

11-year Key Financial and Non-Financial Data

Years ended December 31

» Japan GAAP

	Unit	FY2012	FY2013	FY2014	FY2015
Financial Data					
Profit and Loss					
Sales revenue	(Billions of yen)	559.7	601.6	625.2	629.9
Business profit	(Billions of yen)	49.7	56.6	59.1	54.5
Business profit margin	(%)	8.9	9.4	9.4	8.7
Profit attributable to owners of parent	(Billions of yen)	32.6	35.0	40.5	36.3
Financial Position					
Total assets	(Billions of yen)	543.8	653.6	734.5	710.7
Interest-bearing debt	(Billions of yen)	146.3	175.3	184.3	190.9
Equity attributable to owners of the parent	(Billions of yen)	204.2	270.8	323.6	339.0
Management Indicators					
Ratio of equity attributable to owners of parent ^{*1}	(%)	37.5	41.4	44.1	47.7
Return on assets ^{*2}	(%)	6.2	5.8	5.8	5.0
Return on equity ^{*3}	(%)	17.8	14.7	13.6	11.0
D/E ratio ^{*4}	(Times)	0.72	0.65	0.57	0.56
Cash Flows					
Cash flows from operating activities	(Billions of yen)	59.2	46.7	59.0	57.5
Cash flows from investing activities	(Billions of yen)	(30.5)	(44.6)	(53.7)	(55.1)
Free cash flows	(Billions of yen)	28.6	2.1	5.3	2.5
Cash flows from financing activities	(Billions of yen)	(30.7)	8.5	(0.1)	(6.4)
Investment					
Capital expenditures ^{*5}	(Billions of yen)	28.1	33.5	55.3	50.9
Depreciation & Amortization ^{*5}	(Billions of yen)	25.0	24.0	27.4	31.4
R&D expenses	(Billions of yen)	12.8	12.6	13.4	14.2
Return on Invested Capital	(%)	8.7	7.2	8.1	7.3
Dividends per share					
Annual	(yen)	20	22	26	39 ^{*7}
Dividend payout ratio ^{*6}	(%)	20.44	20.31	10.37	17.25
Earnings per share	(yen)	97.87	108.32	250.67	226.07
Non-financial Data					
Business					
Patents		4,223	4,589	4,868	4,941
Tire production volume ^{*8}	(thousand tons)	602	596	668	681
Environment					
Emissions of greenhouse gases Scope 1-2 (consolidated)	(thousand tons)	617	610	685	697
Emissions of greenhouse gases Scope 3 ^{*9} (consolidated)	(thousand tons)	–	23,301	30,844	23,831
Total energy consumption ^{*10}	(MWh)	–	–	1,231,611	1,313,523
Total amount of waste (consolidated)	(tons)	26,757	18,165	30,967	32,901
Recycling rate (consolidated)	(%)	97	93	97	96
Total water withdrawal (consolidated)	(thousand m ³)	8,380	8,525	8,660	8,682
Biodiversity preservation activity implementation rate at production sites (%)	(%)	15	32	32	40
Number of production sites implementing biodiversity preservation activities		4	10	10	12
Cumulative number of trees planted and saplings provided under YOKOHAMA Forever Forest Activities		391,371	487,384	602,232	682,394
Cumulative CO ₂ absorption and fixation volume (tons)	(tons)	228	329	447	576
Employees					
Total number of employees (consolidated)		19,412	19,770	21,441	22,187
Total number of employees (non-consolidated)		5,428	5,336	5,316	5,263
Percentage of female employees (non-consolidated)	(%)	5.9	6.3	6.6	6.6
Percentage of persons with disabilities (domestic) ^{*11}	(%)	2.1	2.1	2.1	2.0
Number of employees taking childcare leave (non-consolidated)		12	10	15	30
Rate of lost-worktime injuries (consolidated) ^{*12}		0.44	0.59	0.08	0.38

*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

» IFRS

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
596.2	646.3	650.2	650.5	551.1	670.8	860.5
42.3	58.3	59.3	50.1	35.9	62.2	70.1
7.1	9.0	9.1	7.7	6.5	9.3	8.1
18.8	40.0	35.6	42.0	26.3	65.5	45.9
903.0	920.8	855.8	907.6	860.4	985.0	1,151.1
336.4	315.6	260.4	239.9	207.8	177.2	238.7
348.8	379.8	374.0	418.9	415.5	525.3	614.4
38.6	41.2	43.7	46.2	48.3	53.3	53.4
2.3	4.4	4.0	4.8	3.0	7.1	4.3
5.5	11.1	9.5	10.6	6.3	13.9	8.1
0.96	0.83	0.70	0.57	0.50	0.34	0.39
75.4	60.5	82.8	75.4	78.3	68.3	39.2
(166.5)	(29.7)	(43.1)	(43.6)	(27.9)	(4.5)	(46.4)
(91.1)	30.7	39.7	31.7	50.4	63.8	(7.1)
100.2	(28.1)	(64.9)	(35.5)	(46.6)	(55.2)	35.2
35.9	39.9	46.9	51.3	28.4	38.8	54.9
33.2	34.6	36.8	36.0	37.5	38.3	41.9
14.5	15.1	15.2	15.0	14.1	15.3	16.0
3.0	5.7	6.1	6.5	4.5	8.2	5.2
52	62	62	64	64	65	66
44.38	24.87	27.91	24.46	39.00	15.91	23.05
117.17	249.32	222.12	261.61	164.09	408.47	286.38
5,109	5,480	5,675	5,956	6,291	6,009	6,242
662	685	678	866	799	962	1,000
714	716	720	1,052	986	1,099	1,051
23,920	23,237	22,055	24,155	22,578	25,701	26,661
1,341,111	1,353,082	1,333,451	1,787,203	1,678,571	1,879,142	1,837,184
35,782	43,991	53,044	52,564	48,275	51,884	48,865
91	97	95	96	95	95	98
8,925	8,266	8,102	8,718	8,036	8,494	8,247
41	43	47	49	49	50	50
14	18	20	21	21	21	21
756,039	853,047	943,788	997,401	1,039,318	1,089,655	1,197,915
711	858	1,009	1,173	1,358	1,576	1,649
24,610	25,439	26,274	27,428	27,252	27,222	28,468
5,242	5,245	5,473	5,543	5,574	5,257	5,399
6.7	6.8	7.1	7.3	7.4	7.5	7.2
2.3	2.2	2.2	2.4	2.5	2.6	2.7
31	30	35	37	40	35	42
0.60	0.50	0.36	0.26	0.20	0.18	0.24

*7. On July 1, 2015, the Company conducted a one-for-two reverse stock split.

*8. Total volume based on tire product weight

*9. Calculated and disclosed since FY2013

*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 frequency 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, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 8)	¥ 75,572	¥ 42,523	\$ 569,498
Trade and other receivables (Notes 9 and 31)	193,749	169,869	1,460,056
Other financial assets (Notes 11 and 31)	3,594	4,983	27,080
Inventories (Note 10)	216,392	152,700	1,630,683
Other current assets	14,673	13,485	110,571
Total current assets (Note 18)	503,980	383,560	3,797,888
NON-CURRENT ASSETS:			
Property, plant and equipment (Notes 12, 15 and 18)	372,933	336,269	2,810,349
Goodwill (Notes 13 and 15)	104,244	90,130	785,562
Intangible assets (Notes 13 and 15)	37,168	36,093	280,089
Other financial assets (Notes 11 and 31)	112,804	120,316	850,068
Deferred tax assets (Note 16)	8,140	7,655	61,338
Other non-current assets (Note 20)	11,808	10,966	88,980
Total non-current assets (Note 18)	647,097	601,428	4,876,387
TOTAL ASSETS	¥ 1,151,076	¥ 984,988	\$ 8,674,275
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables (Notes 17 and 31)	¥ 78,131	¥ 71,945	\$ 588,777
Bonds and borrowings (Notes 18 and 31)	117,480	81,607	885,303
Other financial liabilities (Notes 19 and 31)	24,470	22,428	184,402
Income taxes payable	8,581	9,216	64,668
Other current liabilities	65,846	57,307	496,204
Total current liabilities	294,508	242,502	2,219,354
NON-CURRENT LIABILITIES:			
Bonds and borrowings (Notes 18 and 31)	121,221	95,628	913,499
Other financial liabilities (Notes 19 and 31)	36,901	37,168	278,078
Liabilities for retirement benefits (Note 20)	15,584	16,600	117,441
Deferred tax liabilities (Note 16)	48,702	49,934	367,009
Other non-current liabilities	11,038	10,198	83,181
Total non-current liabilities	233,447	209,528	1,759,207
TOTAL LIABILITIES	527,955	452,030	3,978,561
EQUITY:			
Share capital (Note 21)	38,909	38,909	293,211
Share premium (Note 21)	31,308	31,261	235,928
Retained earnings (Note 21)	432,224	391,949	3,257,154
Treasury shares (Note 21)	(11,650)	(11,758)	(87,793)
Other components of equity	123,633	74,952	931,670
Total equity attributable to owners of the parent	614,424	525,312	4,630,170
Non-controlling interests	8,698	7,646	65,544
TOTAL EQUITY	623,121	532,958	4,695,713
TOTAL LIABILITIES AND EQUITY	¥ 1,151,076	¥ 984,988	\$ 8,674,275

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
CONTINUING OPERATIONS			
Revenue (Notes 6 and 7)	¥ 860,477	¥ 670,809	\$ 6,484,376
Cost of sales (Notes 12,13 and 20)	(572,803)	(447,178)	(4,316,523)
Gross profit	287,674	223,631	2,167,853
Selling, general, and administrative expenses (Notes 12,13,20 and 23)	(217,585)	(161,469)	(1,639,673)
Business profit (Note 6)	70,089	62,162	528,180
Other income (Note 24)	2,266	24,863	17,076
Other expenses (Notes 15 and 25)	(3,504)	(3,389)	(26,406)
Operating profit	68,851	83,636	518,849
Finance income (Note 26)	10,341	7,889	77,931
Finance costs (Note 26)	(7,571)	(6,327)	(57,051)
Profit before tax	71,622	85,199	539,729
Income taxes (Note 16)	(24,473)	(25,645)	(184,425)
Profit for the year from continuing operations	47,149	59,554	355,304
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations (Note 37)	—	6,751	—
Profit for the year	47,149	66,305	355,304
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent	45,918	65,500	346,028
Non-controlling interests	1,231	806	9,276
Profit for the year	47,149	66,305	355,304
Profit for the year from continuing operations attributable to owners of the parent	45,918	58,749	346,028
Profit for the year from discontinued operations attributable to owners of the parent	—	6,751	—
Profit for the year attributable to owners of the parent	¥ 45,918	¥ 65,500	\$ 346,028
EARNINGS PER SHARE (YEN/U.S. DOLLARS):			
Basic earnings per share			
Continuing operations (Note 28)	286.38	366.37	2.16
Discontinued operations (Note 28)	—	42.10	—
Diluted earnings per share			
Continuing operations (Note 28)	285.80	365.82	2.15
Discontinued operations (Note 28)	—	42.04	—

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
PROFIT FOR THE YEAR	¥ 47,149	¥ 66,305	\$ 355,304
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)	(2,281)	8,639	(17,189)
Remeasurements of defined benefit plans (Notes 20 and 27)	1,131	5,375	8,520
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges (Note 27)	(1,253)	3,077	(9,440)
Exchange differences on translating foreign operations (Note 27)	56,358	38,108	424,700
Total other comprehensive income, net of tax	53,955	55,199	406,592
COMPREHENSIVE INCOME	¥101,104	¥121,505	\$ 761,896
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	99,561	120,356	750,272
Non-controlling interests	1,542	1,149	11,624
Comprehensive income	¥101,104	¥121,505	\$ 761,896

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2022 and 2021

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						Total equity
	Gains (losses) on financial assets measured at fair value through other comprehensive income			Remeasurements of defined benefit plans		Total equity attributable to owners of the parent	
	Total	Total	Total	Total	Non-controlling interests		
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, 2021 (From January 1, 2021 to December 31, 2021)

	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, 2021	¥ 38,909	¥ 31,052	¥ 331,880	¥ (11,834)	¥ (20,967)	¥ (741)
Profit for the year			65,500			
Other comprehensive income (Note 27)					37,758	3,077
Comprehensive income	—	—	65,500	—	37,758	3,077
Purchase of treasury shares (Note 21)				(2)		
Disposal of treasury shares (Note 21)						
Share-based payment transactions (Notes 21 and 29)		45		78		
Dividends from surplus (Note 22)			(10,278)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		(43)				
Transfer to retained earnings			5,444			
Others		207	(598)			
Total transactions with owners	—	208	(5,431)	76	—	—
BALANCE, DECEMBER 31, 2021	¥ 38,909	¥ 31,261	¥ 391,949	¥ (11,758)	¥ 16,790	¥ 2,336

	Equity attributable to owners of the parent						Total equity
	Gains (losses) on financial assets measured at fair value through other comprehensive income			Total equity attributable to owners of the parent		Non-controlling interests	
		Remeasurements of defined benefit plans	Total				
BALANCE, JANUARY 1, 2021	¥ 47,248	¥ —	¥ 25,540	¥ 415,547	¥ 7,314	¥ 422,862	
Profit for the year			—	65,500	806	66,305	
Other comprehensive income (Note 27)	8,637	5,384	54,856	54,856	343	55,199	
Comprehensive income	8,637	5,384	54,856	120,356	1,149	121,505	
Purchase of treasury shares (Note 21)			—	(2)		(2)	
Disposal of treasury shares (Note 21)			—	—		—	
Share-based payment transactions (Notes 21 and 29)			—	123		123	
Dividends from surplus (Note 22)			—	(10,278)	(666)	(10,943)	
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(43)	(142)	(186)	
Transfer to retained earnings	(61)	(5,384)	(5,444)	—		—	
Others			—	(391)	(9)	(400)	
Total transactions with owners	(61)	(5,384)	(5,444)	(10,591)	(817)	(11,409)	
BALANCE, DECEMBER 31, 2021	¥ 55,825	¥ —	¥ 74,952	¥ 525,312	¥ 7,646	¥ 532,958	

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	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, 2022	\$ 293,211	\$ 235,575	\$ 2,953,646	\$ (88,608)	\$ 126,529	\$ 17,605
Profit for the year			346,028			
Other comprehensive income (Note 27)					422,481	(9,440)
Comprehensive income	—	—	346,028	—	422,481	(9,440)
Purchase of treasury shares (Note 21)				(17)		
Disposal of treasury shares (Note 21)		0		2		
Share-based payment transactions (Notes 21 and 29)		203		830		
Dividends from surplus (Note 22)			(79,905)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		149				
Transfer to retained earnings			37,394			
Others			(11)			
Total transactions with owners	—	353	(42,521)	815	—	—
BALANCE, DECEMBER 31, 2022	\$ 293,211	\$ 235,928	\$ 3,257,154	\$ (87,793)	\$ 549,010	\$ 8,165

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of the parent	Total equity		
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total				
BALANCE, JANUARY 1, 2022	\$ 420,687	\$ —	\$ 564,820	\$ 3,958,646	\$ 57,615	\$ 4,016,262		
Profit for the year			—	346,028	9,276	355,304		
Other comprehensive income (Note 27)	(17,202)	8,404	404,244	404,244	2,348	406,592		
Comprehensive income	(17,202)	8,404	404,244	750,272	11,624	761,896		
Purchase of treasury shares (Note 21)			—	(17)		(17)		
Disposal of treasury shares (Note 21)			—	2		2		
Share-based payment transactions (Notes 21 and 29)			—	1,033		1,033		
Dividends from surplus (Note 22)			—	(79,905)	(4,320)	(84,225)		
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	149	(415)	(266)		
Transfer to retained earnings	(28,990)	(8,404)	(37,394)	—		—		
Others			—	(11)	1,040	1,029		
Total transactions with owners	(28,990)	(8,404)	(37,394)	(78,748)	(3,696)	(82,444)		
BALANCE, DECEMBER 31, 2022	\$ 374,495	\$ —	\$ 931,670	\$ 4,630,170	\$ 65,544	\$ 4,695,713		

Financial Section

CONSOLIDATED STATEMENT OF CASH FLOWS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 71,622	¥ 85,199	\$ 539,729
Profit before tax from discontinued operations (Note 37)	—	9,191	—
Depreciation and amortization	49,914	45,560	376,142
Impairment losses	285	93	2,150
Increase (decrease) in liabilities for retirement benefits	(267)	410	(2,011)
Interest and dividend income	(5,021)	(3,160)	(37,834)
Interest expenses	2,939	2,100	22,150
Loss (gain) on sale and retirement of non-current assets	78	(20,063)	584
Decrease (increase) in trade receivables	(11,733)	(7,387)	(88,419)
Increase (decrease) in trade payables	5,983	6,193	45,086
Decrease (increase) in inventories	(47,682)	(33,107)	(359,322)
Gain on sale of discontinued operations (Note 37)	—	(9,292)	—
Other	(571)	4,494	(4,304)
Subtotal	65,547	80,232	493,952
Interests and dividends received	5,017	3,180	37,809
Interests paid	(2,890)	(2,158)	(21,778)
Income taxes (paid) refund	(28,444)	(12,951)	(214,348)
Net cash provided by operating activities	39,231	68,303	295,635
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits	2,283	1,096	17,203
Payments into time deposits	—	(2,077)	—
Purchases of property, plant and equipment	(54,378)	(35,930)	(409,783)
Proceeds from sale of property, plant and equipment	2,072	21,766	15,616
Purchases of intangible assets	(514)	(370)	(3,870)
Purchases of investment securities	(326)	(113)	(2,458)
Proceeds from sale of investment securities	7,340	35	55,312
Proceeds from sale of discontinued operations (Note 37)	—	11,846	—
Other	(2,834)	(732)	(21,360)
Net cash used in investing activities	(46,357)	(4,479)	(349,339)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings (Note 30)	34,460	(2,163)	259,680
Net increase (decrease) in commercial paper (Note 30)	7,000	—	52,751
Proceeds from long-term borrowings (Note 30)	13,524	6,884	101,913
Repayments of long-term borrowings (Note 30)	(19,494)	(31,814)	(146,906)
Proceeds from issuance of bonds (Note 30)	30,000	—	226,074
Redemption of bonds (Note 30)	(12,000)	(10,000)	(90,430)
Purchases of treasury shares	108	76	815
Proceeds from sale of treasury shares	27	45	203
Cash dividends paid (Note 22)	(10,603)	(10,277)	(79,903)
Other (Note 30)	(7,849)	(7,945)	(59,145)
Net cash provided by (used in) financing activities	35,172	(55,195)	265,052
Effect of exchange rate changes on cash and cash equivalents	5,003	3,134	37,703
Net increase (decrease) in cash and cash equivalents	33,049	11,764	249,052
Cash and cash equivalents at the beginning of year (Note 8)	42,523	30,760	320,446
Cash and cash equivalents at the end of year (Note 8)	¥ 75,572	¥ 42,523	\$ 569,498

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, 2022 were approved by the Board of Directors on March 30, 2023. 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. “SIGNIFICANT 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 ¥132.7 = \$1.00, the approximate exchange rate prevailing on December 31, 2022.

3. SIGNIFICANT 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.

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.

Financial Section

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 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 significant 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.

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.

(i) Qualifying criteria for hedge accounting

At the inception of the hedge, the Group documents the relationship between the hedging instrument and the hedged item as well as the Group's risk management objective and strategy for undertaking the hedge transaction. In addition, at the inception of the hedge and throughout the term of the hedge, the Group assesses continuously whether all of the following criteria are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantities of the hedged item and the hedging instrument that the Group actually uses.

(ii) Accounting for derivative transactions qualifying for hedge accounting

• Fair value hedge

Any changes in the fair value of derivatives designated as hedging instruments are recognized in profit or loss. Any changes in the fair value of the hedged items are recognized in profit or loss, and the carrying amount of the hedged items is adjusted accordingly.

Financial Section

- Cash flow hedge

Of changes in the fair value of hedging instruments, the effective portion of the hedge is recognized in other comprehensive income, and the ineffective portion of the hedge is recognized in profit or loss.

The balances of cash flow hedges are deducted from other comprehensive income in the consolidated statement of comprehensive income for the same period when the hedged cash flows affect profit or loss, and reclassified to profit or loss in the same line items as the hedged items.

The Group discontinues the application of hedge accounting when the hedge ceases to meet the effectiveness criteria for hedge accounting, when the hedge designation is revoked, or when the hedging instrument expires or is sold, terminated, or exercised.

(iii) Accounting for derivative transactions not qualifying for hedge accounting

For derivatives held for hedging purposes that do not meet hedge accounting requirements, any changes in their fair value are immediately recognized in profit or loss.

(5) Fair Value of Financial Instruments

The fair value of financial instruments that are traded on an active financial market at the end of the fiscal year is based on quoted market prices or dealer prices.

The fair value of financial instruments for which there is no active market is determined based on prices derived by appropriate valuation techniques or presented by counterparty financial institutions.

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:	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.

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. Employee Benefits

(1) Short-term Employee Benefits

Short-term employee benefits are recognized as expenses on an undiscounted basis when related services are rendered. Short-term employee benefits, such as bonuses and paid annual leaves, are recognized as liabilities for the amounts estimated to be paid based on the applicable plans when the Group has legal or constructive obligations for such payments and when the obligations can be reliably estimated.

(2) Retirement Benefits

The Group has a defined contribution plan and a defined benefit plan.

(i) 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.

(ii) 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.

(3) Other Long-term Employee Benefits

Long-term employee benefits other than retirement benefits are determined by discounting future benefits that employees are entitled to receive as a consideration for their current and past services to the present value.

Financial Section

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 significant, 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. Finance Income and Finance Costs

Finance income mainly comprises interest income, dividend income, foreign currency gain, and changes in the fair value of financial instruments measured at fair value through profit or loss. Interest income is recognized when it occurs using the effective interest method. Dividend income is recognized when the Group's right to receive payment is established. Finance costs mainly comprise interest expenses, foreign currency loss, and changes in the fair value of financial instruments measured at fair value through profit or loss. Interest expenses are recognized when they occur using the effective interest method.

15. Income Taxes

Income taxes comprise current taxes and deferred taxes. They are recognized in profit or loss, except for the items arising from business combinations, the items recognized in other comprehensive income, and the 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 substantially enacted by the end of the fiscal year.

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 and that affects neither accounting nor taxable profit (loss); 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.

16. 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.

17. Earnings per Share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding (after adjusting for treasury shares) during each calculation period.

Diluted earnings per share is calculated by adjusting the effect of all dilutive potential ordinary shares.

18. 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.

19. 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. SIGNIFICANT 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 COVID-19 and the Ukraine situation 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.

Information related to judgments made in the process of applying accounting policies that have a significant impact on the consolidated financial statements is as follows:

- Scope of consolidated subsidiaries (3. "SIGNIFICANT ACCOUNTING POLICIES (1) Basis of Consolidation")
- Revenue recognition (3. "SIGNIFICANT ACCOUNTING POLICIES (13) Revenue," 7. "REVENUE")

Estimates and assumptions that have a significant 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 significant revisions to the amount of impairment losses as a result of uncertain future changes in economic conditions. Estimates and assumptions of the significant 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 significant changes in the amount to be recognized in the following fiscal years.

Financial Section

- 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 significant 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 significant 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 NOT YET APPLIED

There are no significant 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, 2022.

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.

As part of commercial tire business strategy, in the fiscal year ended December 31, 2021, the Group began operations under a new management control structure after launching a new organization named Yokohama Off-Highway Tires (“YOHT”) consisting of the Company’s off-highway tire (“OHT”) business and Alliance Tire Group (“ATG”), a Yokohama Rubber Group company.

In further expanding the business, the Group reassessed the similarity and other factors of customers and product features and changed its business segment structure from the first quarter of the fiscal year ended December 31, 2022. Specifically, ATG has been renamed to YOHT and consolidated into the Tires segment. As a result, the previous three-segment structure consisting of Tires, MB and ATG has now been changed to a two-segment structure consisting of Tires and MB.

Segment information for the fiscal year ended December 31, 2021 is disclosed based on the new reportable segment structure.

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. “SIGNIFICANT ACCOUNTING POLICIES.”

The figures related to reportable segments are based on business profit. Intersegment revenues are based on prevailing market prices.

As a result of having classified the Hamatite business of the MB segment into discontinued operations in the fiscal year ended December 31, 2021, revenue from the segment has been reclassified as the amount of continuing operations excluding the amount of revenue from discontinued operations.

Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

	Millions of Yen					
	Reportable segment		Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB				
Revenues						
Revenue from external customers	¥ 577,487	¥ 84,438	¥ 8,884	¥ 670,809	¥ —	¥ 670,809
Intersegment revenue	1,458	130	8,603	10,192	(10,192)	—
Total	¥ 578,946	¥ 84,569	¥ 17,487	¥ 681,001	¥ (10,192)	¥ 670,809
Segment profit						
(business profit) (Note 2)	57,223	3,781	1,096	62,100	62	62,162
Other income and expenses						21,474
Operating profit						83,636
(Other significant items) (Note 4)						
Depreciation and amortization	33,717	2,870	103	36,690	1,011	37,701
Impairment losses	93	—	—	93	—	93
Capital expenditures	35,477	2,750	94	38,321	438	38,759

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.

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 significant 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

	Thousands of U.S. Dollars					
	Reportable segment		Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB				
Revenues						
Revenue from external customers	\$ 5,684,322	\$ 725,308	\$ 74,746	\$ 6,484,376	\$ —	\$ 6,484,376
Intersegment revenue	9,133	1,100	78,861	89,094	(89,094)	—
Total	\$ 5,693,454	\$ 726,409	\$ 153,607	\$ 6,573,471	\$ (89,094)	\$ 6,484,376
Segment profit						
(business profit) (Note 2)	503,716	29,878	(5,716)	527,879	301	528,180
Other income and expenses						(9,331)
Operating profit						518,849
(Other significant items) (Note 4)						
Depreciation and amortization	284,677	22,335	761	307,772	7,849	315,621
Impairment losses	1,862	288	—	2,150	—	2,150
Capital expenditures	366,828	29,348	2,500	398,677	15,354	414,031

Financial Section

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.

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Japan	¥ 151,277	¥ 146,428	\$ 1,139,996
United States of America ("USA")	57,925	51,610	436,512
India	184,280	146,061	1,388,695
China	32,432	33,017	244,402
Philippines	29,944	29,767	225,649
Others	64,697	59,629	487,544
Total	¥ 520,555	¥ 466,511	\$ 3,922,798

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

As a result of having classified the Hamatite business of the MB segment into discontinued operations in the fiscal year ended December 31, 2021, revenue from the segment has been reclassified as the amount of continuing operations excluding the amount of revenue from discontinued operations.

In addition, beginning from the first quarter of the year ended December 31, 2022, the reporting segment "ATG" has been consolidated into the "Tires" segment. Please refer to 6. "SEGMENT INFORMATION" for details on changes to segment.

Fiscal year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

	Millions of Yen			
	Tires	MB	Others	Total
Areas				
Japan	¥ 182,437	¥ 48,669	¥ 6,580	¥ 237,686
North America	183,374	16,270	272	199,917
Asia	87,756	14,695	2,032	104,484
Others	123,919	4,804	—	128,723
Total	¥ 577,487	¥ 84,438	¥ 8,884	¥ 670,809

Note:

Revenues are classified based on the location of customers and exclude intersegment transactions.

North America mainly refers to the USA (¥187,562 million).

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
Others	159,073	5,323	—	164,396
Total	¥ 754,309	¥ 96,248	¥ 9,919	¥ 860,477

	Thousands of U.S. Dollars			
	Tires	MB	Others	Total
Areas				
Japan	\$ 1,500,675	\$ 390,632	\$ 51,301	\$ 1,942,608
North America	2,105,379	178,044	2,024	2,285,448
Asia	879,523	116,519	21,421	1,017,463
Others	1,198,745	40,113	—	1,238,858
Total	\$ 5,684,322	\$ 725,308	\$ 74,746	\$ 6,484,376

Note:

Revenues are classified based on the location of customers and exclude intersegment transactions.

North America mainly refers to the USA (¥284,938 million, \$2,147,237 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 six months 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 more than 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, 2021 and 2022, the amounts of revenues recognized from the performance obligations satisfied in the previous periods are immaterial.

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2022 (December 31, 2022)	2022 (December 31, 2022)
Contract liabilities	¥ 1,738	¥ 1,446	\$ 10,896

Financial Section

3. Transaction Prices Allocated to Remaining Performance Obligations

The Group has no significant 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 significant 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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Cash and deposits	¥ 63,238	¥ 33,191	\$ 476,546
Time deposits with maturities of three months or less	12,335	9,333	92,953
Total	¥ 75,572	¥ 42,523	\$ 569,498

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Notes and accounts receivable-trade	¥ 182,511	¥ 158,930	\$ 1,375,367
Others	14,780	14,101	111,377
Allowance for doubtful receivables	(3,542)	(3,162)	(26,689)
Total	¥ 193,749	¥ 169,869	\$ 1,460,056

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Merchandise and finished goods	¥ 152,697	¥ 100,353	\$ 1,150,691
Work in progress	9,319	7,326	70,224
Raw materials and supplies	54,376	45,020	409,768
Total	¥ 216,392	¥ 152,700	\$ 1,630,683

The valuation loss on inventories was ¥1,994 million and ¥1,371 million (\$10,334 thousand) for the fiscal years ended December 31, 2021 and 2022, respectively.

The valuation loss on inventories for the fiscal year ended December 31, 2021 includes fixed manufacturing costs of ¥12 million that incurred during the operation restriction period based on the request from government agencies to prevent the spread of COVID-19.

The valuation loss on inventories for the fiscal year ended December 31, 2022 includes fixed manufacturing costs of ¥52 million (\$395 thousand) that incurred during the operation restriction period to prevent the spread of COVID-19.

11. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Non-derivative financial assets measured at amortized cost			
Loans	¥ 317	¥ 250	\$ 2,389
Others	3,848	6,409	29,001
Allowance for doubtful receivables	(118)	(106)	(893)
Non-derivative financial assets measured at fair value through profit or loss			
Others	179	182	1,347
Non-derivative financial assets measured at fair value through other comprehensive income			
Shares	102,935	113,972	775,699
Others	610	596	4,599
Derivative assets	8,626	3,995	65,006
Total	¥ 116,398	¥ 125,299	\$ 877,148
Current assets	3,594	4,983	27,080
Non-current assets	112,804	120,316	850,068
Total	¥ 116,398	¥ 125,299	\$ 877,148

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, 2021 (December 31, 2021)

Share issuer	Millions of Yen
	Amount
TOYOTA MOTOR CORPORATION	¥ 36,449
Zeon Corporation	30,100
Honda Motor Co., Ltd.	10,125
SUZUKI MOTOR CORPORATION	3,649
ADEKA Corporation	2,825

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

Share issuer	Thousands of U.S. Dollars
	Amount
TOYOTA MOTOR CORPORATION	\$ 236,449
Zeon Corporation	188,848
Honda Motor Co., Ltd.	71,621
SUZUKI MOTOR CORPORATION	26,521
ADEKA Corporation	17,948

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.

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Fair value	¥ 7,701	¥ 296	\$ 58,035
Accumulated gains (losses) recognized in other components of equity (Note)	¥ 3,847	¥ 130	\$ 28,990

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Investments derecognized during the year	¥ 156	¥ 24	\$ 1,176
Investments held as of the end of the year	3,794	2,658	28,591
Total	¥ 3,950	¥ 2,683	\$ 29,767

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, 2021	¥ 213,382	¥ 505,558	¥ 90,223	¥ 47,481	¥ 16,975	¥ 51,170	¥ 924,789
Individual acquisition	3,021	2,416	2,092	—	30,929	14,091	52,549
Sale or disposal	(10,594)	(37,806)	(7,907)	(690)	(130)	(1,530)	(58,656)
Exchange differences on translating foreign operations	7,212	23,467	3,558	833	922	1,767	37,758
Transfer from construction in progress	3,300	17,199	5,424	17	(25,944)	(1)	(6)
Others	865	(1,028)	(577)	318	83	(210)	(550)
Balance at December 31, 2021	¥ 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

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, 2021	\$ 1,636,665	\$ 3,841,789	\$ 699,425	\$ 361,412	\$ 172,079	\$ 491,980	\$ 7,203,349
Individual acquisition	1,454	11,346	14,734	—	374,229	51,609	453,373
Sale or disposal	(15,607)	(67,719)	(42,800)	(5,081)	(1,669)	(4,221)	(137,096)
Exchange differences on translating foreign operations	86,461	224,905	35,450	12,933	18,445	25,108	403,303
Transfer from construction in progress	62,672	223,895	47,115	23,835	(357,518)	—	—
Others	(7,786)	(1,108)	126	(10,923)	7,727	(2,668)	(14,632)
Balance at December 31, 2022	\$ 1,763,859	\$ 4,233,109	\$ 754,050	\$ 382,177	\$ 213,293	\$ 561,807	\$ 7,908,296

Financial Section

Millions of Yen

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at January 1, 2021	¥ (124,784)	¥ (391,152)	¥ (76,627)	¥ (653)	¥ (27)	¥ (20,396)	¥ (613,639)
Depreciation	(6,399)	(21,291)	(6,297)	—	—	(7,272)	(41,259)
Impairment losses	(27)	(8)	(10)	(42)	—	—	(87)
Sale or disposal	9,314	35,860	7,562	267	6	1,305	54,313
Exchange differences on translating foreign operations	(2,832)	(14,774)	(2,668)	(45)	(2)	(513)	(20,835)
Others	(12)	1,286	425	(57)	—	250	1,892
Balance at December 31, 2021	¥ (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)

Thousands of U.S. Dollars

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at December 31, 2021	\$ (940,011)	\$ (2,939,560)	\$ (584,894)	\$ (3,997)	\$ (176)	\$ (200,659)	\$ (4,669,297)
Depreciation	(51,760)	(174,218)	(55,127)	—	—	(60,521)	(341,626)
Impairment losses	(94)	(663)	(90)	(1,303)	—	—	(2,150)
Sale or disposal	14,255	64,075	41,686	1,427	—	3,982	125,427
Exchange differences on translating foreign operations	(35,141)	(147,817)	(26,405)	(506)	(27)	(7,623)	(217,519)
Others	5,103	142	354	—	—	1,620	7,218
Balance at December 31, 2022	\$ (1,007,647)	\$ (3,198,041)	\$ (624,477)	\$ (4,379)	\$ (203)	\$ (263,201)	\$ (5,097,947)

Millions of Yen

Carrying amount	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, 2021	¥ 88,598	¥ 114,406	¥ 13,596	¥ 46,829	¥ 16,948	¥ 30,773	¥ 311,150
Balance at December 31, 2021	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

Thousands of U.S. Dollars

Carrying amount	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, 2022	\$ 756,212	\$ 1,035,069	\$ 129,573	\$ 377,798	\$ 213,091	\$ 298,607	\$ 2,810,349

The carrying amounts of right-of-use assets were as follows:

Right-of-use assets	Millions of Yen				
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Total
Balance at January 1, 2021	¥ 22,219	¥ 2,811	¥ 910	¥ 4,832	¥ 30,773
Balance at December 31, 2021	28,974	3,366	897	5,422	38,658
Balance at December 31, 2022	29,223	3,840	907	5,655	39,625

Right-of-use assets	Thousands of U.S. Dollars				
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Total
Balance at December 31, 2022	\$ 220,218	\$ 28,936	\$ 6,837	\$ 42,616	\$ 298,607

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:

Cost	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2021	¥ 80,706	¥ 26,232	¥ 13,599	¥ 6,850	¥ 7,164	¥ 134,550
Individual acquisition	—	—	0	341	29	370
Sale or disposal	—	—	—	(118)	(154)	(272)
Exchange differences on translating foreign operations	9,424	2,902	1,557	203	283	14,370
Others	—	—	—	(936)	(30)	(966)
Balance at December 31, 2021	¥ 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

Cost	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2021	\$ 679,202	\$ 219,548	\$ 114,212	\$ 47,778	\$ 54,948	\$ 1,115,687
Individual acquisition	—	—	—	3,854	16	3,870
Sale or disposal	—	—	—	(990)	(479)	(1,470)
Exchange differences on translating foreign operations	106,360	33,567	18,008	2,223	3,262	163,420
Others	—	—	—	(12,594)	(64)	(12,659)
Balance at December 31, 2022	\$ 785,562	\$ 253,115	\$ 132,220	\$ 40,270	\$ 57,682	\$ 1,268,849

Financial Section

Accumulated amortization and accumulated impairment losses	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2021	¥ —	¥ (9,259)	¥ (317)	¥ (3,148)	¥ (4,639)	¥ (17,363)
Amortization	—	(2,119)	(74)	(1,386)	(722)	(4,301)
Impairment losses	—	—	—	(6)	—	(6)
Sale or disposal	—	—	—	115	144	259
Exchange differences on translating foreign operations	—	(1,113)	(84)	(126)	(143)	(1,466)
Others	—	—	—	1,030	19	1,049
Balance at December 31, 2021	¥ —	¥ (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)

Accumulated amortization and accumulated impairment losses	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2021	\$ —	\$ (94,128)	\$ (3,579)	\$ (26,536)	\$ (40,256)	\$ (164,500)
Amortization	—	(19,107)	(115)	(9,552)	(5,772)	(34,546)
Impairment losses	—	—	—	(0)	—	(0)
Sale or disposal	—	—	—	968	267	1,235
Exchange differences on translating foreign operations	—	(14,474)	(1,020)	(1,582)	(1,848)	(18,925)
Others	—	—	—	13,438	100	13,538
Balance at December 31, 2022	\$ —	\$ (127,709)	\$ (4,715)	\$ (23,265)	\$ (47,510)	\$ (203,198)

Carrying amount	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2021	¥ 80,706	¥ 16,973	¥ 13,282	¥ 3,702	¥ 2,524	¥ 117,186
Balance at December 31, 2021	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

Carrying amount	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2022	\$ 785,562	\$ 125,406	\$ 127,506	\$ 17,005	\$ 10,173	\$ 1,065,651

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 amounts of intangible assets with indefinite useful lives at the end of the fiscal years ended December 31, 2021 and 2022 were ¥14,644 million and ¥16,895 million (\$127,318 thousand), respectively. These assets are mainly trademark rights acquired in the business combination of YOHT, a CGU. They were deemed to have indefinite useful lives in the fiscal year ended December 31, 2022 since they will basically survive as long as the business continues.

3. Significant Goodwill and Intangible Assets

Goodwill at the end of the fiscal years ended December 31, 2021 and 2022 was mainly attributable to YOHT, a CGU, whose carrying amounts were ¥89,689 million and ¥103,475 million (\$779,766 thousand), respectively.

Significant intangible assets other than goodwill at the end of the fiscal years ended December 31, 2021 and 2022 were mainly customer relations of YOHT, whose carrying amounts were ¥16,642 million and ¥16,640 million (\$125,394 thousand), respectively. The remaining amortization period at the end of the fiscal year ended December 31, 2022 was seven years.

4. Research and Development Expenses

Research and development expenses recognized in the fiscal years ended December 31, 2021 and 2022 were ¥15,297 million and ¥16,034 million (\$120,826 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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Depreciation of right-of-use assets by class of underlying asset			
Buildings and structures	¥ 5,299	¥ 4,859	\$ 39,933
Machinery, equipment, and vehicles	1,555	1,567	11,715
Tools, furniture, and fixtures	413	439	3,116
Land	762	401	5,741
Other assets	2	6	16
Subtotal	8,031	7,272	60,521
Interest expenses on lease liabilities	794	634	5,982
Expense relating to short-term leases	1,567	1,014	11,807
Expense relating to leases of low-value assets (excluding short-term leases)	2	11	13
Variable lease payments	624	622	4,701
Income from subleasing right-of-use assets	341	366	2,568

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 significant lease contracts for which residual value guarantees are provided.

5. Lease Contracts Not Yet Commenced to Which the Lessee Is Committed

There are no significant lease contracts which had been concluded but for which leases had not yet commenced.

6. Restrictions or Covenants Imposed by Leases

There are no significant restrictions imposed by lease contracts (restrictions on additional borrowings or additional leases, etc.).

7. Sale and Leaseback Transactions

In the fiscal year ended December 31, 2021, a transaction was executed to sell the land for the head office building located in Minato-ku, Tokyo, and lease it back. Gains arising from the sale and leaseback transaction were ¥20,788 million, and the payment of ¥21,022 million was received in the same period.

There was no sale and leaseback transaction during the fiscal year ended December 31, 2022.

8. Short-term Leases and Leases of Low-value Assets

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.

Financial Section

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1. Impairment Losses

Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

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, 2021.

Usage	Segment	Type	Millions of Yen	
			Amount	
Business assets	Tires	Buildings and structures	¥	27
		Machinery, equipment, and vehicles		8
		Tools, furniture, and fixtures		10
		Land		42
		Software		6
		Total		93

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.

Usage	Segment	Type	Millions of Yen		Thousands of U.S. Dollars	
			Amount		Amount	
Business assets	Tires	Buildings	¥	9	\$	68
		Structures		0		2
		Machinery and equipment		88		663
		Tools, furniture, and fixtures		12		87
		Land		138		1,042
		Software		0		0
		Subtotal		247		1,862
Business assets	MB	Buildings		3		25
		Tools, furniture, and fixtures		0		3
		Land		35		261
		Subtotal		38		288
		Total		285		2,150

(Significant CGU for which an indication of impairment was identified)

Continued from the indication of impairment identified at the end of the fiscal year ended December 31, 2021 on property, plant and equipment of Yokohama Tire Manufacturing Mississippi, LLC. (USA), a consolidated subsidiary of the Company belonging to the Tires business segment, the Group again identified an indication of impairment on the same totaling ¥16,841 million (\$126,913 thousand) at the end of the fiscal year ended December 31, 2022. This was mainly attributable to a rise in personnel cost and low production efficiency arising from a continued turnover of direct workers in the US.

As a result of performing an impairment test to compare the recoverable amount of property, plant and equipment of the company and their carrying amount, the value in use of the recoverable amount exceeded the carrying amount. Therefore, no impairment losses were recognized.

The value in use is based on the company's medium-term management plan within a four-year period approved by its management and is calculated by discounting the estimated amount of future cash flows to the present value at a pre-tax discount rate of 13.1%; the amount of future cash flows is estimated based on the assumption that the business environment remains unchanged from that of the final year of the medium-term management plan during the period equivalent to the remaining economic useful lives of major assets.

Key assumptions used in estimating the value in use primarily include the production volumes based on the medium-term management plan, cost of sales ratio, total market demand, and a discount rate calculated based on a weighted-average cost of capital. Estimates based on these major assumptions are highly uncertain, and therefore, changes in major assumptions could have a significant impact on the valuation of the Company's non-current assets for the next fiscal year.

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.

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 over a five-year period and other inputs, which are based on a management-approved business plan. 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, 2022: 1.9% to 4.0%, Fiscal year ended December 31, 2021: 1.6% to 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, 2022: 11.3%, Fiscal year ended December 31, 2021: 10.4%

Concerning the goodwill and intangible assets with indefinite useful lives, since the recoverable amount of the CGU exceeds the carrying amount, the Group considers that the recoverable amount of the CGU is unlikely to fall below the carrying amount 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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Current tax expense	¥ 24,285	¥ 38,132	\$ 183,008
Deferred tax expense	188	(10,048)	1,417
Total	¥ 24,473	¥ 28,084	\$ 184,425

Deferred tax expense includes expenses arising from valuation losses on deferred tax assets and the reversal of valuation losses recorded in prior fiscal years.

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, 2021 and 2022.

The overseas subsidiaries were subject to local corporate and other taxes.

	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)
Statutory effective tax rate (Reconciliation)	30.3 %	30.3 %
Difference between statutory effective tax rates of overseas consolidated subsidiaries	(2.1)	(2.9)
Permanently nondeductible expenses	0.4	0.2
Permanently nontaxable income	(0.5)	(0.4)
Tax deduction for research and development	(1.9)	(1.3)
Effect of recoverability assessment of deferred tax assets	(0.4)	(0.8)
Taxable temporary differences associated with investments in subsidiaries or associates	5.3	4.4
Foreign withholding taxes	2.2	0.2
Effect of business transfer	—	(0.7)
Others	0.9	0.8
Average actual effective tax rate	34.2 %	29.8 %

Financial Section

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Deferred tax assets			
Liabilities for retirement benefits	¥ 10,290	¥ 9,859	\$ 77,542
Unrealized gains	3,420	2,283	25,770
Accrued expenses	2,101	1,897	15,834
Accrued vacation payable	1,424	1,474	10,731
Valuation loss on inventories	2,737	1,430	20,624
Impairment losses	2,914	2,938	21,959
Others	6,433	3,807	48,476
Total deferred tax assets	29,318	23,690	220,935
Deferred tax liabilities			
Intangible assets identified as a result of business combinations	(12,167)	(11,313)	(91,685)
Liabilities for pension and severance payments	(4,993)	(4,993)	(37,626)
Gain on receipt of stock set by pension plan	(1,581)	(1,581)	(11,914)
Reserve for advanced depreciation of non-current assets	(6,449)	(7,194)	(48,597)
Retained earnings of overseas subsidiaries	(12,129)	(8,299)	(91,401)
Non-current assets	(7,317)	(5,691)	(55,143)
Unrealized gains on securities	(18,420)	(21,672)	(138,812)
Others	(6,825)	(5,225)	(51,430)
Total deferred tax liabilities	(69,881)	(65,969)	(526,606)
Net deferred tax assets (liabilities)	¥ (40,562)	¥ (42,279)	\$ (305,670)

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Deferred tax assets	¥ 8,140	¥ 7,655	\$ 61,338
Deferred tax liabilities	(48,702)	(49,934)	(367,009)

Changes in net deferred tax assets and net deferred tax liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Beginning balance	¥ (42,279)	¥ (25,618)	\$ (318,606)
Tax expense or income recognized through profit or loss (Note)	188	(10,048)	1,417
Amount recognized in other comprehensive income			
Cash flow hedges	300	(1,007)	2,261
Gains (losses) on financial assets measured at fair value through other comprehensive income	992	(3,755)	7,473
Remeasurements of defined benefit plans	237	(1,851)	1,784
Total	1,529	(6,613)	11,519
Ending balance	¥ (40,562)	¥ (42,279)	\$ (305,670)

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Deductible temporary differences	¥ 6,233	¥ 6,358	\$ 46,969
Tax loss carryforwards and tax credit carryforwards	1,637	1,525	12,336

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
First year	¥ 280	¥ 177	\$ 2,111
Second year	168	243	1,264
Third year	101	189	761
Fourth year	72	71	542
Fifth year and after	322	301	2,426
Indefinite	694	544	5,233
Total	¥ 1,637	¥ 1,525	\$ 12,336

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, 2021 and 2022 were ¥4,411 million and ¥2,038 million (\$15,365 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, 2021 and 2022, dividend payouts from the Group to shareholders had no impact on income taxes.

17. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Accounts and notes payable - trade	¥ 64,842	¥ 56,069	\$ 488,637
Others	13,289	15,876	100,140
Total	¥ 78,131	¥ 71,945	\$ 588,777

Trade and other payables are classified as financial liabilities measured at amortized cost.

Financial Section

18. BONDS AND BORROWINGS

1. The Breakdown of Bonds and Borrowings Is as Follows:

	Millions of Yen		Thousands of U.S. Dollars		Average interest rate	Repayment period
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)	2021 (December 31, 2021)		
Short-term borrowings	¥ 85,875	¥ 50,714	\$ 647,135		2.47 %	
Commercial papers	7,000	—	52,751		0.00	
Current portion of bonds (Note)	9,000	12,000	67,822			
Current portion of long-term borrowings	15,605	18,892	117,595		0.33	
Bonds (Note)	39,818	18,935	300,062			
Long-term borrowings	81,403	76,693	613,436		1.59	2024–2032
Total	238,701	177,235	1,798,801		—	—
Current liabilities	117,480	81,607	885,303			
Non-current liabilities	121,221	95,628	913,499			
Total	¥ 238,701	¥ 177,235	\$ 1,798,801			

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, 2022.

The Company's borrowings at December 31, 2021 and 2022 include those under syndicated loan agreements (total agreement amount: \$720 million and ¥54,240 million (\$408,742 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, net assets 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.

The Company's borrowings at December 31, 2021 and 2022 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, 2021 and 2022 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:

Company name	Trading name	Issuance date	Millions of Yen		Thousands of U.S. Dollars		Interest rate	Collateral	Maturity date
			2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)	2021 (December 31, 2021)			
The Company	Eleventh series of unsecured bonds	October 30, 2015	¥ —	¥ 11,993	\$ —		0.381	Unsecured	October 28, 2022
The Company	Thirteenth series of unsecured bonds	December 9, 2016	8,994	8,988	67,779		0.250	Unsecured	December 8, 2023
The Company	Fourteenth series of unsecured bonds	July 27, 2020	9,959	9,954	75,049		0.360	Unsecured	July 26, 2030
The Company	Fifteenth series of unsecured bonds	June 6, 2022	16,928	—	127,568		0.490	Unsecured	June 6, 2029
The Company	Sixteenth series of unsecured bonds	June 6, 2022	12,937	—	97,489		0.580	Unsecured	June 4, 2032
Total	—	—	¥ 48,818	¥ 30,935	\$ 367,884		—	—	—

2. Assets Pledged as Collateral and Corresponding Liabilities Were as Follows:

(1) Assets Pledged as Collateral

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Cash and cash equivalents	¥ 6,289	¥ 4,880	\$ 47,393
Trade and other receivables	3,515	2,434	26,488
Inventories	2,959	2,854	22,298
Other current assets	296	2,073	2,231
Property, plant and equipment	441	448	3,323
Total	¥ 13,500	¥ 12,689	\$ 101,733

(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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Short-term borrowings	¥ 100	¥ 100	\$ 754
Total	¥ 100	¥ 100	\$ 754

19. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Non-derivative financial liabilities measured at amortized cost			
Lease liabilities	¥ 41,578	¥ 40,588	\$ 313,325
Others	18,978	18,777	143,017
Derivative liabilities	815	230	6,139
Total	61,371	59,595	462,480
Current liabilities	24,470	22,428	184,402
Non-current liabilities	36,901	37,168	278,078
Total	¥ 61,371	¥ 59,595	\$ 462,480

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss (except those to which hedge accounting is applied).

Financial Section

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Defined benefit obligations	¥ 65,836	¥ 71,415	\$ 496,128
Plan assets	(55,849)	(61,760)	(420,869)
Net liabilities (assets) for retirement benefits presented in the consolidated statement of financial position	9,987	9,655	75,259
Amounts presented in the consolidated statement of financial position			
Liabilities for retirement benefits	15,584	16,600	117,441
Assets for retirement benefits	5,598	6,946	42,182

Assets for retirement benefits are included in "Other non-current assets" in the consolidated statement of financial position.

(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, 2021	¥ 62,526	¥ 7,236
Current service cost	2,949	141
Interest cost	707	118
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	(50)	33
Actuarial losses (gains) arising from changes in financial assumptions	(1,473)	(384)
Actuarial losses (gains) arising from other factors	478	77
Benefits paid	(2,851)	(420)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	3,100	798
Transfer of discontinued operations	(1,570)	—
At December 31, 2021	¥ 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
Transfer of discontinued operations	—	—
At December 31, 2022	¥ 58,706	¥ 7,130

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2021	\$ 480,904	\$ 57,262
Current service cost	25,939	1,534
Interest cost	6,796	1,446
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	(19)	585
Actuarial losses (gains) arising from changes in financial assumptions	(73,586)	(15,353)
Actuarial losses (gains) arising from other factors	2,100	3,376
Benefits paid	(25,178)	(3,862)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	25,443	8,742
Transfer of discontinued operations	—	—
At December 31, 2022	\$ 442,398	\$ 53,730

The weighted-average duration of defined benefit obligations was as follows:

	Years	
	2022 (December 31, 2022)	2021 (December 31, 2021)
Weighted-average duration	10.7	12.0

Financial Section

(3) Plan Assets

Changes in plan assets were as follows:

	Millions of Yen	
	Defined benefit plans	Post-retirement medical benefits
At January 1, 2021	¥ 52,930	¥ —
Interest income	623	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	5,907	—
Contributions from employer	727	—
Benefits paid	(951)	—
Exchange differences on translating foreign operations, etc.	2,523	—
At December 31, 2021	¥ 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	¥ —

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2021	\$ 465,411	\$ —
Interest income	6,763	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	(76,161)	—
Contributions from employer	5,962	—
Benefits paid	(9,520)	—
Exchange differences on translating foreign operations, etc.	28,413	—
At December 31, 2022	\$ 420,869	\$ —

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 ¥1,322 million (\$9,960 thousand) to defined benefit plans in the fiscal year ending December 31, 2023.

(4) Major Components of Plan Assets

The major components of total plan assets are as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2022			2021			2022		
	(December 31, 2022)			(December 31, 2021)			(December 31, 2022)		
	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	¥ 3,496	¥ —	¥ 3,496	¥ 2,198	¥ —	¥ 2,198	\$ 26,342	\$ —	\$ 26,342
Equity financial instruments									
Domestic equity securities	30,698	—	30,698	34,354	—	34,354	231,331	—	231,331
Foreign equity securities	3,150	—	3,150	3,664	—	3,664	23,737	—	23,737
Debt instruments									
Foreign bonds	16,953	—	16,953	19,416	—	19,416	127,753	—	127,753
Others	1,098	456	1,553	1,693	435	2,128	8,271	3,435	11,706
Total	¥ 55,393	¥ 456	¥ 55,849	¥ 61,325	¥ 435	¥ 61,760	\$ 417,434	\$ 3,435	\$ 420,869

(5) Items Related to Actuarial Assumptions

Major actuarial assumptions were as follows:

	2022	2021
	(December 31, 2022)	(December 31, 2021)
Discount rate (weighted-average)	2.6 %	1.4 %

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.

	Changes in assumptions	Millions of Yen		Thousands of U.S. Dollars
		2022	2021	2022
		(December 31, 2022)	(December 31, 2021)	(December 31, 2022)
Discount rate	0.5% increase	¥ (3,295)	¥ (4,009)	\$ (24,831)
	0.5% decrease	3,463	4,276	26,096

3. Defined Contribution Pension Plans

Contributions to defined contribution pension plans for the fiscal years ended December 31, 2021 and 2022 were ¥1,677 million and ¥1,854 million (\$13,971 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, 2021 and 2022 were ¥149,991 million and ¥168,714 million (\$1,271,391 thousand), respectively.

They are recorded mainly in "Cost of sales" and "Selling, general, and administrative expenses."

Financial Section

21. EQUITY AND OTHER EQUITY ITEMS

1. Share Capital

(1) Number of Authorized Shares

The number of authorized shares of common stock as of December 31, 2021 and 2022 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, 2021	169,549	¥ 38,909	¥ 31,052
Changes	—	—	208
2021 (December 31, 2021)	169,549	38,909	31,261
Changes	—	—	47
2022 (December 31, 2022)	169,549	¥ 38,909	¥ 31,308

	Thousands of Shares	Thousands of U.S. Dollars	
	Number of issued shares	Share capital	Share premium
2021 (December 31, 2021)	169,549	\$ 293,211	\$ 235,575
Changes	—	—	353
2022 (December 31, 2022)	169,549	\$ 293,211	\$ 235,928

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, 2021	8,992	¥ 11,834
Changes	(58)	(76)
2021 (December 31, 2021)	8,934	11,758
Changes	(83)	(108)
2022 (December 31, 2022)	8,851	¥ 11,650

	Thousands of Shares	Thousands of U.S. Dollars
	Number of shares	Amount
2021 (December 31, 2021)	8,934	\$ 88,608
Changes	(83)	(815)
2022 (December 31, 2022)	8,851	\$ 87,793

The number of treasury shares decreased in the fiscal years ended December 31, 2021 and 2022 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.

22. DIVIDENDS**1. Dividends Paid**

Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

Resolution	Class of stock	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 30, 2021 General Meeting of Shareholders	Common stock	¥ 5,138	¥ 32	December 31, 2020	March 31, 2021
August 11, 2021 Board of Directors meeting	Common stock	¥ 5,140	¥ 32	June 30, 2021	August 31, 2021

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

Resolution	Class of stock	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
March 30, 2022 General Meeting of Shareholders	Common stock	\$ 39,942	\$ 0.25	December 31, 2021	March 31, 2022
August 10, 2022 Board of Directors meeting	Common stock	\$ 39,963	\$ 0.25	June 30, 2022	August 31, 2022

2. Dividend Plans for Common Stock

Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

Resolution	Class of stock	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 30, 2022 General Meeting of Shareholders	Common stock	Retained earnings	¥ 5,300	¥ 33	December 31, 2021	March 31, 2022

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

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 30, 2023 General Meeting of Shareholders	Common stock	Retained earnings	\$ 39,963	\$ 0.25	December 31, 2022	March 31, 2023

Financial Section

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Employee benefit expenses	¥ 65,569	¥ 58,598	\$ 494,117
Freightage and warehousing expenses	90,424	51,966	681,419
Advertising and promotion expenses	11,496	9,629	86,633
Others	50,095	41,276	377,504
Total	¥ 217,585	¥ 161,469	\$ 1,639,673

24. OTHER INCOME

The breakdown of other income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Gain on sale of non-current assets (Note 1)	¥ 545	¥ 20,926	\$ 4,104
Others (Note 2)	1,721	3,937	12,971
Total	¥ 2,266	¥ 24,863	\$ 17,076

Notes:

1. The main factor of "Gain on sale of non-current assets" for the fiscal year ended December 31, 2021 is as follows:

In an effort to ensure effective utilization of management resources and financial flexibility, and in line with a review of the traditional workstyle that assumed in-office work, the Company transferred a part of its non-current assets (the site in Minato-ku, Tokyo for the Yokohama Rubber Building) by way of a sale and leaseback transaction in the first quarter of the fiscal year ended December 31, 2021. The gain arising from this transfer amounted to ¥20,788 million, and the Company received payment of ¥21,022 million during the period.

The Company considers using this proceeds to invest in business growth. In addition, the Company entered into a leaseback agreement with the transferee to continue to use the building as its office. The contract period ends on March 31, 2023.

2. The amount of "Others" for the fiscal year ended December 31, 2021 includes insurance claim income in connection with the fire loss that occurred at our consolidated subsidiary Yokohama Tire Philippines, Inc. on May 14, 2017.

25. OTHER EXPENSES

The breakdown of other expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Loss on sale and retirement of non-current assets	¥ 622	¥ 863	\$ 4,689
Impairment losses	285	93	2,150
Others (Note)	2,597	2,432	19,568
Total	¥ 3,504	¥ 3,389	\$ 26,406

Note:

During the fiscal year ended December 31, 2022, there was a slowdown in operations at some of the overseas manufacturing subsidiaries of the Group due to the impact of the situation in Ukraine. The amount of "Others" includes fixed manufacturing costs of ¥807 million (\$6,081 thousand) incurred as a result of the slowdown.

26. FINANCE INCOME AND FINANCE COSTS**1. The Breakdown of Finance Income Is as Follows:**

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Interest income			
Financial assets measured at amortized cost	¥ 1,070	¥ 477	\$ 8,067
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	3,950	2,683	29,767
Foreign exchange gains	—	—	—
Gain on valuation of derivatives	5,305	4,726	39,976
Others	16	3	121
Total	¥ 10,341	¥ 7,889	\$ 77,931

2. The Breakdown of Finance Costs Is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Interest expenses			
Financial liabilities measured at amortized cost	¥ 2,939	¥ 2,100	\$ 22,150
Foreign exchange losses	3,726	3,850	28,080
Loss on valuation of derivatives	—	—	—
Others	905	377	6,822
Total	¥ 7,571	¥ 6,327	\$ 57,051

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Exchange differences on translating foreign operations			
Amount recognized	¥ 56,358	¥ 38,108	\$ 424,700
Before tax effects	56,358	38,108	424,700
Exchange differences on translating foreign operations	56,358	38,108	424,700
Cash flow hedges			
Amount recognized	3,969	4,630	29,909
Amount reclassified	(5,522)	(546)	(41,610)
Before tax effects	(1,553)	4,084	(11,701)
Tax effects	300	(1,007)	2,261
Cash flow hedges	(1,253)	3,077	(9,440)
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Amount recognized	(3,273)	12,394	(24,662)
Before tax effects	(3,273)	12,394	(24,662)
Tax effects	992	(3,755)	7,473
Gains (losses) on financial assets measured at fair value through other comprehensive income	(2,281)	8,639	(17,189)
Remeasurements of defined benefit plans			
Amount recognized	894	7,226	6,736
Before tax effects	894	7,226	6,736
Tax effects	237	(1,851)	1,784
Remeasurements of defined benefit plans	1,131	5,375	8,520
Total			
Amount recognized	57,948	62,359	436,683
Amount reclassified	(5,522)	(546)	(41,610)
Before tax effects	52,426	61,812	395,073
Tax effects	1,529	(6,613)	11,519
Other comprehensive income	¥ 53,955	¥ 55,199	\$ 406,592

28. EARNINGS PER SHARE

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Profit for the year attributable to owners of the parent	¥ 45,918	¥ 65,500	\$ 346,028
Profit for the year from continuing operations attributable to owners of the parent	45,918	58,749	346,028
Profit for the year from discontinued operations attributable to owners of the parent	¥ —	¥ 6,751	\$ —

	Thousands of shares	
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)
Weighted-average number of common stock	160,339	160,353
Share-based payment	327	240
Weighted-average number of diluted common stock	160,666	160,593

	Yen		U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Basic earnings per share			
Continuing operations	¥ 286.38	¥ 366.37	\$ 2.16
Discontinued operations	—	42.10	—
Diluted earnings per share			
Continuing operations	285.80	365.82	2.15
Discontinued operations	¥ —	¥ 42.04	\$ —

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)
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Grant date	May 27, 2022	May 28, 2021	May 27, 2022
Number of shares granted (Shares)	83,649	59,200	83,649
Fair value at grant date	¥ 1,638	¥ 2,078	\$ 12.34

Financial Section

3. Expenses related to Share-based Payments

Expenses related to share-based payments were ¥129 million and ¥134 million (\$1,006 thousand) for the fiscal years ended December 31, 2021 and 2022, respectively, which were included in “Selling, general, and administrative expenses” and “Cost of sales” in the consolidated statement of profit or loss.

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, 2021 (From January 1, 2021 to December 31, 2021)

	Millions of Yen					
	Balance at January 1, 2021	Cash flows	Non-cash changes			Balance at December 31, 2021
			Acquisition	New leases	Others	
Short-term borrowings	¥ 52,916	¥ (2,163)	¥ —	¥ —	¥ (38)	¥ 50,714
Long-term borrowings	114,000	(24,930)	—	—	6,515	95,585
Bonds	40,909	(10,000)	—	—	26	30,935
Lease liabilities	32,515	(7,261)	—	13,540	1,794	40,588
Financial liabilities	¥ 240,340	¥ (44,354)	¥ —	¥ 13,540	¥ 8,297	¥ 217,823

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

	Millions of Yen					
	Balance at January 1, 2022	Cash flows	Non-cash changes			Balance at December 31, 2022
			Acquisition	New leases	Others	
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

	Thousands of U.S. Dollars					
	Balance at January 1, 2022	Cash flows	Non-cash changes			Balance at December 31, 2022
			Acquisition	New leases	Others	
Short-term borrowings	\$ 382,172	\$ 259,680	\$ —	\$ —	\$ 5,283	\$ 647,135
Long-term borrowings	720,312	(44,993)	—	—	55,712	731,031
Commercial papers	—	52,751	—	—	—	52,751
Bonds	233,119	135,644	—	—	(879)	367,884
Lease liabilities	305,865	(49,801)	—	47,468	9,792	313,325
Financial liabilities	\$ 1,641,468	\$ 353,282	\$ —	\$ 47,468	\$ 69,908	\$ 2,112,126

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, debt to equity ratio (D/E 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.

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.

Financial Section

(3) Changes in Allowance for Doubtful Receivables

Changes in allowance for doubtful receivables are as follows:

	Millions of Yen							
	2022				2021			
	(From January 1, 2022 to December 31, 2022)				(From January 1, 2021 to December 31, 2021)			
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)	Allowance for doubtful receivables for financial instruments that are credit-impaired (Lifetime expected credit loss)
Beginning balance	¥ —	¥ 1,046	¥ 649	¥ 1,573	¥ —	¥ 1,542	¥ 610	¥ 1,475
Provision (Note)	—	558	28	—	—	575	40	1
Utilization through write-off	—	(105)	—	(1)	—	(1,148)	—	—
Reversal (Note)	—	(236)	(41)	(13)	—	(56)	(32)	(33)
Other	—	82	384	(266)	—	133	31	130
Ending balance	¥ —	¥ 1,345	¥ 1,020	¥ 1,293	¥ —	¥ 1,046	¥ 649	¥ 1,573

	Thousands of U.S. Dollars			
	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)	
Beginning balance	\$ —	\$ 7,882	\$ 4,891	\$ 11,854
Provision (Note)	—	4,205	211	—
Utilization through write-off	—	(791)	—	(8)
Reversal (Note)	—	(1,778)	(309)	(98)
Other	—	618	2,894	(2,005)
Ending balance	\$ —	\$ 10,136	\$ 7,687	\$ 9,744

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.

(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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Financial instruments other than trade and other receivables (12-month expected credit loss)	¥ 4,006	¥ 6,509	\$ 30,185
Trade and other receivables (Lifetime expected credit loss)	196,065	171,886	1,477,507
Financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	290	305	2,187
Credit-impaired financial instruments (Lifetime expected credit loss)	1,095	990	8,255

(5) Analysis of Credit Risk

Below is the aged analysis of trade and other receivables.

	Millions of Yen		Thousands of U.S. Dollars
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
30 days or less past due	¥ 12,370	¥ 7,929	\$ 93,218
Over 30 days to 60 days or less past due	2,943	2,082	22,178
Over 60 days to 90 days or less past due	1,020	1,066	7,687
Over 90 days past due	7,105	3,854	53,542
Total	¥ 23,438	¥ 14,932	\$ 176,624

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.

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, 2021 (December 31, 2021)

	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	¥ 71,945	¥ 71,945	¥ 71,945	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	177,235	179,036	82,253	23,826	16,263	16,692	21,447	18,555
Lease liabilities	40,588	46,087	8,391	5,595	4,865	3,709	2,899	20,628
Subtotal	289,768	297,068	162,588	29,421	21,128	20,401	24,346	39,183
Derivative financial liabilities	230	230	169	29	32	—	—	—
Total	¥ 289,997	¥ 297,297	¥ 162,757	¥ 29,450	¥ 21,161	¥ 20,401	¥ 24,346	¥ 39,183

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

	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	\$ 588,777	\$ 588,777	\$ 588,777	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds and borrowings	1,798,801	1,852,491	896,737	143,788	148,421	203,753	66,608	393,184
Lease liabilities	313,325	352,520	68,605	53,143	40,667	30,937	28,533	130,634
Subtotal	2,700,903	2,793,787	1,554,119	196,930	189,088	234,690	95,141	523,818
Derivative financial liabilities	6,139	6,139	5,755	384	—	—	—	—
Total	\$ 2,707,041	\$ 2,799,926	\$ 1,559,875	\$ 197,314	\$ 189,088	\$ 234,690	\$ 95,141	\$ 523,818

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.

	Currency	Millions of Yen		Thousands of U.S. Dollars
		2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Effects on profit before tax	U.S. Dollar	¥ (193)	¥ (74)	\$ (1,453)
	Euro	(431)	(154)	(3,245)

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Effects on profit before tax	¥ (880)	¥ (509)	\$ (6,630)

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Effects on other comprehensive income (before tax)	¥ (898)	¥ (1,027)	\$ (6,767)

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	
	2022		2021		2022	
	(December 31, 2022)		(December 31, 2021)		(December 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	¥ 97,008	¥ 96,186	¥ 95,585	¥ 95,863	\$ 731,031	\$ 724,840
Bonds (Note)	48,818	46,393	30,935	30,984	367,884	349,610

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 significance 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 significant 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, 2021 and 2022.

Assets measured at fair value on a recurring basis are as follows:

Fiscal Year Ended December 31, 2021 (December 31, 2021)

	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	¥ —	¥ 182	¥ —	¥ 182
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	102,690	—	11,282	113,972
Other	—	—	596	596
Derivative assets	—	3,995	—	3,995
Total	¥ 102,690	¥ 4,177	¥ 11,879	¥ 118,745
Financial liabilities				
Derivative liabilities				
Total	¥ —	¥ 230	¥ —	¥ 230

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

	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	\$ —	\$ 1,347	\$ —	\$ 1,347
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	676,664	—	99,035	775,699
Other	—	—	4,599	4,599
Derivative assets	1,469	63,537	—	65,006
Total	\$ 678,133	\$ 64,885	\$ 103,634	\$ 846,652
Financial liabilities				
Derivative liabilities	—	6,139	—	6,139
Total	\$ —	\$ 6,139	\$ —	\$ 6,139

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 significant 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 significant 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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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, 2021	¥ 8,562
Total gains and losses	
Other comprehensive income (Note)	3,591
Purchase	35
Sale	(14)
Other	(296)
Balance at December 31, 2021	¥ 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

	Thousands of U.S. Dollars
	Financial assets
Balance at December 31, 2021	\$ 89,515
Total gains and losses	
Other comprehensive income (Note)	12,854
Purchase	1,167
Sale	(7)
Other	105
Balance at December 31, 2022	\$ 103,634

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, 2021 and 2022.

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, 2021 and 2022.

(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	
	2022		2021		2022	
	(December 31, 2022)		(December 31, 2021)		(December 31, 2022)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges						
Interest rate swaps	¥ 848	¥ —	¥ 411	¥ —	\$ 6,388	\$ —
Forward foreign exchange contracts	1,785	707	2,674	123	13,450	5,325
Option contracts	—	6	183	—	—	45
Commodity futures transactions	195	—	—	—	1,469	—
Subtotal	2,827	713	3,268	123	21,307	5,370
Total	¥ 2,827	¥ 713	¥ 3,268	¥ 123	\$ 21,307	\$ 5,370

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	
				2022		2021		2022	
				(December 31, 2022)		(December 31, 2021)		(December 31, 2022)	
			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	¥ 9,554	¥ 28,663	¥ 8,281	¥ 33,126	\$ 72,000	\$ 216,000
		Short EUR Forward foreign exchange contracts	Notional amount	22,352	—	18,207	10,939	168,442	—
			Average price (USD/EUR)	1.2	—	1.2	1.2	0.01	—
Foreign exchange risk	Cash flow hedge	Long INR Forward foreign exchange contracts	Notional amount	12,144	2,117	12,076	—	91,511	15,955
			Average price (USD/INR)	82.7	86.1	79.1	—	0.62	0.65
		Long THB Forward foreign exchange contracts	Notional amount	14,250	—	11,319	—	107,385	—
			Average price (JPY/THB)	3.9	—	3.4	—	0.03	—
		Long ILS Forward foreign exchange contracts	Notional amount	11,107	—	—	—	83,700	—
			Average price (USD/ILS)	3.4	—	—	—	0.03	—
		Short EUR Call option contracts	Notional amount	—	—	8,150	—	—	—
			Average price (USD/EUR)	—	—	1.2	—	—	—
		Long ILS Put option contracts	Notional amount	4,034	—	—	—	30,400	—
			Average price (USD/ILS)	3.6	—	—	—	0.03	—
Commodity price fluctuation risk	Cash flow hedge	Long Natural rubber Commodity futures transactions	Notional amount	2,457	—	—	—	18,513	—
			Average price (USD/t)	1,230.0	—	—	—	9.27	—

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Beginning of the year	¥ 231	¥ 23	\$ 1,738
Amount recognized	717	506	5,403
Amount reclassified to profit for the year (Note)	(720)	(298)	(5,424)
End of the year	228	231	1,718

Note:

The amounts before tax effects are ¥(288) million and ¥(851) million (\$ (6,416) thousand) for the fiscal years ended December 31, 2021 and 2022, 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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Beginning of the year	¥ 2,068	¥ (818)	\$ 15,583
Amount recognized	2,238	3,022	16,866
Amount reclassified to profit for the year (Note)	(3,665)	(137)	(27,620)
End of the year	641	2,068	4,829

Note:

The amounts before tax effects are ¥(194) million and ¥(4,684) million (\$ (35,294) thousand) for the fiscal years ended December 31, 2021 and 2022, 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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Beginning of the year	¥ 38	¥ 54	\$ 284
Amount recognized	167	32	1,258
Amount reclassified to profit for the year (Note)	10	(48)	76
End of the year	215	38	1,618

Note:

The amounts before tax effects are ¥(63) million and ¥13 million (\$101 thousand) for the fiscal years ended December 31, 2021 and 2022, respectively, and are included in "Cost of sales" in the consolidated statement of profit or loss.

32. BUSINESS COMBINATIONS

Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

Not applicable.

Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Not applicable.

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
Friend Tire Company	Missouri, 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 Denmark A/S	Copenhagen, Denmark	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	66.0
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.	Tokyo, Japan	100.0

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Name	Location	Ownership percentage of voting rights
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
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

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
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Remunerations and bonuses	¥ 404	¥ 397	\$ 3,041
Performance-linked remuneration	57	58	433
Share-based payment	110	100	829
Total	¥ 571	¥ 555	\$ 4,304

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
	2022 (December 31, 2022)	2021 (December 31, 2021)	2022 (December 31, 2022)
Agreements on the acquisition of property, plant and equipment and intangible assets	¥ 19,722	¥ 19,249	\$ 148,622

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, 2022, 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 significant 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.

37. DISCONTINUED OPERATIONS

In the fiscal year ended December 31, 2021, the Company transferred the Hamatite business, which belonged to the MB segment, to Sika AG. As a result, profit and loss related to the business were classified as discontinued operations.

The transfer covered the Hamatite businesses operated by the Company, its wholly owned domestic consolidated subsidiary, Yokohama Industrial Products Japan Co., Ltd., and overseas Group companies, Yokohama Industries Americas Inc. (USA), Yokohama Industrial Products-Hangzhou Co., Ltd. (China), and Yokohama Rubber (Thailand) Co., Ltd. (Thailand).

Profit (loss) from discontinued operations is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Revenue (Note)	¥ —	¥ 25,476	\$ —
Expenses	—	(16,285)	—
Profit for the year before tax from discontinued operations	—	9,191	—
Income taxes (Note)	—	(2,440)	—
Profit for the year from discontinued operations	¥ —	¥ 6,751	\$ —

Note:

A gain of ¥9,292 million from the transfer of the Hamatite business is included.

The income tax expense related to this gain was ¥2,528 million.

Cash flows from discontinued operations are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022 (From January 1, 2022 to December 31, 2022)	2021 (From January 1, 2021 to December 31, 2021)	2022 (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities	¥ —	¥ 1,381	\$ —
Cash flows from investing activities	—	11,846	—
Cash flows from financing activities	—	46	—
Total	¥ —	¥ 13,273	\$ —

38. SHARE PURCHASE AGREEMENT TO ACQUIRE SHARES OF TRELLEBORG WHEEL SYSTEMS HOLDING AB

On March 25, 2022, the Company entered into a share purchase agreement with Trelleborg AB, which owns shares in Trelleborg Wheel Systems Holding AB, to acquire all outstanding shares of Trelleborg Wheel Systems Holding AB (the "Transaction").

1. Reason for 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 years 2021 to 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 facing the Company.

With this acquisition, the Company will further expand its commercial tire business and accelerate its global expansion.

2. Name of the Counterparty of the Share Acquisition

Trelleborg AB

Financial Section

3. Name, Details of Business and Scale of the Company to Be Acquired

- | | |
|---|---|
| 1) Name | Trelleborg Wheel Systems Holding AB |
| 2) Location | Trelleborg, Sweden |
| 3) Title and name of representative | Johansson, Anders Niklas, Lars Ivar Leijonberg, Måns Patrick Romberg (joint representatives) |
| 4) Details of business | Manufacture and sale of tires for agricultural and industrial machinery |
| 5) Share capital | 100,000 Swedish krona |
| 6) Date of establishment | October 2, 2007 |
| 7) Major shareholder and shareholding ratio | Trelleborg AB 100.0% |
| 8) Relationship with Yokohama Rubber Co., Ltd. | Capital There are no applicable matters to be reported.
Personnel There are no applicable matters to be reported.
Transactional There are no applicable matters to be reported. |
| 9) Type of consideration | Cash |
| 10) Goodwill, identifiable assets acquired and liabilities assumed | Not determined at this time. |
| 11) Consolidated operating results of the company for the last three years (Millions of Euro) | |

Fiscal year	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Consolidated revenue	910	836	993
Consolidated operating profit	86	100	120
Consolidated EBITDA	134	147	170

Upon this share acquisition, the shares of each of Trelleborg AB's subsidiaries that comprise the business subject to the acquisition will be consolidated into Trelleborg Wheel Systems Holding AB. The above consolidated operating results were provided by Trelleborg AB as financial figures for the entire business assumed to be subject to the acquisition. Results for the fiscal year ended December 31, 2022 are currently being examined. Figures equivalent to consolidated net assets, consolidated total assets, and consolidated net assets per share have not been provided.

4. Timing of Share Acquisition

First half of 2023 (planned)

Note:

Approvals have been obtained in all countries and regions where prior approval based on the antitrust laws are required. We will continue to proceed with necessary procedures to complete the acquisition in the first half of 2023 as planned.

5. Number of Shares to Be Acquired, Acquisition Price and Shareholding Ratio after the Acquisition

- | | |
|---|--|
| 1) Number of shares held before the transfer | 0 shares
(Number of voting rights: 0)
(Percentage of voting rights held: 0.0%) |
| 2) Number of shares to be acquired | 1,000 shares
(Number of voting rights: 1,000) |
| 3) Acquisition price (Note) | Approx. ¥265.2 billion (\$1,998,493 thousand, €2,040 million)
for common stock of Trelleborg Wheel Systems Holding AB, etc. |
| 4) Number of shares to be held after the transfer | 1,000 shares
(Number of voting rights: 1,000)
(Percentage of voting rights held: 100.0%) |

Note:

The above yen amount is converted from euro at the exchange rate of ¥130 to the euro. The amount of consideration will be determined based on the terms and conditions stated in the share purchase agreement, including the addition of net interest-bearing debt, and may vary from the amount stated above. The acquisition agreement includes a performance-linked earn-out clause that could increase the acquisition price by up to €60 million depending on the fiscal 2022 financial results of the business to be acquired, which are currently being examined.

6. Acquisition Financing

The Company plans to finance the acquisition with its own funds and borrowings.

39. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

(2) Other

Quarterly information for the fiscal year ended December 31, 2022

	Millions of Yen			
	First three months	First six months	First nine months	Full year
Revenue	¥ 185,590	¥ 391,483	¥ 615,764	¥ 860,477
Profit (loss) before tax	14,463	34,037	51,526	71,622
Profit (loss) attributable to owners of the parent	10,156	23,307	33,284	45,918
Basic earnings (loss) per share (Yen)	63.34	145.36	207.59	286.38

	Thousands of U.S. Dollars			
	First three months	First six months	First nine months	Full year
Revenue	\$ 1,398,572	\$ 2,950,132	\$ 4,640,271	\$ 6,484,376
Profit (loss) before tax	108,989	256,494	388,288	539,729
Profit (loss) attributable to owners of the parent	76,537	175,636	250,824	346,028
Basic earnings (loss) per share (U.S. Dollars)	0.48	1.10	1.56	2.16

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	¥ 63.34	¥ 82.02	¥ 62.23	¥ 78.79

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (U.S. Dollars)	\$ 0.48	\$ 0.62	\$ 0.47	\$ 0.59

Glossary

Term	Explanation
AG (agriculture tire)	Agriculture tire
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).
Commercial tires	Tires for trucks, buses, agricultural machinery, and other infrastructure-related vehicles that support industries such as transportation and production.
CASE (connected, autonomous, shared & service, electric)	A concept that indicates the future direction of automotive evolution.
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 refers to a joint research institute combining humans and AI.
Highway terrain tires	A type of tire designed for off-road driving in SUVs, 4-wheel-drives, and other vehicles that excels at on-road driving on highways and paved roads, as opposed to all-terrain tires, which combine off-road driving performance with on-road comfort.
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.
OR (off the road tires)	Tires for construction vehicles.
PCR (passenger car radial tires)	Tires for passenger cars.
Pickup trucks	A vehicle used for carrying small cargo with an open storage area behind the driver's seat.
Pitch	Tire tread patterns comprise blocks of several different circumferential lengths, one of which is called pitch, with the type of pitch and its arrangement referred to as pitch variation.
Replacement market	General term for the demand and dealerships associated with replacement tires installed when the tires mounted on new cars wear out or break down.
Return sales	A sales method that creates a synergistic effect when customers select the same tire brand when replacing the old tires installed on their new vehicles with replacement 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.
Solid tires	Tires filled with rubber instead of air. As these tires lack elasticity and resist punctures, they are used on special vehicles such as cranes, trailers, and forklifts that require durability.
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.
TPRS (tire air pressure remote access system)	A tire solution service developed by Yokohama Rubber currently undergoing demonstration testing. In this system, sensors are attached to the inner surface of tires to enable vehicle managers and tire service staff to remotely monitor tire pressure, temperature, and vehicle location information in real time. TPRS contributes to labor-saving during the pre-work inspection of tires, and facilitates the recording of tire pressure information and the rapid detection of slow punctures that cause tires to gradually lose air. It also ensures appropriate tire maintenance and prevents inconsistencies during inspections, prevents accidents by detecting abnormalities, and improves fuel efficiency by maintaining proper air pressure.
Tread pattern	Various patterns carved into the part of the tire that is in direct contact with the road surface to improve drainage, driving, and braking performance, as well as minimize noise.
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.

Investor FAQ

Q1

In fiscal 2022, Yokohama Rubber achieved record-high business profit. Compared to other companies, your profits have grown substantially over the past few years. What is driving this growth?

Despite a challenging business environment in fiscal 2022 due to soaring raw material prices and logistics costs, as well as reduced automobile production caused by semiconductor shortages, in Yokohama Rubber's mainstay tire business, overseas sales of high-value-added consumer tire products increased, we promoted sales of off-highway tires (OHT) for agricultural machinery and other vehicles, and improved the product mix and raised prices both in Japan and overseas, all of which resulted in maintaining strong sales. Since the previous Medium-term Management Plan GD2020, we have been promoting business selection and concentration, and made efforts to strengthen highly profitable businesses and proactively invest in growth areas, which have also led to these recent achievements.

⇒ P.10 Message from the President

Q2

What measures are you considering in response to the Tokyo Stock Exchange request for improvement affecting companies trading below 1x PBR?

To improve the price-to-book ratio (PBR), we must realize the enhancement of corporate value. This requires that we improve profitability, capital efficiency, and our ability to generate cash flows, while reducing the cost of capital through transparent disclosure and stronger governance. In terms of measures, we will build a strong financial base through the optimal allocation of cash flows to achieve both proactive investment in strategic areas and stable shareholder returns. Further, we will achieve sustainable growth through various measures, including YX2023 exploitation and exploration (incorporating sustainability and market changes), balance sheet management as growth capital, ensuring sufficient debt financing capacity, and strategic and human capital investments as growth investments for sustainable growth (expected growth rate improvement). We will also strive to reduce cost of capital by enhancing investor relations activities to promote dialogues with the market (engaging in dialogues and conducting meetings with senior management), utilizing debt under strong bank relationships, and strengthening governance by changing our governance structure.

⇒ P.34 Financial Strategy and Shareholder Return Policy

Q3

What are Yokohama Rubber's views on dividends and dividend payout ratio?

Yokohama considers the improvement of total shareholder return (TSR) to be an important management issue for the enhancement of corporate value through the implementation of shareholder returns based on medium- and long-term business plans and the formation of an appropriate share price. Our policies regarding dividends and the dividend payout ratio are to provide dividends while ensuring internal funds sufficient to conduct capital investment, R&D, and other activities essential to maintaining market competitiveness and improving

earnings. Considering current performance and financial condition, we believe that we have an appropriate level of dividend payout ratio.

Going forward, Yokohama Rubber will continue to provide dividends and return profit earned from business growth to our shareholders.

⇒ P.34 Financial Strategy and Shareholder Return Policy

Q4

What are the drivers of growth and future plans for Yokohama Off-Highway Tires (YOHT)?

Demand for OHT is growing worldwide, and since our acquisition of Alliance Tire Group (ATG) in 2016, OHT has continued to grow at a high annual rate of nearly 10%, reflecting its overwhelming cost competitiveness and advantage being based in India. YOHT is proactively investing in production capacity expansion to meet growing demand. In addition to expansion of the existing Dahej plant, where production capacity increased 1.6 times, the Visakhapatnam plant commenced production in August 2022, increasing production capacity by 40% in 2022.

⇒ P.23 Medium-term Management Plan YOKOHAMA Transformation 2023 (YX2023)

Q5

What is the purpose of acquiring Trelleborg Wheel Systems (TWS) and how will it contribute to earnings?

Yokohama acquired all shares of TWS in May 2023 for the purpose of expanding earnings in the OHT business, with the acquisition expected to contribute high, stable earnings. TWS is the world's leading manufacturer of tires for agricultural machinery and industrial vehicles. This acquisition completes our product lineup of tires for agricultural machinery and construction vehicles in all categories, from basic and standard, to premium. With this acquisition, our position in the global OHT market is estimated to be the third largest in the world, and our sales revenue is expected to reach a record high of ¥1 trillion in the fiscal year ending December 31, 2023.

⇒ P.8 Helping transform the mobility industry by strengthening our presence in the OHT business

Q6

What efforts are you making with regard to EVs in light of anticipated market growth?

EV tires must facilitate low power consumption and quietness. Regarding low power consumption, we have achieved increases in cruising range by incorporating a low rolling resistance compound developed using HAI CoLab AI technology. In terms of quietness, specially designed polyurethane foam is applied to the inner surface of tires to reduce cavernous resonance generated when driving on uneven road surfaces. The reputation of this advanced technological capability has led to these tires being installed as new equipment on electric vehicles, including EV models manufactured by BMW and Mercedes-AMG. Additionally, in 2023, we are conducting demonstration testing of TPRS for EV buses and utilizing the data obtained to develop EV bus tires, while at the same time strengthening support for EVs through efforts that include becoming the first truck and bus tire brand to be installed on new EVs.

⇒ P.23 Medium-term Management Plan YOKOHAMA Transformation 2023 (YX2023)

Corporate Information As of December 31, 2022

Corporate Data

Company Name	The Yokohama Rubber Co., Ltd.	
Established	October 13, 1917	
Paid-in capital	¥38,909 million	
Sales revenue	¥860,477 million (Consolidated basis)	
Fiscal year-end	December 31	
President	Chairman of the Board Masataka Yamaishi	
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	5,399 (Non-consolidated basis)	28,468 (Consolidated basis)

Group Sites

Business operations: **29** countries

Major regions of operation	No. of bases	No. of employees
Japan	70	9,858
Asia	40	14,352
Europe	13	1,014
North America	19	2,965
South America	3	279

Regarding Publication of the Yokohama Rubber Group Integrated Report 2023



Masahiro Yuki

Member of the Board and Officer,
Head of Corporate Planning Div.

We published the first integrated report in 2022 to deepen stakeholder understanding of our efforts to create medium- to long-term corporate value. The Yokohama Rubber Group Integrated Report 2023 is our second integrated report.

In this report, we have made every effort to incorporate shareholder feedback on the previous integrated report, and we have worked to provide a clear understanding of the business model behind our efforts and the value creation story we envision for how archiving the Medium-term Management Plan YOKOHAMA Transformation 2023 (YX2023) and archiving sustainable growth.

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.

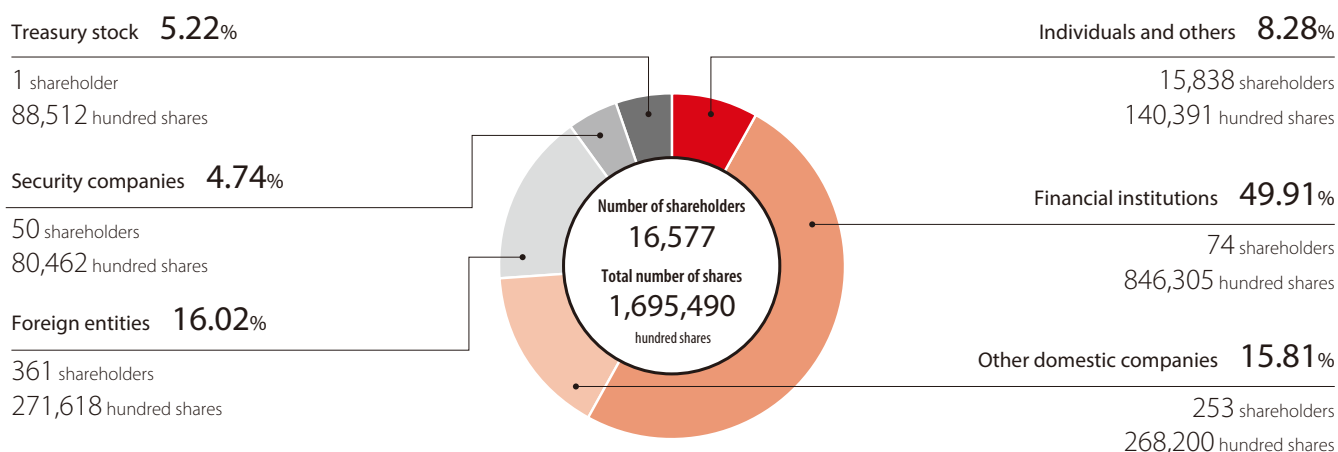
Share Information

As of December 31, 2022

Basic Information

Sector	Rubber products	Trading unit	100 shares
Stock exchange listing	Prime Market of the Tokyo Stock Exchange	Authorized number of shares	400,000,000
Stock code	5101	Number of shares issued and outstanding	169,549,081
Fiscal year-end	December 31	Number of shareholders	17,486
Record dates	December 31 (June 30 for interim dividends)		

Shareholder composition



Major shareholders

Shareholder name	Holdings (hundreds)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (trust account)	265,179	16.50
Zeon Corporation	162,700	10.12
Custody Bank of Japan, Ltd. (trust account)	146,553	9.11
Asahi Mutual Life Insurance Company	109,055	6.78
Mizuho Bank, Ltd.	61,300	3.81
The Dai-ichi Life Insurance Company, Limited	26,600	1.65
The Bank of Yokohama, Ltd.	24,999	1.55
SMBC Nikko Securities Inc.	23,703	1.47
Yokohama Rubber Business Partner Stock Holding Association	22,152	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



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