intangible assets is included in "Cost of sales" and "Selling, general, and administrative expenses" in the consolidated statement of profit or loss.

2. Intangible Assets with Indefinite Useful Lives

The carrying amount of intangible assets with indefinite useful lives at the end of the fiscal year ended December 31, 2022 was ¥16,895 million, representing trademark rights acquired in the business combination with YOHT, which is a CGU.

The carrying amount of intangible assets with indefinite useful lives at the end of the fiscal year ended December 31, 2023 was ¥31,098 million ($219,265 thousand), representing trademark rights acquired in the business combinations with YOHT and Y-TWS, both of which are CGUs. They were deemed to have indefinite useful lives in the fiscal year ended December 31, 2023 since they will basically survive as long as the business continues.

3. Material Goodwill and Intangible Assets

Goodwill at the end of the fiscal year ended December 31, 2022 was mainly attributable to YOHT, which is a CGU, whose carrying amount was ¥103,475 million. Material intangible assets other than goodwill were mainly customer-related assets of YOHT, whose carrying amount was ¥16,640 million.

Goodwill at the end of the fiscal year ended December 31, 2023 was mainly attributable to YOHT and Y-TWS, both of which are CGUs, and their carrying amounts were ¥274,999 million ($1,938,935 thousand). Material intangible assets other than goodwill were mainly customer-related assets of YOHT and Y-TWS, and technology-related assets of Y-TWS, whose carrying amounts were ¥21,544 million ($151,902 thousand) and ¥5,866 million ($41,358 thousand), respectively.

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The remaining amortization periods at the end of the fiscal year ended December 31, 2023 were six years for customer-related assets of YOHT, 10 years for customer-related assets of Y-TWS, and nine years for technology-related assets of Y-TWS.

4. Research and Development Expenses

Research and development expenses recognized in the fiscal years ended December 31, 2022 and 2023 were ¥16,034 million and ¥17,972 million ($126,715 thousand), respectively, which were included in "Cost of sales" and "Selling, general, and administrative expenses" in the consolidated statement of profit or loss.

14. LEASE TRANSACTIONS

(Lease transactions as lessee)

As a lessee, the Group leases buildings and structures, machinery, equipment, and vehicles, tools, furniture, and fixtures, land, and other assets. Lease liabilities are presented in "Other financial liabilities" in the consolidated statement of financial position.

1. Information on Lease-related Expenses

The breakdown of lease-related expenses was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Depreciation of right-of-use assets by class of underlying asset			
Buildings and structures	**¥ 6,640**	¥ 5,299	**$ 46,819**
Machinery, equipment, and vehicles	**2,183**	1,555	**15,389**
Tools, furniture, and fixtures	**514**	413	**3,626**
Land	**306**	762	**2,159**
Other assets	**2**	2	**16**
Subtotal	**9,646**	8,031	**68,008**
Interest expenses on lease liabilities	**830**	794	**5,852**
Expense relating to short-term leases	**1,507**	1,567	**10,628**
Expense relating to leases of low-value assets (excluding short-term leases)	**16**	2	**110**
Variable lease payments	**507**	624	**3,572**
Income from subleasing right-of-use assets	**831**	341	**5,862**

2. Variable Lease Payments

Lease contracts include variable lease payments, which are primarily lease payments that vary based on the number of tires kept in tire warehouses.

3. Extension Options and Termination Options

Extension options and termination options are mainly included in real estate leases of stores, offices, and warehouses, and the need to exercise these options is considered as appropriate for the purpose of utilizing such property for the Group's business.

4. Residual Value Guarantees

There are no material lease contracts for which residual value guarantees are provided.

5. Lease Contracts Not Yet Commenced to Which the Lessee Is Committed

There are no material lease contracts which had been concluded but for which leases had not yet commenced.

6. Restrictions or Covenants Imposed by Leases

There are no material restrictions imposed by lease contracts (restrictions on additional borrowings or additional leases, etc.).

7. Sale and Leaseback Transactions

There were no sale and leaseback transactions during the fiscal years ended December 31, 2022 and 2023.

8. Short-term Leases and Leases of Low-value Assets

Lease payments relating to leases with a lease term of 12 months or less or those for which the underlying asset is of low value are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

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15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1. Impairment Losses

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Non-financial assets are grouped by the smallest CGU that generates cash inflows that are largely independent. Impairment losses were recorded on the following assets in the fiscal year ended December 31, 2022.

			Millions of Yen
Usage	Segment	Type	Amount
Business assets	Tires	Buildings	¥ 9
		Structures	0
		Machinery and equipment	88
		Tools, furniture, and fixtures	12
		Land	138
		Software	0
		Subtotal	247
Business assets	MB	Buildings	3
		Tools, furniture, and fixtures	0
		Land	35
		Subtotal	38
		Total	285

Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Non-financial assets are grouped by the smallest CGU that generates cash inflows that are largely independent. Impairment losses were recorded on the following assets in the fiscal year ended December 31, 2023.

			Millions of Yen	Thousands of U.S. Dollars
Usage	Segment	Type	Amount	Amount
Business assets	Tires	Machinery and equipment	¥ 3	$ 23
		Tools, furniture, and fixtures	1	7
		Software	1	7
		Construction in progress	1	7
		Subtotal	6	44
Business assets	MB	Buildings	509	3,590
		Machinery and equipment	1,563	11,022
		Vehicles	7	49
		Tools, furniture, and fixtures	210	1,481
		Software	1	4
		Subtotal	2,290	16,145
		Total	2,296	16,190

After reviewing the business plan of the consolidated subsidiaries engaged in the MB business based on changes in the business environment and their operating results, some items under property, plant and equipment were deemed no longer recoverable, and their carrying amounts were reduced to their recoverable amounts. The reduction of ¥2,290 million ($16,145 thousand) was recorded in "Other expenses" in the consolidated statement of profit or loss as impairment losses. The recoverable amount of this asset group, ¥313 million ($2,205 thousand), was measured at value in use, which was determined by discounting estimates of future cash flows based on a management-approved five-year business plan to the present value using a pre-tax discount rate of 12.7%.

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2. Impairment Tests on Goodwill and Intangible Assets with Indefinite Useful Lives

The Group performs impairment tests on goodwill and intangible assets with indefinite useful lives at least once a year and whenever there is an indication that an asset may be impaired.

(1) CGU

The main balances of goodwill allocated to CGUs are as follows.

CGU	Reportable segment	Millions of Yen		Thousands of U.S. Dollars
		2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
YOHT	Tires	**¥ 110,594**	¥ 103,475	**$ 779,766**
Y-TWS	Tires	**164,405**	—	**1,159,168**

(2) Basis of recoverable amounts

(i) CGU: YOHT

Recoverable amounts used for impairment tests on goodwill and intangible assets with indefinite useful lives are calculated based on value in use.

Value in use is determined by using pre-tax cash-flow forecasts based on a management-approved business plan of up to five years. For periods beyond those covered by the business plan, continuing value is determined. The plan reflects management's evaluation on the industry's future outlook and past results. In determining the continuing value, a publicly disclosed growth rate is used.

Major assumptions used as the basis of calculation of value in use are as follows:

- Long-term average growth rate of the market to which the CGU belongs used to extend cash flow forecasts
  Fiscal year ended December 31, 2023: 1.9%–5.5%, Fiscal year ended December 31, 2022: 1.9%–4.0%
- Pre-tax discount rate applied to cash flow forecasts (calculated based on a weighted-average cost of capital)
  Fiscal year ended December 31, 2023: 10.2%, Fiscal year ended December 31, 2022: 11.3%

Concerning the goodwill and intangible assets with indefinite useful lives, since the recoverable amount of the CGU sufficiently exceeds the carrying amount, the Group considers that the CGU is unlikely to result in a material impairment loss even if the major assumptions change within a reasonable range.

(ii) CGU: Y-TWS

Recoverable amounts used for impairment tests on goodwill and intangible assets with indefinite useful lives are calculated based on value in use.

Value in use is determined by using pre-tax cash-flow forecasts based on a management-approved business plan of up to five years. For periods beyond those covered by the business plan, continuing value is determined. The plan reflects management's evaluation on the industry's future outlook and past results. In determining the continuing value, a publicly disclosed growth rate is used.

Major assumptions used as the basis of calculation of value in use are as follows:

- Long-term average growth rate of the market to which the CGU belongs used to extend cash flow forecasts
  Fiscal year ended December 31, 2023: 1.9%–5.5%
- Pre-tax discount rate applied to cash flow forecasts (calculated based on a weighted-average cost of capital)
  Fiscal year ended December 31, 2023: 9.2%

Concerning the goodwill and intangible assets with indefinite useful lives, since the recoverable amount of the CGU sufficiently exceeds the carrying amount, the Group considers that the CGU is unlikely to result in a material impairment loss even if the major assumptions change within a reasonable range.

16. INCOME TAXES

1. Income Taxes

The breakdown of income taxes recognized through profit or loss is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Current tax expense	**¥ 37,858**	¥ 24,285	**$ 266,928**
Deferred tax expense	**(313)**	188	**(2,208)**
Total	**¥ 37,545**	¥ 24,473	**$ 264,720**

Deferred tax expense includes expenses arising from valuation losses on deferred tax assets and the reversal of valuation losses recorded in prior fiscal years.

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2. Reconciliation of Effective Tax Rate

The breakdown of major factors contributing to differences between the statutory effective tax rate and the actual effective tax rate is as follows.

The Company and its domestic subsidiaries were mainly subject to national corporate income tax, inhabitant tax, and enterprise tax, which, in aggregate, would result in the statutory effective tax rate of 30.3% for the fiscal years ended December 31, 2022 and 2023.

The overseas subsidiaries were subject to local corporate and other taxes.

	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)
Statutory effective tax rate	**30.3 %**	30.3 %
(Reconciliation)		
Difference between statutory effective tax rates of overseas consolidated subsidiaries	**(1.6)**	(2.1)
Permanently nondeductible expenses	**0.3**	0.4
Permanently nontaxable income	**(0.3)**	(0.5)
Tax deduction for research and development	**(1.7)**	(1.9)
Effect of recoverability assessment of deferred tax assets	**0.1**	(0.4)
Taxable temporary differences associated with investments in subsidiaries or associates	**1.9**	5.3
Foreign withholding taxes	**1.2**	2.2
Foreign income taxes, etc.	**4.1**	—
Others	**1.1**	0.9
Average actual effective tax rate	**35.4 %**	34.2 %

3. Deferred Tax Assets and Deferred Tax Liabilities

The major breakdown of deferred tax assets and deferred tax liabilities is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Deferred tax assets			
Liabilities for retirement benefits	**¥ 7,588**	¥ 10,290	**$ 53,499**
Unrealized gains	**5,906**	3,420	**41,644**
Accrued expenses	**2,479**	2,101	**17,476**
Accrued vacation payable	**1,696**	1,424	**11,955**
Valuation loss on inventories	**2,758**	2,737	**19,448**
Impairment losses	**2,869**	2,914	**20,228**
Others	**9,019**	6,433	**63,594**
Total deferred tax assets	**32,315**	29,318	**227,845**
Deferred tax liabilities			
Intangible assets identified as a result of business combinations	**(24,017)**	(12,167)	**(169,333)**
Liabilities for pension and severance payments	**(4,993)**	(4,993)	**(35,204)**
Gain on receipt of stock set by pension plan	**(1,107)**	(1,581)	**(7,803)**
Reserve for advanced depreciation of non-current assets	**(6,045)**	(6,449)	**(42,624)**
Retained earnings of overseas subsidiaries	**(14,091)**	(12,129)	**(99,350)**
Non-current assets	**(9,319)**	(7,317)	**(65,707)**
Unrealized gains on securities	**(17,727)**	(18,420)	**(124,988)**
Others	**(4,732)**	(6,825)	**(33,361)**
Total deferred tax liabilities	**(82,030)**	(69,881)	**(578,370)**
Net deferred tax liabilities	**¥ (49,715)**	¥ (40,562)	**$ (350,525)**

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Net deferred tax assets and net deferred tax liabilities are included in the following items in the consolidated statement of financial position.

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Deferred tax assets	**¥ 9,141**	¥ 8,140	**$ 64,450**
Deferred tax liabilities	**(58,856)**	(48,702)	**(414,975)**

Changes in net deferred tax assets and net deferred tax liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Beginning balance	**¥ (40,562)**	¥ (42,279)	**$ (285,993)**
Tax expense or income recognized through profit or loss (Note)	**(313)**	188	**(2,208)**
Amount recognized in other comprehensive income			
Cash flow hedges	**481**	300	**3,391**
Gains (losses) on financial assets measured at fair value through other comprehensive income	**(6,289)**	992	**(44,342)**
Remeasurements of defined benefit plans	**(3,031)**	237	**(21,373)**
Total	**(8,839)**	1,529	**(62,323)**
Ending balance	**¥ (49,715)**	¥ (40,562)	**$ (350,525)**

Note:
Foreign exchange translation differences are included in tax expense or income recognized through profit or loss.

The Group recognized deferred tax assets by taking into account taxable temporary differences, the estimation of taxable profit, and tax planning.

Deductible temporary differences, tax loss carryforwards, and tax credit carryforwards for which deferred tax assets were not recognized were as follows.

The amounts of deductible temporary differences, tax loss carryforwards, and tax credit carryforwards are on a tax amount basis multiplied by the effective tax rate.

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Deductible temporary differences	**¥ 6,642**	¥ 6,233	**$ 46,829**
Tax loss carryforwards and tax credit carryforwards	**1,668**	1,637	**11,759**

The tax loss carryforwards and tax credit carryforwards for which deferred tax assets were not recognized will expire as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
First year	**¥ 75**	¥ 280	**$ 530**
Second year	**2**	168	**13**
Third year	**—**	101	**—**
Fourth year	**92**	72	**650**
Fifth year and after	**534**	322	**3,764**
Indefinite	**965**	694	**6,802**
Total	**¥ 1,668**	¥ 1,637	**$ 11,759**

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Total taxable temporary differences associated with investments in subsidiaries or associates for which deferred tax liabilities were not recognized in the fiscal years ended December 31, 2022 and 2023 were ¥2,038 million and ¥1,981 million ($13,972 thousand), respectively.

Deferred tax liabilities were not recognized for these temporary differences because the Group was able to control the timing of reversal of the temporary differences and it was probable that the temporary differences would not be reversed in the foreseeable future.

In the fiscal years ended December 31, 2022 and 2023, dividend payouts from the Group to shareholders had no impact on income taxes.

Pillar Two legislation has been enacted or substantively enacted in Japan, the jurisdiction in which the Group operates. The Group assessed its potential exposure to Pillar Two income taxes in preparing to comply with Pillar Two legislation which will apply from fiscal years beginning on or after January 1, 2025.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, there are a limited number of jurisdictions and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

17. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Accounts and notes payable-trade	**¥ 86,089**	¥ 64,842	**$ 606,987**
Others	**19,150**	13,289	**135,022**
Total	**¥ 105,239**	¥ 78,131	**$ 742,009**

Trade and other payables are classified as financial liabilities measured at amortized cost.

18. BONDS AND BORROWINGS

1. The Breakdown of Bonds and Borrowings Is as Follows:

	Millions of Yen		Thousands of U.S. Dollars		
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)	Average interest rate	Repayment period
Short-term borrowings	**¥ 46,192**	¥ 85,875	**$ 325,684**	2.06 %	
Commercial papers	**—**	7,000	**—**		
Current portion of bonds (Note)	**—**	9,000	**—**		
Current portion of long-term borrowings	**49,943**	15,605	**352,133**	0.95	
Bonds (Note)	**39,847**	39,818	**280,948**		
Long-term borrowings	**333,375**	81,403	**2,350,523**	1.05	2025–2033
Total	**469,356**	238,701	**3,309,287**	—	—
Current liabilities	**96,135**	117,480	**677,817**		
Non-current liabilities	**373,221**	121,221	**2,631,470**		
Total	**¥ 469,356**	¥ 238,701	**$ 3,309,287**		

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

Average interest rate is calculated based on the outstanding balances and the interest rates at December 31, 2023.

The Company's borrowings at December 31, 2022 and 2023 include those under syndicated loan agreements (total agreement amount: $720 million and ¥54,240 million ($382,430 thousand), respectively) concluded with the counterparty banks on June 30, 2016.

Those agreements are subject to the following financial covenants:

- From the fiscal year ended December 31, 2016, total equity recorded on the consolidated statement of financial position at the end of each fiscal year must be maintained at a designated level or higher on a year-on-year basis.
- From the fiscal year ended December 31, 2016, the Company must not record operating losses on the consolidated statement of profit or loss for two consecutive years.

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The Company's borrowings at December 31, 2023 include those under syndicated loan agreements (total agreement amount: ¥214,700 million ($1,513,784 thousand)) concluded with the counterparty banks on June 28, 2023 and a loan agreement (total agreement amount: ¥100,000 million ($705,069 thousand)) concluded with the Japan Bank for International Cooperation (JBIC) on June 30, 2023.

Those agreements are subject to the following financial covenants:

- From the fiscal year ended December 31, 2023, total equity recorded on the consolidated statement of financial position at the end of each fiscal year must be maintained at a designated level or higher on a year-on-year basis.
- From the fiscal year ended December 31, 2023, the Company must not record operating losses on the consolidated statement of profit or loss for two consecutive years.

The Company's borrowings at December 31, 2022 and 2023 include those under syndicated loan agreements (total agreement amount: $52 million) concluded between ATC Tires AP Private Ltd., the Company's subsidiary, and the counterparty banks on October 21, 2020.

Those agreements are subject to the following financial covenants:

- From the end of March 2025, ATC Tires AP Private Ltd. must not record a negative net worth on the balance sheet.

The Company's borrowings at December 31, 2022 and 2023 include those under a loan agreement (total agreement amount: $96 million) concluded between ATC Tires AP Private Ltd., the Company's subsidiary, and the counterparty banks on August 16, 2021.

This agreement is subject to the following financial covenant:

- From the end of March 2025, ATC Tires AP Private Ltd. must not record a negative net worth on the balance sheet.

Note:

The summary of the terms for issuing bonds is as follows:

			Millions of Yen		Thousands of U.S. Dollars			
			2023	2022	**2023**			
Company name	Trading name	Issuance date	(December 31, 2023)	(December 31, 2022)	(December 31, 2023)	Interest rate	Collateral	Maturity date
The Company	Thirteenth series of unsecured bonds	December 9, 2016	¥ —	¥ 8,994	$ —	0.250	Unsecured	December 8, 2023
The Company	Fourteenth series of unsecured bonds	July 27, 2020	**9,964**	9,959	**70,255**	0.360	Unsecured	July 26, 2030
The Company	Fifteenth series of unsecured bonds	June 6, 2022	**16,939**	16,928	**119,433**	0.490	Unsecured	June 6, 2029
The Company	Sixteenth series of unsecured bonds	June 6, 2022	**12,943**	12,937	**91,259**	0.580	Unsecured	June 4, 2032
Total	—	—	**¥ 39,847**	¥ 48,818	**$ 280,948**	—	—	—

2. Assets Pledged as Collateral and Corresponding Liabilities Were as Follows:

(1) Assets Pledged as Collateral

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Cash and cash equivalents	**¥ 8,008**	¥ 6,289	**$ 56,459**
Trade and other receivables	**2,974**	3,515	**20,972**
Inventories	**2,947**	2,959	**20,775**
Other current assets	**453**	296	**3,194**
Property, plant and equipment	**434**	441	**3,059**
Total	**¥ 14,815**	¥ 13,500	**$ 104,459**

(Note) The above assets are pledged as collateral mainly to secure borrowings under a commitment line agreement.

(2) Liabilities Corresponding to Assets Pledged as Collateral

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Short-term borrowings	**¥ 100**	¥ 100	**$ 705**
Total	**¥ 100**	¥ 100	**$ 705**

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19. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Non-derivative financial liabilities measured at amortized cost			
Lease liabilities	**¥ 48,732**	¥ 41,578	**$ 343,597**
Others	**21,369**	18,978	**150,666**
Derivative liabilities	**385**	815	**2,713**
Total	**70,486**	61,371	**496,976**
Current liabilities	**28,989**	24,470	**204,396**
Non-current liabilities	**41,497**	36,901	**292,580**
Total	**¥ 70,486**	¥ 61,371	**$ 496,976**

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss (except for those to which hedge accounting is applied).

20. EMPLOYEE BENEFITS

1. Outline of Defined Benefit Plans

The Company, its domestic consolidated subsidiaries, and some of its overseas consolidated subsidiaries have adopted defined retirement benefit plans to cover employee retirement benefits.

In addition to the above plans, the Company and some of its consolidated subsidiaries have defined contribution pension plans.

The Group has mainly adopted lump-sum retirement benefit plans as defined retirement benefit plans. Under lump-sum retirement benefit plans, the source of funds is not saved externally but lump-sum benefits are paid to employees when they retire or voluntarily resign. Lump-sum retirement benefits are paid based on retirement benefit regulations under the Work Rules. Moreover, the Group has established a retirement benefit trust for the payment of lump-sum retirement benefits.

Some of the consolidated subsidiaries in the US have adopted post-retirement medical benefit plans. Post-retirement medical benefit plans are included in liabilities for retirement benefits as they have similar features to those of post-retirement benefits.

2. Defined Benefit Plans

(1) Breakdown of Liabilities or Assets for Retirement Benefits

Reconciliation of defined benefit obligations and plan assets, and liabilities or assets for retirement benefits in the consolidated statement of financial position is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Defined benefit obligations	**¥ 71,780**	¥ 65,836	**$ 506,101**
Plan assets	**(70,175)**	(55,849)	**(494,779)**
Net liabilities (assets) for retirement benefits presented in the consolidated statement of financial position	**1,606**	9,987	**11,322**
Amounts presented in the consolidated statement of financial position			
Liabilities for retirement benefits	**17,707**	15,584	**124,844**
Assets for retirement benefits	**16,101**	5,598	**113,522**

Assets for retirement benefits are included in "Other non-current assets" in the consolidated statement of financial position.

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(2) Defined Benefit Obligations

Changes in defined benefit obligations were as follows:

	Millions of Yen	
	Defined benefit plans	Post-retirement medical benefits
At January 1, 2022	¥ 63,816	¥ 7,599
Current service cost	3,442	204
Interest cost	902	192
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	(3)	78
Actuarial losses (gains) arising from changes in financial assumptions	(9,765)	(2,037)
Actuarial losses (gains) arising from other factors	279	448
Benefits paid	(3,341)	(513)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	3,376	1,160
At December 31, 2022	¥ 58,706	¥ 7,130
Current service cost	2,746	111
Interest cost	1,725	343
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	364	244
Actuarial losses (gains) arising from changes in financial assumptions	263	206
Actuarial losses (gains) arising from other factors	271	(176)
Benefits paid	(3,672)	(513)
Past service cost (gains)	63	—
Exchange differences on translating foreign operations, etc.	3,775	195
At December 31, 2023	¥ 64,241	¥ 7,539

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2022	$ 413,920	$ 50,271
Current service cost	19,360	780
Interest cost	12,164	2,418
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	2,569	1,721
Actuarial losses (gains) arising from changes in financial assumptions	1,853	1,449
Actuarial losses (gains) arising from other factors	1,909	(1,242)
Benefits paid	(25,891)	(3,614)
Past service cost (gains)	446	—
Exchange differences on translating foreign operations, etc.	26,617	1,372
At December 31, 2023	$ 452,947	$ 53,155

The weighted-average duration of defined benefit obligations was as follows:

	Years	
	2023 (December 31, 2023)	2022 (December 31, 2022)
Weighted-average duration	**10.5**	10.7

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(3) Plan Assets

Changes in plan assets were as follows:

	Millions of Yen	
	Defined benefit plans	Post-retirement medical benefits
At January 1, 2022	¥ 61,760	¥ —
Interest income	897	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	(10,106)	—
Contributions from employer	791	—
Benefits paid	(1,263)	—
Exchange differences on translating foreign operations, etc.	3,770	—
At December 31, 2022	¥ 55,849	¥ —
Interest income	1,636	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	10,997	—
Contributions from employer	833	—
Benefits paid	(1,408)	—
Exchange differences on translating foreign operations, etc.	2,266	—
At December 31, 2023	¥ 70,175	¥ —

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2022	$ 393,776	$ —
Interest income	11,537	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	77,536	—
Contributions from employer	5,876	—
Benefits paid	(9,925)	—
Exchange differences on translating foreign operations, etc.	15,979	—
At December 31, 2023	$ 494,779	$ —

The asset management policies relating to domestic and overseas plans of the Company and its consolidated subsidiaries have been prepared in order to optimize total return from a medium- and long-term perspective under risks accepted to secure future benefits for employees.

The Group will contribute ¥1,560 million ($10,997 thousand) to defined benefit plans in the fiscal year ending December 31, 2024.

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(4) Major Components of Plan Assets

The major components of total plan assets are as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2023 (December 31, 2023)			2022 (December 31, 2022)			**2023** (December 31, 2023)		
	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total
Cash and deposits	**¥ 4,143**	**¥ —**	**¥ 4,143**	¥ 3,496	¥ —	¥ 3,496	**$ 29,208**	**$ —**	**$ 29,208**
Equity financial instruments									
Domestic equity securities	**40,505**	**—**	**40,505**	30,698	—	30,698	**285,585**	**—**	**285,585**
Foreign equity securities	**3,558**	**—**	**3,558**	3,150	—	3,150	**25,084**	**—**	**25,084**
Debt Instruments									
Foreign bonds	**19,133**	**—**	**19,133**	16,953	—	16,953	**134,899**	**—**	**134,899**
Others	**1,519**	**1,318**	**2,837**	1,098	456	1,553	**10,713**	**9,290**	**20,002**
Total	**¥ 68,857**	**¥ 1,318**	**¥ 70,175**	¥ 55,393	¥ 456	¥ 55,849	**$ 485,489**	**$ 9,290**	**$ 494,779**

(5) Items Related to Actuarial Assumptions

Major actuarial assumptions were as follows:

	2023 (December 31, 2023)	2022 (December 31, 2022)
Discount rate (weighted-average)	**3.1 %**	2.6 %

In addition to the above item, actuarial assumptions include expected salary increase rates, mortality rates, and expected retirement rates.

Note:

The sensitivity of defined benefit obligations for each fiscal year against changes in major assumptions is as follows. It assumes that the other variables are constant, but in reality, the assumptions do not always change independently. Negative figures represent decreases in defined benefit obligations, and positive figures represent increases in defined benefit obligations.

		Millions of Yen		Thousands of U.S. Dollars
		2023	2022	**2023**
	Changes in assumptions	(December 31, 2023)	(December 31, 2022)	(December 31, 2023)
Discount rate	0.5% increase	**¥ (3,489)**	¥ (3,295)	**$ (24,601)**
	0.5% decrease	**3,658**	3,463	**25,794**

3. Defined Contribution Pension Plans

Contributions to defined contribution pension plans for the fiscal years ended December 31, 2022 and 2023 were ¥1,854 million and ¥1,960 million ($13,819 thousand), respectively.

4. Employee Benefit Expenses

Employee benefit expenses included in the consolidated statement of profit or loss for the fiscal years ended December 31, 2022 and 2023 were ¥168,714 million and ¥194,804 million ($1,373,506 thousand), respectively. They are recorded mainly in "Cost of sales" and "Selling, general, and administrative expenses."

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21. SHARE CAPITAL AND OTHER EQUITY ITEMS

1. Share Capital

(1) Number of Authorized Shares

The number of authorized shares of common stock as of December 31, 2022 and 2023 was 400,000,000.

(2) Number of Issued Shares (Fully Paid-in)

Changes in the number of issued shares were as follows:

	Thousands of Shares	Millions of Yen	
	Number of issued shares	Share capital	Share premium
January 1, 2022	169,549	¥ 38,909	¥ 31,261
Changes	—	—	47
2022 (December 31, 2022)	169,549	38,909	31,308
Changes	—	—	(52)
2023 (December 31, 2023)	169,549	¥ 38,909	¥ 31,255

	Thousands of Shares	Thousands of U.S. Dollars	
	Number of issued shares	Share capital	Share premium
2022 (December 31, 2022)	169,549	$ 274,337	$ 220,741
Changes	—	—	(368)
2023 (December 31, 2023)	169,549	$ 274,337	$ 220,373

All shares issued by the Company are no-par common stock without any limitation on the rights.

2. Treasury Shares

Changes in the number of treasury shares were as follows:

	Thousands of Shares	Millions of Yen
	Number of shares	Amount
January 1, 2022	8,934	¥ 11,758
Changes	(83)	(108)
2022 (December 31, 2022)	8,851	11,650
Changes	(50)	(63)
2023 (December 31, 2023)	8,801	¥ 11,587

	Thousands of Shares	Thousands of U.S. Dollars
	Number of shares	Amount
2022 (December 31, 2022)	8,851	$ 82,141
Changes	(50)	(448)
2023 (December 31, 2023)	8,801	$ 81,694

The number of treasury shares decreased in the fiscal years ended December 31, 2022 and 2023 due to disposal associated with payment of restricted stock compensation.

3. Share Premium and Retained Earnings

(1) Share Premium

The Companies Act of Japan prescribes that at least one-half of the payment or delivery relating to the issuance of equity financial instruments must be incorporated into share capital and the remaining amount must be incorporated into legal capital surplus.

In addition, legal capital surplus may be incorporated into share capital by resolution of a general meeting of shareholders.

(2) Retained Earnings

Retained earnings consist of legal retained earnings and other surpluses.

The Companies Act prescribes that one-tenth of the amount to be distributed as dividends from retained earnings must be set aside as legal capital surplus or legal retained earnings until the total amount of legal capital surplus or legal retained earnings reaches one-fourth of share capital. In addition, legal retained earnings may be reversed by resolution of a general meeting of shareholders.

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22. DIVIDENDS

1. Dividends Paid

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Resolution	Class of stock	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 30, 2022 General Meeting of Shareholders	Common stock	¥ 5,300	¥ 33	December 31, 2021	March 31, 2022
August 10, 2022 Board of Directors meeting	Common stock	¥ 5,303	¥ 33	June 30, 2022	August 31, 2022

Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Resolution	Class of stock	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 30, 2023 General Meeting of Shareholders	Common stock	**¥ 5,303**	**¥ 33**	December 31, 2022	March 31, 2023
August 10, 2023 Board of Directors meeting	Common stock	**¥ 5,465**	**¥ 34**	June 30, 2023	August 31, 2023

Resolution	Class of stock	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
March 30, 2023 General Meeting of Shareholders	Common stock	**$ 37,390**	**$ 0.23**	December 31, 2022	March 31, 2023
August 10, 2023 Board of Directors meeting	Common stock	**$ 38,535**	**$ 0.24**	June 30, 2023	August 31, 2023

2. Dividend Plans for Common Stock

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Resolution	Class of stock	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 30, 2023 General Meeting of Shareholders	Common stock	Retained earnings	**¥ 5,303**	**¥ 33**	December 31, 2022	March 31, 2023

Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Resolution	Class of stock	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 28, 2024 General Meeting of Shareholders	Common stock	Retained earnings	**¥ 8,037**	**¥ 50**	December 31, 2023	March 29, 2024

Resolution	Class of stock	Source of dividends	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
March 28, 2024 General Meeting of Shareholders	Common stock	Retained earnings	**$ 56,669**	**$ 0.35**	December 31, 2023	March 29, 2024

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23. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general, and administrative expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Employee benefit expenses	**¥ 77,864**	¥ 65,569	**$ 548,998**
Freightage and warehousing expenses	**72,204**	90,424	**509,091**
Advertising and promotion expenses	**13,751**	11,496	**96,956**
Others	**62,945**	50,095	**443,803**
Total	**¥ 226,764**	¥ 217,585	**$ 1,598,847**

24. OTHER INCOME

The breakdown of other income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Gain on sale of non-current assets	**¥ 1,268**	¥ 545	**$ 8,942**
Gain on sale of businesses (Note)	**3,316**	—	**23,381**
Others	**2,975**	1,721	**20,976**
Total	**¥ 7,559**	¥ 2,266	**$ 53,298**

Note:

The gain arises from the transfer of the main assets related to Friend Tire Company (Missouri, U.S.A.), a consolidated subsidiary in the Tires segment, which were classified as assets held for sales, and liabilities directly related to these assets in the fiscal year ended December 31, 2023 to Southern Tire Mart.

25. OTHER EXPENSES

The breakdown of other expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Loss on sale and retirement of non-current assets	**¥ 1,280**	¥ 622	**$ 9,028**
Impairment losses (Note 1)	**2,296**	285	**16,190**
Others (Note 2)	**2,758**	2,597	**19,449**
Total	**¥ 6,335**	¥ 3,504	**$ 44,666**

Notes:

1. During the fiscal year ended December 31, 2023, the carrying amounts of non-current assets that were deemed not recoverable upon a review of the business plan mainly in the MB business were reduced to their recoverable amounts. The reduction, ¥2,290 million ($16,145 thousand), was recorded in "Other expenses" in the consolidated statement of profit or loss as impairment losses.
2. There was a slowdown in operations at some of the Group's overseas manufacturing subsidiaries due to the impact of the situation in Ukraine. "Others" includes fixed manufacturing costs incurred as a result of the slowdown for the fiscal years ended December 31, 2022 and 2023, of ¥807 million and ¥123 million ($867 thousand), respectively.

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26. FINANCE INCOME AND FINANCE COSTS

1. The Breakdown of Finance Income is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Interest income			
Financial assets measured at amortized cost	**¥ 1,986**	¥ 1,070	**$ 14,004**
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	**3,258**	3,950	**22,968**
Foreign exchange gains	**6,920**	—	**48,790**
Gain on valuation of derivatives	**376**	5,305	**2,651**
Others	**225**	16	**1,585**
Total	**¥ 12,764**	¥ 10,341	**$ 89,998**

2. The Breakdown of Finance Costs is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Interest expenses			
Financial liabilities measured at amortized cost	**¥ 6,300**	¥ 2,939	**$ 44,423**
Foreign exchange losses	**—**	3,726	**—**
Loss on valuation of derivatives	**—**	—	**—**
Others	**839**	905	**5,919**
Total	**¥ 7,140**	¥ 7,571	**$ 50,341**

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Financial Section

27. OTHER COMPREHENSIVE INCOME

The breakdown of amounts recognized in other comprehensive income, amounts reclassified to profit or loss, and tax effects are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Exchange differences on translating foreign operations			
Amount recognized	**¥ 49,128**	¥ 56,358	**$ 346,386**
Before tax effects	**49,128**	56,358	**346,386**
Exchange differences on translating foreign operations	**49,128**	56,358	**346,386**
Cash flow hedges			
Amount recognized	**1,784**	3,969	**12,580**
Amount reclassified	**(3,654)**	(5,522)	**(25,762)**
Before tax effects	**(1,869)**	(1,553)	**(13,181)**
Tax effects	**481**	300	**3,391**
Cash flow hedges	**(1,388)**	(1,253)	**(9,790)**
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Amount recognized	**20,758**	(3,273)	**146,356**
Before tax effects	**20,758**	(3,273)	**146,356**
Tax effects	**(6,289)**	992	**(44,342)**
Gains (losses) on financial assets measured at fair value through other comprehensive income	**14,469**	(2,281)	**102,014**
Remeasurements of defined benefit plans			
Amount recognized	**9,826**	894	**69,277**
Before tax effects	**9,826**	894	**69,277**
Tax effects	**(3,031)**	237	**(21,373)**
Remeasurements of defined benefit plans	**6,794**	1,131	**47,904**
Total			
Amount recognized	**81,495**	57,948	**574,599**
Amount reclassified	**(3,654)**	(5,522)	**(25,762)**
Before tax effects	**77,842**	52,426	**548,838**
Tax effects	**(8,839)**	1,529	**(62,323)**
Other comprehensive income	**69,002**	53,955	**486,514**

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28. EARNINGS PER SHARE

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Profit for the year attributable to owners of the parent	**¥ 67,234**	¥ 45,918	**$ 474,044**

	Thousands of shares	
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)
Weighted-average number of common stock	**160,340**	160,339
Share-based payment	**388**	327
Weighted-average number of diluted common stock	**160,728**	160,666

	Yen		U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Basic earnings per share	**¥ 419.32**	¥ 286.38	**$ 2.96**
Diluted earnings per share	**418.31**	285.80	**2.95**

29. SHARE-BASED PAYMENT

1. Outline of Stock Compensation Plan

The Group has introduced a restricted stock compensation plan for the members of the Board and officers excluding outside members (hereinafter the "Directors, etc.") to share with other shareholders the merits and risks of share price fluctuations, thereby further increasing their incentive to raise the stock price and enhance corporate value. This plan provides for the payment of monetary compensation receivables required for the allotment of restricted shares as compensation to the Directors, etc. and each of the Directors, etc. will then make an in-kind investment of all such monetary compensation receivables in return for the receipt of said shares.

The Company will conclude a restricted share allotment agreement with the Directors, etc. Directors, etc. to whom restricted shares have been allotted may not transfer the shares to third parties, establish a pledge or a security interest on the shares, use them as an inter vivos gift, bequest them to another party or otherwise dispose of the allotted shares (hereinafter the "Transfer Restrictions") for a period of between five and 30 years, as specified by the Company's Board of Directors (hereinafter the "Transfer Restriction Period"). The Transfer Restrictions are removed on the transfer of all shares allotted to Directors, etc. upon conclusion of the Transfer Restriction Period if the holder of the shares has been a member of the Board, an officer or an employee of the Company continuously from the initial day of the Transfer Restriction Period until the day of the first subsequent Ordinary General Meeting of Shareholders. On the other hand, the Company may reacquire the allotted shares free of charge in cases where the Transfer Restrictions have not been removed at the expiration of the Transfer Restriction Period.

2. Number of Shares Granted during the Year and Fair Value

	Yen (unless otherwise stated)		U.S. Dollars (unless otherwise stated)
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Grant date	**May 26, 2023**	May 27, 2022	**May 26, 2023**
Number of shares granted (Shares)	**51,295**	83,649	**51,295**
Fair value at grant date	**¥ 2,886**	¥ 1,638	**$ 20.35**

3. Expenses related to Share-based Payments

Expenses related to share-based payments were ¥134 million and ¥145 million ($1,022 thousand) for the fiscal years ended December 31, 2022 and 2023, respectively, which were included in "Selling, general, and administrative expenses" and "Cost of sales" in the consolidated statement of profit or loss.

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30. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

1. Reconciliation of Financing Activity Items

Changes in liabilities arising from financing activities were as follows:

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	Millions of Yen					
			Non-cash changes			
	Balance at January 1, 2022	Cash flows	Acquisition	New leases	Others	Balance at December 31, 2022
Short-term borrowings	¥ 50,714	¥ 34,460	¥ —	¥ —	¥ 701	¥ 85,875
Long-term borrowings	95,585	(5,971)	—	—	7,393	97,008
Commercial papers	—	7,000	—	—	—	7,000
Bonds	30,935	18,000	—	—	(117)	48,818
Lease liabilities	40,588	(6,609)	—	6,299	1,299	41,578
Financial liabilities	¥ 217,823	¥ 46,881	¥ —	¥ 6,299	¥ 9,277	¥ 280,279

Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

	Millions of Yen					
			Non-cash changes			
	Balance at January 1, 2023	Cash flows	Acquisition	New leases	Others	Balance at December 31, 2023
Short-term borrowings	¥ 85,875	¥ (41,646)	¥ —	¥ —	¥ 1,963	¥ 46,192
Long-term borrowings	97,008	284,806	—	—	1,504	383,318
Commercial papers	7,000	(7,000)	—	—	—	—
Bonds	48,818	(9,000)	—	—	29	39,847
Lease liabilities	41,578	(9,651)	—	10,064	6,741	48,732
Financial liabilities	¥ 280,279	¥ 217,509	¥ —	¥ 10,064	¥ 10,236	¥ 518,089

	Thousands of U.S. Dollars					
			Non-cash changes			
	Balance at January 1, 2023	Cash flows	Acquisition	New leases	Others	Balance at December 31, 2023
Short-term borrowings	$ 605,477	$ (293,633)	$ —	$ —	$ 13,839	$ 325,684
Long-term borrowings	683,973	2,008,079	—	—	10,604	2,702,656
Commercial papers	49,355	(49,355)	—	—	—	—
Bonds	344,203	(63,456)	—	—	201	280,948
Lease liabilities	293,155	(68,045)	—	70,958	47,529	343,597
Financial liabilities	$ 1,976,162	$ 1,533,590	$ —	$ 70,958	$ 72,174	$ 3,652,885

31. FINANCIAL INSTRUMENTS

1. Capital Management

In order to realize the Group's sustainable growth and enhancement of corporate value, the Group's capital management aims to improve capital efficiency to secure sufficient capital for the growth of its core business.

The Group monitors, as indicators related to capital management, equity ratio and return on equity (ROE) attributable to owners of the parent.

2. Basic Policies on Financial Risk Management

The Group is exposed to financial risks in the course of conducting business activities. To avoid or reduce such risks, the Group practices risk management based on prescribed policies.

The Group conducts derivative transactions only for actual demand and not for speculative purposes.

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3. Credit Risk

(1) Credit Risk Management and Maximum Exposure to Credit Risk

Trade receivables such as notes and accounts receivables held by the Group are exposed to customer credit risk. For such credit risk, the Group monitors creditworthiness of main counterparties on a regular basis and manages due dates and outstanding balances of each counterparty. In addition, efforts are made to promptly identify and reduce the risk of uncollectibility due to deterioration of financial position of counterparties or other reasons. The Group's consolidated subsidiaries also manage credit risk in accordance with the internal policies for managing receivables.

The Group is not exposed to credit risk that is significantly concentrated on any particular counterparty.

The maximum exposure to the credit risk of financial assets is the carrying amount after impairment of the financial assets presented in the consolidated statement of financial position.

(2) Credit Risk Management Practices

The Group recognizes allowance for doubtful receivables on financial assets classified as measured at amortized cost. In recognizing and measuring the allowance for doubtful receivables, the Group categorizes financial assets into three stages based on whether there has been a significant increase in the credit risk and whether the financial asset has been credit impaired.

Stage 1: There is no indication of a significant increase in credit risk.
Stage 2: There is an indication of a significant increase in credit risk, but no indication of credit impairment.
Stage 3: A significant increase in credit risk and credit impairment are both apparent.

A significant increase in credit risk refers to a significant increase in the risk of default occurring at the end of the fiscal year compared to the initial recognition. The Group determines whether there is a significant increase in credit risk mainly based on the principal and interest payment in arrears for over 30 days, in light of the economic conditions of the industry to which the debtor belongs and the possibility of future changes in debtor's solvency.

The Group determines that a default has been triggered when events occur, such as significant financial difficulties of the debtor or issuer and the principal and interest payment in arrears.

If it is determined that the default is occurring, an objective evidence of credit impairment is considered to exist, and such financial assets are classified as credit-impaired financial assets.

Irrespective of the above three stages, when it is reasonably determined that all or part of a financial asset is not collectable, such as in the case of financial assets legally being extinguished, the carrying amount of the financial asset is directly written off.

In estimating allowance for doubtful receivables, expected credit losses of trade receivables are measured on a collective basis, and each group company individually sets its own grouping or sub-grouping of credit losses.

In measuring the 12-month and lifetime expected credit losses, the Group uses reasonable and supportable information that is available without undue cost or effort at the end of the fiscal year about past events, current conditions and forecasts of future economic conditions.

In measuring the expected credit losses on a collective basis, the actual rate of default from the past experiences may be used.

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Financial Section

(3) Changes in Allowance for Doubtful Receivables

Changes in allowance for doubtful receivables are as follows:

	Millions of Yen							
	2023 (From January 1, 2023 to December 31, 2023)				2022 (From January 1, 2022 to December 31, 2022)			
	Allowance for doubtful receivables for financial instruments other than trade and other receivables (12-month expected credit loss)	Allowance for doubtful receivables for trade and other receivables (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments that are credit-impaired (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments other than trade and other receivables (12-month expected credit loss)	Allowance for doubtful receivables for trade and other receivables (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments that are credit-impaired (Lifetime expected credit loss)
Beginning balance	¥—	¥ 1,345	¥ 1,020	¥ 1,293	¥—	¥ 1,046	¥ 649	¥ 1,573
Provision (Note)	—	899	26	20	—	558	28	—
Utilization through write-off	—	(86)	—	(1)	—	(105)	—	(1)
Reversal (Note)	—	(372)	(66)	—	—	(236)	(41)	(13)
Other	—	54	—	(94)	—	82	384	(266)
Ending balance	¥—	¥ 1,840	¥ 980	¥ 1,218	¥—	¥ 1,345	¥ 1,020	¥ 1,293

	Thousands of U.S. Dollars			
	2023 (From January 1, 2023 to December 31, 2023)			
	Allowance for doubtful receivables for financial instruments other than trade and other receivables (12-month expected credit loss)	Allowance for doubtful receivables for trade and other receivables (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments that are credit-impaired (Lifetime expected credit loss)
Beginning balance	$—	$ 9,480	$ 7,193	$ 9,117
Provision (Note)	—	6,339	184	141
Utilization through write-off	—	(604)	—	(5)
Reversal (Note)	—	(2,621)	(469)	—
Other	—	381	—	(664)
Ending balance	$—	$ 12,975	$ 6,909	$ 8,589

Note:

Provision and reversal of allowance for doubtful receivables for trade and other receivables (lifetime expected credit loss) are due to an increase or decrease in trade and other receivables mainly as a result of sale and collection of those assets.

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(4) Carrying Amount of Financial Instruments related to Allowance for Doubtful Receivables

The carrying amount (before allowance for doubtful receivables) of financial instruments related to allowance for doubtful receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Financial instruments other than trade and other receivables (12-month expected credit loss)	**¥ 7,602**	¥ 4,006	**$ 53,598**
Trade and other receivables (Lifetime expected credit loss)	**246,220**	196,065	**1,736,019**
Financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	**236**	290	**1,667**
Credit-impaired financial instruments (Lifetime expected credit loss)	**1,021**	1,095	**7,196**

(5) Analysis of Credit Risk

Below is the aged analysis of trade and other receivables.

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
30 days or less past due	**¥ 12,926**	¥ 12,370	**$ 91,140**
Over 30 days to 60 days or less past due	**4,563**	2,943	**32,170**
Over 60 days to 90 days or less past due	**1,385**	1,020	**9,764**
Over 90 days past due	**4,001**	7,105	**28,211**
Total	**¥ 22,875**	¥ 23,438	**$ 161,286**

With regard to financial instruments related to allowance for doubtful receivables other than trade and other receivables, there is no concentration of credit risk on any particular rating.

4. Liquidity Risk

(1) Liquidity Risk Management

The Group raises funds mainly through borrowings from banks and issuance of bonds. Therefore, the Group is exposed to liquidity risk, where the deterioration in the financing environment and other reasons may hinder the Group from fulfilling its obligations to make payments by the due date.

To manage liquidity risk within the Group, the Company's finance department creates and updates cash plans as necessary, based on information obtained from the departments and major consolidated subsidiaries of the Company. At the same time, the Company constantly monitors the operating environment to maintain and ensure appropriate liquidity in hand in response to changing conditions.

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Financial Section

(2) Balance of Financial Liabilities (including Derivative Financial Instruments) by Settlement Date

The balance of financial liabilities (including derivative financial instruments) by settlement date is as follows:

Fiscal Year Ended December 31, 2022 (December 31, 2022)

	Millions of Yen							
	Carrying amount	Contractual cash flows	1 year or less	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	¥ 78,131	¥ 78,131	¥ 78,131	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	238,701	245,826	118,997	19,081	19,695	27,038	8,839	52,176
Lease liabilities	41,578	46,779	9,104	7,052	5,396	4,105	3,786	17,335
Subtotal	358,410	370,736	206,232	26,133	25,092	31,143	12,625	69,511
Derivative financial liabilities	815	815	764	51	—	—	—	—
Total	¥ 359,224	¥ 371,550	¥ 206,995	¥ 26,184	¥ 25,092	¥ 31,143	¥ 12,625	¥ 69,511

Fiscal Year Ended December 31, 2023 (December 31, 2023)

	Millions of Yen							
	Carrying amount	Contractual cash flows	1 year or less	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	**¥ 105,239**	**¥ 105,239**	**¥ 105,239**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds and borrowings	**469,356**	**487,523**	**99,919**	**53,849**	**58,353**	**42,179**	**36,746**	**196,477**
Lease liabilities	**48,732**	**54,785**	**12,057**	**8,764**	**5,933**	**5,321**	**4,520**	**18,191**
Subtotal	**623,328**	**647,547**	**217,214**	**62,613**	**64,286**	**47,499**	**41,266**	**214,668**
Derivative financial liabilities	**385**	**385**	**385**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 623,713**	**¥ 647,932**	**¥ 217,599**	**¥ 62,613**	**¥ 64,286**	**¥ 47,499**	**¥ 41,266**	**¥ 214,668**

	Thousands of U.S. Dollars							
	Carrying amount	Contractual cash flows	1 year or less	Over 1 year through 2 years	Over 2 years through 3 years	Over 3 years through 4 years	Over 4 years through 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	**$ 742,009**	**$ 742,009**	**$ 742,009**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds and borrowings	**3,309,287**	**3,437,374**	**704,496**	**379,674**	**411,431**	**297,389**	**259,087**	**1,385,296**
Lease liabilities	**343,597**	**386,273**	**85,007**	**61,794**	**41,833**	**37,513**	**31,867**	**128,259**
Subtotal	**4,394,894**	**4,565,656**	**1,531,513**	**441,468**	**453,264**	**334,903**	**290,953**	**1,513,556**
Derivative financial liabilities	**2,713**	**2,713**	**2,713**	**—**	**—**	**—**	**—**	**—**
Total	**$ 4,397,607**	**$ 4,568,369**	**$ 1,534,225**	**$ 441,468**	**$ 453,264**	**$ 334,903**	**$ 290,953**	**$ 1,513,556**

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5. Foreign Exchange Risk

(1) Foreign Exchange Risk Management

The Group operates businesses globally and therefore is involved in foreign currency transactions. Foreign currency receivables and payables arising from those transactions are exposed to foreign exchange fluctuation risk.

The Group's foreign exchange risk arises mainly from the fluctuation of the U.S. Dollar and the Euro. The Company and its certain consolidated subsidiaries assess foreign exchange fluctuation risk of trade receivables and payables denominated in foreign currencies for each currency every month, and hedge part of the risk by using forward foreign exchange contracts.

(2) Foreign Exchange Sensitivity Analysis

For financial instruments held by the Group at the end of each fiscal year, the effects of a 1% increase in Japanese yen against the U.S. Dollar and the Euro on profit before tax are as follows. All other variables are assumed to be constant.

		Millions of Yen		Thousands of U.S. Dollars
	Currency	**2023** (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Effects on profit before tax	U.S. Dollar	**¥ (365)**	¥ (193)	**$ (2,572)**
	Euro	**2**	(431)	**13**

6. Interest Rate Risk

(1) Interest Rate Risk Management

The Group is exposed to interest rate risk from variable interest rates on some of the interest-bearing liabilities assumed by the Group.

The Group uses interest rate swaps to reduce the risk of fluctuation in the interest rates on borrowings.

(2) Interest Rate Sensitivity Analysis

For interest-bearing liabilities with variable interest rates assumed by the Group at the end of each fiscal year, the effects of a 1% increase in the interest rate on profit before tax are as follows. All other variables are assumed to be constant.

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Effects on profit before tax	**¥ (603)**	¥ (880)	**$ (4,249)**

7. Share Price Fluctuation Risk

(1) Share Price Fluctuation Risk Management

The Group holds shares in other listed companies with which the Group has business relationships for certain purposes, such as reinforcing sales foundations. Thus, the Group is exposed to the share price fluctuation risk of equity financial instruments.

For these equity financial instruments, the Group monitors the share prices and financial position of issuers on a regular basis and reviews its shareholdings on an ongoing basis by considering the relationship with the issuer of the equity instruments.

(2) Share Price Fluctuation Sensitivity Analysis

For equity financial assets (shares) in active markets held by the Group at the end of each fiscal year, if all quoted prices are assumed to decrease by 1% at the end of the fiscal year, the effects on other comprehensive income (before tax) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Effects on other comprehensive income (before tax)	**¥ (787)**	¥ (898)	**$ (5,549)**

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Financial Section

8. Carrying Amount and Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are as follows.

Financial assets and financial liabilities other than bonds and long-term borrowings are not included below as their fair value approximates their carrying amount.

	Millions of Yen				Thousands of U.S. Dollars	
	2023 (December 31, 2023)		2022 (December 31, 2022)		**2023** (December 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	**¥ 383,318**	**¥ 376,521**	¥ 97,008	¥ 96,186	**$ 2,702,656**	**$ 2,654,735**
Bonds (Note)	**39,847**	**38,051**	48,818	46,393	**280,948**	**268,289**

Note:
The balance due within one year is included.

The fair value of long-term borrowings and bonds is determined by discounting each obligation classified by term using a rate that takes into account time to maturity and credit risk.

The fair value hierarchy of long-term borrowings and bonds is categorized within Level 3.

9. Fair Value Hierarchy of Financial Instruments

Financial instruments measured at fair value on a recurring basis after the initial recognition are categorized into three levels of the fair value hierarchy depending on the observability and materiality of inputs used for the fair value measurement.

Each level of fair value hierarchy is defined as follows:

Level 1: Fair values measured at quoted prices in active markets

Level 2: Fair values measured using direct or indirect observable inputs other than those of Level 1

Level 3: Fair values measured using unobservable inputs

When two or more inputs are used for the measurement of fair value, the level of fair value is determined based on the lowest level input that is material to the entire measurement.

Transfers between the levels of the fair value hierarchy are recognized as if they have occurred at the beginning of each quarterly period.

There were no transfers between Level 1, Level 2 and Level 3 during the fiscal years ended December 31, 2022 and 2023.

Assets measured at fair value on a recurring basis are as follows:

Fiscal Year Ended December 31, 2022 (December 31, 2022)

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Non-derivative financial assets measured at fair value through profit or loss				
Other	¥ —	¥ 179	¥ —	¥ 179
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	89,793	—	13,142	102,935
Other	—	—	610	610
Derivative assets	195	8,431	—	8,626
Total	¥ 89,988	¥ 8,610	¥ 13,752	¥ 112,351
Financial liabilities				
Derivative liabilities	—	815	—	815
Total	¥ —	¥ 815	¥ —	¥ 815

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Fiscal Year Ended December 31, 2023 (December 31, 2023)

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Non-derivative financial assets measured at fair value through profit or loss				
Other	¥ —	¥ 170	¥ —	¥ 170
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	78,703	—	16,144	94,847
Other	—	—	1,035	1,035
Derivative assets	—	7,333	—	7,333
Total	¥ 78,703	¥ 7,503	¥ 17,179	¥ 103,385
Financial liabilities				
Derivative liabilities	—	385	—	385
Total	¥ —	¥ 385	¥ —	¥ 385

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Non-derivative financial assets measured at fair value through profit or loss				
Other	$ —	$ 1,200	$ —	$ 1,200
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	554,913	—	113,827	668,740
Other	—	—	7,294	7,294
Derivative assets	—	51,701	—	51,701
Total	$ 554,913	$ 52,901	$ 121,121	$ 728,935
Financial liabilities				
Derivative liabilities	—	2,713	—	2,713
Total	$ —	$ 2,713	$ —	$ 2,713

The fair value of shares that have an active market is determined based on market prices, and therefore is categorized within Level 1. When the fair value of shares that do not have an active market is measured at the amount which is determined using material unobservable inputs through methods including the comparable peer company analysis, it is categorized within Level 3.

Certain derivative assets and derivative liabilities including forward foreign exchange contracts and interest rate swaps are not traded in an active market. Their fair value is determined by making the best use of observable market data to the extent available and does not depend on the Group's own estimation to the extent possible. If all material inputs are observable, it is categorized within Level 2.

The fair value of non-derivative financial assets categorized within Level 3 is evaluated using price book-value ratio (PBR) under the comparable peer company analysis.

In accordance with the Group's policies and procedures on the valuation of the fair value measurement, the finance department decides the method of evaluating financial instruments under review and measures their fair value.

The results of the fair value measurement are approved by an appropriate person responsible for valuation.

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Financial Section

Changes in financial instruments measured at fair value on a recurring basis that are categorized within Level 3 are as follows:

	Millions of Yen
	Financial assets
Balance at January 1, 2022	¥ 11,879
Total gains and losses	
Other comprehensive income (Note)	1,706
Purchase	155
Sale	(1)
Other	14
Balance at December 31, 2022	¥ 13,752
Total gains and losses	
Other comprehensive income (Note)	2,013
Purchase	—
Sale	(41)
Acquisition through business combinations	873
Other	581
Balance at December 31, 2023	¥ 17,179

	Thousands of U.S. Dollars
	Financial assets
Balance at December 31, 2022	$ 96,963
Total gains and losses	
Other comprehensive income (Note)	14,195
Purchase	—
Sale	(288)
Acquisition through business combinations	6,152
Other	4,099
Balance at December 31, 2023	$ 121,121

Note:
Other comprehensive income related to financial assets measured at fair value through other comprehensive income, which is included in "Gains (losses) on financial assets measured at fair value through other comprehensive income."

10. Derivative Transactions and Hedging Activities

Cash flow hedges

The Group primarily designates the following as cash flow hedges: forward foreign exchange contracts and option contracts to fix cash flows of forecast transactions denominated in foreign currencies, interest rate swaps to fix variable interest rates on long-term borrowings, and commodity futures transactions to offset price fluctuations of raw material purchase prices.

The amounts recognized in profit or loss for hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness are not material for the fiscal years ended December 31, 2022 and 2023.

Changes in the fair value of hedging instruments that are used as a basis for the calculation of hedge ineffectiveness are not material for the fiscal years ended December 31, 2022 and 2023.

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(1) Fair Value of Hedging Instruments under Hedge Accounting

The fair value of hedging instruments under hedge accounting by type of hedge is as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2023 (December 31, 2023)		2022 (December 31, 2022)		**2023** (December 31, 2023)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges						
Interest rate swaps	**¥ 827**	**¥ —**	¥ 848	¥ —	**$ 5,832**	**$ —**
Forward foreign exchange contracts	**264**	**216**	1,785	707	**1,862**	**1,525**
Option contracts	—	—	—	6	—	—
Commodity futures transactions	—	—	195	—	—	—
Subtotal	**1,091**	**216**	2,827	713	**7,693**	**1,525**
Total	**¥ 1,091**	**¥ 216**	¥ 2,827	¥ 713	**$ 7,693**	**$ 1,525**

In the consolidated statement of financial position, the fair value of assets as hedging instruments is included in "Other financial assets (Current assets)" and "Other financial assets (Non-current assets)," and the fair value of liabilities as hedging instruments is included in "Other financial liabilities (Current liabilities)" and "Other financial liabilities (Non-current liabilities)."

(2) Notional Amount and Average Price of Hedging Instruments under Hedge Accounting

The notional amount and average price of hedging instruments under hedge accounting are as follows:

Type of risk	Type of hedge	Hedging instrument	Notional amount and average price	Millions of Yen				Thousands of U.S. Dollars	
				2023 (December 31, 2023)		2022 (December 31, 2022)		**2023** (December 31, 2023)	
				Within 1 year	Over 1 year	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Interest rate risk	Cash flow hedge	Pay fixed, receive variable Interest rate swaps	Notional amount	**¥ 10,212**	**¥ 20,424**	¥ 9,554	¥ 28,663	**$ 72,000**	**$ 144,000**
Foreign exchange risk	Cash flow hedge	Short EUR Forward foreign exchange contracts	Notional amount	**14,256**	—	22,352	—	**100,514**	—
			Average price (USD/EUR)	**1.1**	—	1.2	—	**1.1**	—
		Long INR Forward foreign exchange contracts	Notional amount	**9,575**	—	12,144	2,117	**67,511**	—
			Average price (USD/INR)	**84.6**	—	82.7	86.1	**84.6**	—
		Long THB Forward foreign exchange contracts	Notional amount	**19,618**	—	14,250	—	**138,317**	—
			Average price (JPY/THB)	**4.1**	—	3.9	—	**4.1**	—
		Long ILS Forward foreign exchange contracts	Notional amount	**12,509**	—	11,107	—	**88,200**	—
			Average price (USD/ILS)	**3.8**	—	3.4	—	**3.8**	—
		Long ILS Put option contracts	Notional amount	—	—	4,034	—	—	—
			Average price (USD/ILS)	—	—	3.6	—	—	—
Commodity price fluctuation risk	Cash flow hedge	Long Natural rubber Commodity futures transactions	Notional amount	—	—	2,457	—	—	—
			Average price (USD/t)	—	—	1,230.0	—	—	—

The interest rate swaps that were entered into to fix variable interest payments against interest rate fluctuation risk bear variable interest of 6-month USD LIBOR, with a fixed payment rate ranging from negative 0.011% to positive 0.010%.

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(3) Changes in Other Components of Equity (Changes in Fair Value of Hedging Instruments)

(i) Interest rate fluctuation risk

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Beginning of the year	**¥ 228**	¥ 231	**$ 1,607**
Amount recognized	**1,745**	717	**12,303**
Amount reclassified to profit for the year (Note)	**(1,808)**	(720)	**(12,747)**
End of the year	**165**	228	**1,163**

Note:
The amounts before tax effects are ¥(851) million and ¥(1,835) million ($(12,941) thousand) for the fiscal years ended December 31, 2022 and 2023, respectively, and are included in "Finance costs" in the consolidated statement of profit or loss.

(ii) Foreign exchange fluctuation risk

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Beginning of the year	**¥ 641**	¥ 2,068	**$ 4,518**
Amount recognized	**(143)**	2,238	**(1,007)**
Amount reclassified to profit for the year (Note)	**(1,047)**	(3,665)	**(7,385)**
End of the year	**(549)**	641	**(3,873)**

Note:
The amounts before tax effects are ¥(4,684) million and ¥(1,441) million ($(10,163) thousand) for the fiscal years ended December 31, 2022 and 2023, respectively, and are included in "Revenue" and "Selling, general, and administrative expenses" in the consolidated statement of profit or loss.

(iii) Commodity price fluctuation risk

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Beginning of the year	**¥ 215**	¥ 38	**$ 1,514**
Amount recognized	**151**	167	**1,064**
Amount reclassified to profit for the year (Note)	**(286)**	10	**(2,017)**
End of the year	**79**	215	**560**

Note:
The amounts before tax effects are ¥13 million and ¥(377) million ($(2,658) thousand) for the fiscal years ended December 31, 2022 and 2023, respectively, and are included in "Cost of sales" in the consolidated statement of profit or loss.

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32. BUSINESS COMBINATIONS

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)
Not applicable.

Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

1. Overview of the business combination

(1) Acquiree
Name of acquiree: Trelleborg Wheel Systems Holding AB
Description of business: Manufacture and sale of tires for agricultural and industrial machinery

(2) Main reason for the business combination

Acquisition through share purchase

On May 2, 2023, the Company has completed the acquisition of all outstanding shares of Trelleborg Wheel Systems Holding AB (hereinafter, TWS) from Trelleborg AB based on a share purchase agreement which was concluded on March 25, 2022. Accordingly, TWS has become a wholly-owned subsidiary. All applicable prior approvals by authorities in relevant countries and regions based on competition laws and other requirements for the transaction had either been fulfilled or waived by April 2023.

Reason for the acquisition of shares

Since fiscal 2021, the Group has been implementing its medium-term management plan, "Yokohama Transformation 2023 (YX 2023)," a three-year plan covering fiscal 2021 to fiscal 2023.

While commercial tires account for half of sales in the global tire market, the Company's sales ratio of consumer tires to commercial tires is 2:1. To secure business stability and earnings growth, the growth of the OHT business, which is capable of securing a high level of earnings among the commercial tire business, has been one of the key challenges for the Company.

With this acquisition, the Company will further expand its commercial tire business and accelerate its global expansion.

(3) Date of acquisition
May 2, 2023

(4) Percentage of voting equity interests acquired
100%

(5) Method used to obtain control of the acquiree
Share acquisition in exchange for cash

(6) Reportable segment
Tires

2. Consideration

	Millions of Yen	Thousands of U.S. Dollars
Cash	**¥ 347,939**	**$ 2,453,212**
Total	**347,939**	**2,453,212**

Consideration is measured at TWS's enterprise value plus adjustments arising from a performance-linked earn-out and other clauses all of which are included in the share purchase agreement. A professional has been appointed to appraise TWS's enterprise value in determining the consideration for the share acquisition.

3. Acquisition-related costs

Costs related to the business combination for the fiscal year ended December 31, 2023 of ¥1,933 million ($13,631 thousand) were recorded in "Selling, general, and administrative expenses."

Financial Section

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4. Fair value of assets acquired and liabilities assumed, and goodwill at the date of the acquisition

	Millions of Yen	Thousands of U.S. Dollars
CURRENT ASSETS:		
Cash and cash equivalents	¥ 27,981	$ 197,286
Trade and other receivables	32,305	227,770
Inventories	53,126	374,572
Other	10,169	71,699
NON-CURRENT ASSETS:		
Property, plant and equipment	94,050	663,117
Intangible assets	36,826	259,646
Other	2,579	18,183
Current liabilities	42,534	299,896
Non-current liabilities	21,511	151,665
Assets acquired and liabilities assumed (net)	192,990	1,360,712
Goodwill	¥ 154,949	$ 1,092,500

There are no material receivables that are deemed unrecoverable. Intangible assets consist of customer-related assets of ¥6,366 million ($44,883 thousand), technology-related assets of ¥5,922 million ($41,751 thousand), and trademark rights of ¥23,390 million ($164,918 thousand). Goodwill represents future excess earning power expected from ongoing business development. No material amount is included in tax deductibles expected for the goodwill recognized.

The Company has appointed an external appraiser to allocate the consideration for the acquisition. Goodwill, assets acquired and liabilities assumed at the date of the business combination and other amounts are accounted for provisionally as of the end of the fiscal year ended December 31, 2023, as identifiable assets and liabilities at that date are currently being examined, and the allocation of the consideration is yet to be completed.

The initial allocation of consideration made during the fiscal year has partly been revised at the end of the fiscal year ended December 31, 2023, but disclosure is omitted as it is immaterial.

5. Impact on the Group

Revenue and profit that arose after the date of business acquisition were ¥103,740 million ($731,441 thousand) and ¥6,330 million ($44,630 thousand), respectively. Assuming that the business combination took place at the beginning of the fiscal year ended December 31, 2023, revenue and profit for the fiscal year would be ¥162,670 million ($1,146,934 thousand) and ¥10,348 million ($72,961 thousand), respectively.

The statement above is pro forma information not subject to audit.

6. Financing

The Company's borrowings to finance the acquisition of TWS shares are as follows:

	Syndicated loan agreements	Loan agreement with JBIC
Amount	¥214,700 million ($1,513,784 thousand)	¥100,000 million ($705,069 thousand)
Contract date	June 28, 2023	June 30, 2023
Execution date	June 30, 2023	
Final repayment date	June 30, 2033	
Term	10 years	
Interest rate	Fixed interest rate (mainly the rate consisting of the base rate plus a spread)	
Lead arranger	Mizuho Bank, Ltd.	–
Participating banks	Mizuho Bank Ltd., The Bank of Yokohama, Ltd., The Norinchukin Bank, MUFG Bank, Ltd., Kanagawa Kenshinren, The Shizuoka Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, JA-Bank Hokkaido, The Hyakugo Bank, Ltd., JA Mie Shinren, The 77 Bank, Ltd., Mizuho Trust & Banking Co., Ltd., Ibaraki Shinren, The Joyo Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Aomori Bank, Ltd., The Gunma Bank, Ltd., The Hachijuni Bank, Ltd., The Bank of Fukuoka, Ltd., The Hokuriku Bank, Ltd., and The Musashino Bank, Ltd.	Japan Bank for International Cooperation
Assets pledged as collateral	None	

Financial covenants in the agreements are described in 18. "BONDS AND BORROWINGS."

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33. SUBSIDIARIES

1. Major Subsidiaries

The Company's major subsidiaries are as follows:

Name	Location	Ownership percentage of voting rights
Yokohama Tire Japan Co., Ltd.	Tokyo, Japan	91.0 %
Ibaraki Yokohama Tire Sales Co., Ltd.	Mito, Japan	45.0
Niigata Yokohama Tire Co., Ltd.	Niigata, Japan	50.0
Kagoshima Yokohama Tire Co., Ltd.	Kagoshima, Japan	50.0
Okinawa Yokohama Tire Co., Ltd.	Haebaru, Japan	40.0
Sasson Yokohama Tire Co., Ltd.	Otaru, Japan	50.0
YFC Co., Ltd.	Hiratsuka, Japan	100.0
Yokohama Tire Retread Co., Ltd.	Onomichi, Japan	100.0
Kameyama Bead Co., Ltd.	Kameyama, Japan	100.0
Aichi Tire Industry Co., Ltd.	Komaki, Japan	100.0
Hamagomu Engineering Co., Ltd.	Hiratsuka, Japan	100.0
Hamagomu Logistics Co., Ltd.	Hiratsuka, Japan	100.0
Yokohama Mold Co., Ltd.	Omitama, Japan	100.0
Yokohama Tire Corporation	California, United States of America	100.0
Yokohama Tire (Canada) Inc.	British Columbia, Canada	100.0
Yokohama Corporation of America	California, United States of America	100.0
Yokohama Corporation of North America	California, United States of America	100.0
Yokohama Tire Manufacturing Mississippi, LLC.	Mississippi, United States of America	100.0
Yokohama Tire Manufacturing Virginia LLC.	Virginia, United States of America	100.0
Yokohama Tire Mexico S. De R.L. De C.V.	Guanajuato, Mexico	100.0
Yokohama Tire Australia Pty. Ltd.	New South Wales, Australia	100.0
Yokohama Europe GmbH	Düsseldorf, Germany	100.0
Yokohama (Suisse) S.A.	Payerne, Switzerland	100.0
Yokohama Scandinavia AB	Stockholm, Sweden	100.0
Yokohama H.P.T. Ltd.	Milton Keynes, the United Kingdom	100.0
Yokohama Iberia, S.A.	Madrid, Spain	100.0
Yokohama France S.A.S	Genas, France	100.0
Yokohama CEE Spółka z. o.o.	Warsaw Poland	100.0
Yokohama Tire Sales Philippines, Inc.	Makati City, Philippines	100.0
Yokohama Tire Philippines, Inc.	Clark Freeport Zone, Philippines	100.0
Yokohama Tire Taiwan Co., Ltd.	Taipei, Taiwan	75.0
Hangzhou Yokohama Tire Co., Ltd.	Zhejiang, China	100.0
Suzhou Yokohama Tire Co., Ltd.	Jiangsu, China	100.0
Yokohama Rubber (China) Co., Ltd.	Shanghai, China	100.0
Yokohama Tire Sales (Shanghai) Co., Ltd.	Shanghai, China	100.0
Yokohama Russia L.L.C.	Moscow, Russia	100.0
LLC Yokohama R.P.Z.	Lipetsk, Russia	100.0
Yokohama Tire Sales (Thailand) Co., Ltd.	Bangkok, Thailand	100.0
Yokohama Tire Manufacturing (Thailand) Co., Ltd.	Rayong, Thailand	100.0
Yokohama Mold (Thailand) Co., Ltd.	Rayone, Thailand	100.0
Yokohama Tyre Vietnam Inc.	Binh Duong, Vietnam	100.0
Yokohama India Private Ltd.	Haryana, India	100.0
Yokohama Asia Co., Ltd.	Bangkok, Thailand	100.0
Yokohama Tire Korea Co., Ltd.	Seoul, South Korea	100.0
Yokohama Tyre Sales Malaysia Sdn. Bhd.	Selangore, Malaysia	51.0
Yokohama Rubber Singapore Pte. Ltd.	Singapore	100.0
Yokohama Off-Highway Tires K.K.	Hiratsuka, Japan	100.0
Alliance Tire Company Ltd.	Haifa, Israel	100.0
ATC Tires Private Ltd.	Maharashtra, India	100.0
Alliance Tire Europe B.V.	North Holland, Netherlands	100.0
Yokohama Off-Highway Tires America Inc.	Massachusetts, United States of America	100.0
ATC Tires AP Private Ltd.	Maharashtra, India	100.0
Yokohama Industrial Products Japan Co., Ltd.	Tokyo, Japan	100.0
Furusawa Shokai Co., Ltd.	Kita-Hiroshima, Japan	100.0
Yokohama Industries Americas Inc.	Kentucky, United States of America	100.0
Yokohama Industries Americas Ohio Inc.	Ohio, United States of America	100.0

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Name	Location	Ownership percentage of voting rights
Yokohama Industries Americas de Mexico S. de R.L. de C.V.	Aguascalientes, Mexico	100.0
SC Kingflex Corporation	Taoyuan, Taiwan	49.0
Yokohama Rubber (Thailand) Co., Ltd.	Rayong, Thailand	79.8
Shandong Yokohama Rubber Industrial Products Co., Ltd.	Shandong, China	77.0
Yokohama Aerospace America, Inc.	Washington, United States of America	80.0
Yokohama Industrial Products Sales-Shanghai Co., Ltd.	Shanghai, China	100.0
Yokohama Industrial Products Asia-Pacific Pte. Ltd.	Singapore	100.0
Yokohama Industrial Products-Hangzhou Co., Ltd.	Zhejiang, China	100.0
PT Yokohama Industrial Products Manufacturing Indonesia	Batam, Indonesia	100.0
Yokohama Rubber Marine & Aerospace Co., Ltd.	Hiratsuka, Japan	100.0
HAMAGOMU AICOM INC.	Yokohama, Japan	100.0
PRGR Co., Ltd.	Hiratsuka, Japan	100.0
Y.T. Rubber Co., Ltd.	Suratthani, Thailand	95.0
Yokohama TWS Holding AB	Trelleborg, Sweden	100.0
Yokohama TWS S.p.A	Lazio, Italy	100.0
Yokohama TWS Czech Republic a.s.	Prague, Czech Republic	100.0
Yokohama TWS North America, Inc.	Delaware, United States of America	100.0
Yokohama TWS Brazil Ltda.	Sao Paulo, Brazil	100.0
Yokohama TWS Australia Pty Ltd.	Victoria, Australia	100.0

2. Subsidiaries with Material Non-controlling Interests

The Group has no subsidiaries with material non-controlling interests or individually material associates.

34. RELATED PARTIES

Remunerations for major executives

Remunerations for major executives of the Group were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (From January 1, 2023 to December 31, 2023)	2022 (From January 1, 2022 to December 31, 2022)	**2023** (From January 1, 2023 to December 31, 2023)
Remunerations and bonuses	**¥ 452**	¥ 404	**$ 3,186**
Performance-linked remuneration	**153**	57	**1,081**
Share-based payment	**118**	110	**829**
Total	**¥ 723**	¥ 571	**$ 5,096**

35. COMMITMENTS

Commitments related to the acquisition of assets at or after the end of each fiscal year are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023 (December 31, 2023)	2022 (December 31, 2022)	**2023** (December 31, 2023)
Agreements on the acquisition of property, plant and equipment and intangible assets	**¥ 22,458**	¥ 19,722	**$ 158,348**

36. CONTINGENT LIABILITIES

In operating their businesses, the Company and its group companies may be subject to investigations by government agencies or may be involved in cases that can develop into disputes in Japan or in overseas jurisdictions.

At December 31, 2023, there are tax investigations conducted by taxation authorities concerning the interpretation and application of taxation systems mainly in emerging economies, notices of reassessment issued, and unresolved claims, including litigation and settlement negotiations. Based on consultation with legal and tax professionals, the Company estimates the likelihood that these contingent liabilities will have material consequences and recognizes a liability when it is probable that an outflow of resources embodying economic benefits will be required to settle the liability and a reliable estimate can be made of the amount of the liability.

Such liabilities are recorded based on currently available information; however, due to the inherent uncertainty of estimates, additional liabilities may be incurred if new facts become known in the future.

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37. SUBSEQUENT EVENTS

Material capital expenditure

The Company has resolved at the Board of Director's meeting held in February 2024, that it will build a passenger car tire plant in Mexico to strengthen its capacity to supply tires to the North American market. The new plant will have an annual production capacity of 5 million tires, with a planned capital expenditure totaling US$380 million (approx. ¥52.1 billion). Construction of the new plant will start in the second quarter of 2024, and production is scheduled to start in the first quarter of 2027. The new plant will be built on a site with a total area of about 610,000 square meters, which will be able to accommodate future expansion.

The Company recognizes that local production for local demand will be indispensable for rapidly meeting the expected increase in demand for tires in the North American market. The new plant will be located in the Mexican state of Coahuila and will have access to a major railway line and expressway that will facilitate timely supply of tires to customers throughout North America.

This capital expenditure does not impact consolidated results for the year ended December 2023, as the plant is expected to launch operation in the first quarter of 2027.

Outline of new plant

Location: Alianza Industrial Park, Saltillo, Coahuila, Mexico
Business: Production of passenger car tires
Site area: Approx. 610,000 square meters
Annual production capacity: 5 million tires

(2) Other

Quarterly information for the fiscal year ended December 31, 2023

	Millions of Yen			
	First three months	First six months	First nine months	Full year
Revenue	¥ 204,314	¥ 443,164	¥ 692,505	¥ 985,333
Profit before tax	14,251	37,067	60,128	105,975
Profit attributable to owners of the parent	9,705	27,678	44,583	67,234
Basic earnings per share (Yen)	60.53	172.62	278.05	419.32

	Thousands of U.S. Dollars			
	First three months	First six months	First nine months	Full year
Revenue	$ 1,440,555	$ 3,124,617	$ 4,882,640	$ 6,947,279
Profit before tax	100,479	261,351	423,947	747,200
Profit attributable to owners of the parent	68,428	195,148	314,343	474,044
Basic earnings per share (U.S. Dollars)	0.43	1.22	1.96	2.96

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	¥ 60.53	¥ 112.09	¥ 105.43	¥ 141.27

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. Dollars)	$ 0.43	$ 0.79	$ 0.74	$ 1.00

Glossary

20241108013O2

Term	Explanation
AG (agriculture tire)	Tires for agricultural machinery vehicles
All-season tires	All-weather tires that can be driven in all four seasons. These tires perform similarly to summer tires in sunny and rainy conditions, and similar to studless (non-studded tires) tires on snow-covered roads. All-season tires stamped with the "snowflake mark" can be driven on roads restricted to vehicles equipped with winter tires. However, chains must be used when chain requirements are in effect (studless tires are recommended on icy and heavy snow-covered roads).
CASE (connected, autonomous, shared & service, electric)	A concept that indicates the future direction of automotive evolution.
Commercial tires	Tires for trucks, buses, agricultural machinery, and other infrastructure-related vehicles that support industries such as transportation and production.
Consumer tires	Tires for passenger cars and other vehicles used by average consumers.
Grassroots category	In motorsports, "grassroots" refers to relatively small-scale competitions that are primarily participated in as a hobby or entry-level event, and are an important foundation for the fostering of motorsports fans and the development of future professional drivers.
HAICoLab	Yokohama Rubber's AI utilization framework for digital innovation formulated in 2020. The name was created from the concept of "humans and AI collaborating for digital innovation," and is used in the development of rubber materials for new products and in the calculation of the optimal pitch arrangement for tires. It also has the meaning of a joint research institute combining humans and AI.
ID (industrial tires)	Tires for industrial vehicles.
LTR (light truck radial tires)	Tires for small trucks.
MaaS (mobility as a service)	Mobility is not only a means of transportation, but a next-generation transportation service that combines various technologies such as autonomous driving and AI.
OHT (off-highway tires)	A generic term for tires used on agricultural machinery, construction vehicles, industrial vehicles, forestry machinery, etc.
OTR (off the road tire)	Tires for construction machinery and mining machinery.
PCR (passenger car radial tires)	Tires for passenger cars.
PFO (pressure field operation)	A tire standard for large agricultural machinery. Compared to VF tires, enhanced load capacity at low speeds makes it possible to operate machinery at lower tire pressures, further reducing soil compression damage.
Pickup trucks	A vehicle used for carrying small cargo with an open storage area behind the driver's seat.
Replacement tires	Tires used to replace the old tires installed on their new vehicles when they become worn or damaged.
Retread tires	Tires for which the worn tread rubber (the parts of a tire that make contact with the road's surface) is replaced with new rubber to restore the tire's functionality for reuse. They are also referred to as regenerated tires.
Side walls	The sides of a tire. The surface is covered with a layer of rubber to protect the cord layer underneath, and the tire size, brand name, and manufacturer's name are stamped on the sidewall.
SUV (sport utility vehicle)	Sport utility vehicles are suitable for everyday activities such as shopping as well as driving on unmaintained roads and other outdoor leisure pursuits.
TBR (truck and bus radial tires)	Tires for trucks and buses.
T.M.S (tire management system)	Service that utilizes a database to compile tire operation information. This system provides total support for tire management, from tire inspections to data entry, collection, and proposals, contributing to safer operations and greater efficiency.
VF (very high flexion)	A tire standard for large agricultural machinery. VF tires can support the same load at 40% less air pressure than conventional radial tires, enabling driving farm vehicles at low tire pressures, which is expected to reduce damage from soil compaction and improve productivity in agricultural operations.
Y-ATG	A business unit of the OHT Business Division, Y-ATG mainly sells tires for agricultural machinery vehicles and construction machinery vehicles under the Alliance brand.
Y-OTR	A business unit of the OHT Business Division, Y-OTR mainly sells YOKOHAMA brand tires for mining, construction, and industrial vehicles.
Y-TWS	Abbreviation for Yokohama TWS, a subsidiary of the OHT Business Division. The company mainly sells tires for agricultural machinery vehicles and industrial vehicles, such as Trelleborg brand tires.
Wide base tires	Wide tires that can replace double wheels (sets of two tires) with a single wheel (one tire) on trucks and buses.
Winter tires	Tires designed for use in low temperatures and on snow-covered roads. These include studless tires with enhanced grip on icy roads.

News Release and Timely Disclosure on Progress of YX2026

20241108013O3

News Release

March 18, 2024

Yokohama Rubber to build a new passenger car tire plant in Mexico

Yokohama Rubber decided to build a new plant in order to promote its "Product and Regional Strategies" and to strengthen its capacity to supply tires to the North American market. Construction of the new plant will start in the second quarter of 2024, and production is scheduled to start in the first quarter of 2027.

https://www.y-yokohama.com/release/pdf/2024031815mg001.pdf

May 14, 2024

Yokohama Rubber to expand motorsports tire production capacity at its Mishima Plant

Aiming to maximize the ratio of high value-added tires, the Company will expand the production lines of 18-inch and larger motorsports tires.

https://www.y-yokohama.com/release/pdf/2024051410mg001.pdf

July 1, 2024

Yokohama Rubber to build a new passenger car tire plant in China; Increasing local capacity for supplying the growing Chinese market

The construction of the new plant is in response to a request by the Chinese government to relocate the existing plant in Hangzhou and construct a new plant in the Hangzhou Qiantang New Area as an urban renewal project. Production at the new plant is scheduled to start in the second quarter of 2026. This is the first plant to be built as part of the "1-year plant" challenge, which is part of our growth strategy for consumer tires.

https://www.y-yokohama.com/release/pdf/2024070110mg003.pdf

July 22, 2024

Yokohama Rubber to acquire Goodyear's Off the Road tire business

Signed an agreement to acquire the Off the Road Tire (OTR) business of the Goodyear Tire & Rubber Company in the United States as a strategic investment under our "Programmatic M&A" strategy for growth of the OHT Business, a business which is a driver of growth for the Company.

https://www.y-yokohama.com/release/pdf/2024072216mg001.pdf

Timely disclosures

March 18, 2024

Notice of Sale of Investment Securities

Revenue from sales of cross-shareholdings was approximately ¥52.5 billion compared to the target of approximately ¥60 billion, demonstrating favorable progress.

https://www.y-yokohama.com/ir/pdf/document/disclosure_59.pdf (Japanese only)

May 14, 2024

Notice of Sale of Investment Securities

Revenue from sales of cross-shareholdings was approximately ¥63.8 billion compared to the target of approximately ¥60 billion, signifying that the target was achieved.

https://www.y-yokohama.com/ir/pdf/document/disclosure_63.pdf (Japanese only)

Corporate Information

20241108013O4

Corporate Data

Company Name	The Yokohama Rubber Co., Ltd.
Established	October 13, 1917
Paid-in capital	¥38,909 million (as of December 31, 2023)
Sales revenue	¥985,333 million (for the year ended December 31, 2023)
Fiscal year-end	December 31
Representatives	Chairman & CEO, Chairman of the Board Masataka Yamaishi President & COO Shinji Seimiya
Head Office	2-1 Oiwake, Hiratsuka City, Kanagawa Prefecture, 254-8601, Japan
Mainstay Products	▌Tires Tires for passenger cars, trucks and buses, light trucks, mining and construction equipment, industrial vehicles and agricultural and forestry machinery, aluminum alloy wheels and automobile-related components ▌Multiple Business High pressure and resin hoses, couplings, conveyor belts, fenders, marine hoses, aircraft components (water tanks), etc. ▌Others Golf-related products, information processing services, and others
Number of Employees	5,480 (as of December 31, 2023, non-consolidated basis) 33,617 (as of December 31, 2023, consolidated basis)

Group Sites

Business operations: 39 countries

As of December 31, 2023

Major regions of operation	No. of bases	No. of employees
Japan	68	10,042
Asia	51	14,969
Europe	36	4,929
North America	22	3,129
South America	7	548

Regarding Publication of the Yokohama Rubber Group Integrated Report 2024



Masahiro Yuki

Member of the Board and Officer, In charge of Corporate Finance & Accounting Dept. and IR Dept., Deputy Head of Tire Business Planning Div., Chairman of Yokohama Rubber (China) Co. Ltd.

Yokohama Rubber has been publishing an integrated report since 2022 to deepen stakeholders' understanding of its initiatives for medium- to long-term corporate value creation. Integrated Report 2024 serves as the third integrated report published by the Company.

In this report, we have taken into account the opinions of our stakeholders as much as possible in order to provide a clear understanding of the business model behind our initiatives and the value creation story we envision, as well as how we aim to achieve sustainable growth through Hockey Stick Growth in our new Medium-term Management Plan YX2026.

As the director with overall responsibility for the production of this report, I hereby state that the process by which it was prepared was conducted properly and the information contained herein is accurate.

My hope is that this report will facilitate an understanding of the Group and provide opportunities for the co-creation of value with stakeholders.

Share Information As of December 31, 2023

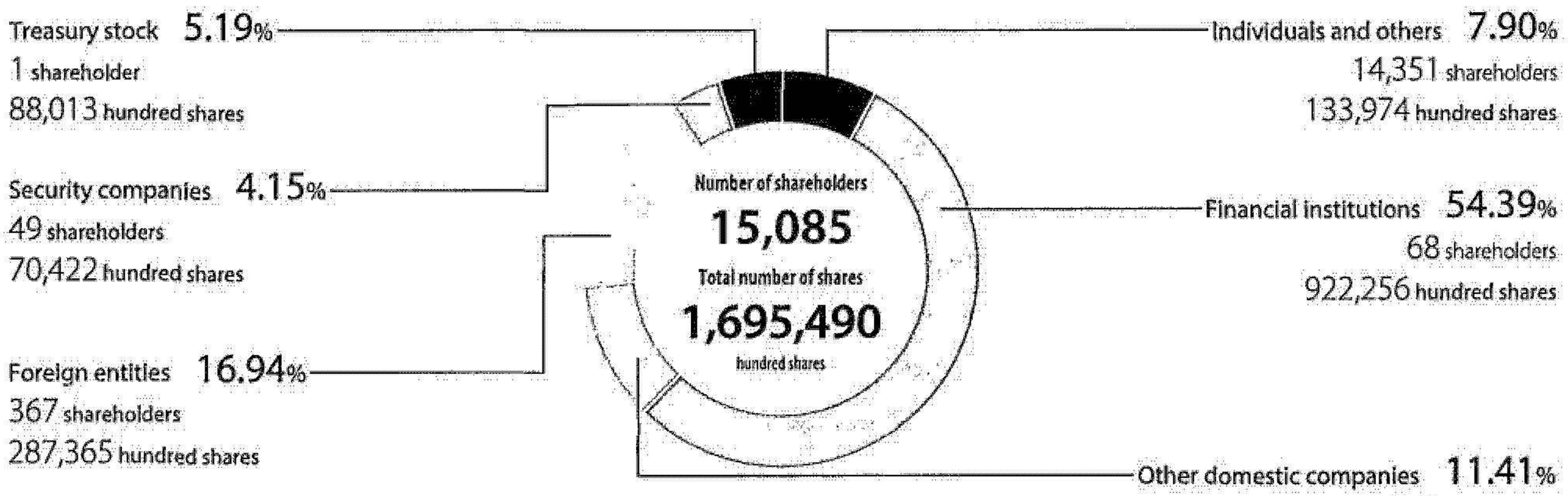
202411080130S

Basic Information

Sector	Rubber products
Stock exchange listing	Prime Market of the Tokyo Stock Exchange
Stock code	5101
Fiscal year-end	December 31
Record dates	December 31 (June 30 for interim dividends)

Trading unit	100 shares
Authorized number of shares	400,000,000
Number of shares issued and outstanding	169,549,081
Number of shareholders	15,085

Shareholder composition



Major shareholders

Shareholder name	Holdings (hundreds)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (trust account)	286,951	17.85
Custody Bank of Japan, Ltd. (trust account)	189,115	11.76
Asahi Mutual Life Insurance Company	109,055	6.78
Zeon Corporation	103,685	6.45
Mizuho Bank, Ltd.	61,300	3.81
The Nomura Trust and Banking Co., Ltd. (investment trust account)	32,896	2.04
The Dai-ichi Life Insurance Company, Limited	26,600	1.65
The Bank of Yokohama, Ltd.	24,999	1.55
Yokohama Rubber Business Partner Stock Holding Association	22,137	1.37
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trusts, Mizuho Bank Ltd. Account, Re-trust Trustee, Custody Bank of Japan, Ltd.	18,585	1.15

20241108013O6



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