



Integrated Report

2022

Appendix (Financial Data)

A ROAD BEYOND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 8)	¥ 42,523	¥ 30,760	\$ 369,703
Trade and other receivables (Notes 9 and 31)	169,869	152,390	1,476,866
Other financial assets (Notes 11 and 31)	4,983	2,690	43,326
Inventories (Note 10)	152,700	112,572	1,327,591
Other current assets	13,485	10,840	117,237
Total current assets (Note 18)	383,560	309,252	3,334,724
NON-CURRENT ASSETS:			
Property, plant and equipment (Notes 12, 15 and 18)	336,269	311,150	2,923,567
Goodwill (Notes 13 and 15)	90,130	80,706	783,603
Intangible assets (Notes 13 and 15)	36,093	36,481	313,793
Other financial assets (Notes 11 and 31)	120,316	108,689	1,046,044
Deferred tax assets (Note 16)	7,655	8,921	66,554
Other non-current assets (Note 20)	10,966	5,173	95,337
Total non-current assets (Note 18)	601,428	551,119	5,228,899
TOTAL ASSETS	¥ 984,988	¥ 860,372	\$ 8,563,623
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables (Notes 17 and 31)	¥ 71,945	¥ 67,179	\$ 625,498
Bonds and borrowings (Notes 18 and 31)	81,607	92,029	709,500
Other financial liabilities (Notes 19 and 31)	22,428	21,126	194,988
Income taxes payable	9,216	4,697	80,125
Other current liabilities	57,307	42,369	498,235
Total current liabilities	242,502	227,401	2,108,345
NON-CURRENT LIABILITIES:			
Bonds and borrowings (Notes 18 and 31)	95,628	115,796	831,402
Other financial liabilities (Notes 19 and 31)	37,168	33,790	323,143
Liabilities for retirement benefits (Note 20)	16,600	17,260	144,326
Deferred tax liabilities (Note 16)	49,934	34,540	434,134
Other non-current liabilities	10,198	8,723	88,662
Total non-current liabilities	209,528	210,109	1,821,667
TOTAL LIABILITIES	452,030	437,510	3,930,012
EQUITY:			
Share capital (Note 21)	38,909	38,909	338,282
Share premium (Note 21)	31,261	31,052	271,786
Retained earnings (Note 21)	391,949	331,880	3,407,659
Treasury shares (Note 21)	(11,758)	(11,834)	(102,228)
Other components of equity	74,952	25,540	651,640
Total equity attributable to owners of the parent	525,312	415,547	4,567,139
Non-controlling interests	7,646	7,314	66,472
TOTAL EQUITY	532,958	422,862	4,633,611
TOTAL LIABILITIES AND EQUITY	¥ 984,988	¥ 860,372	\$ 8,563,623

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
CONTINUED OPERATIONS			
Revenue (Notes 6 and 7)	¥ 670,809	¥ 551,090	\$ 5,832,110
Cost of sales (Notes 12,13 and 20)	(447,178)	(375,642)	(3,887,829)
Gross profit	223,631	175,448	1,944,281
Selling, general, and administrative expenses (Notes 12,13,20 and 23)	(161,469)	(139,573)	(1,403,834)
Business profit (Note 6)	62,162	35,875	540,447
Other income (Note 24)	24,863	4,987	216,160
Other expenses (Notes 15 and 25)	(3,389)	(4,872)	(29,463)
Operating profit	83,636	35,989	727,143
Finance income (Note 26)	7,889	3,114	68,590
Finance costs (Note 26)	(6,327)	(5,610)	(55,004)
Profit before tax	85,199	33,492	740,730
Income taxes (Note 16)	(25,645)	(7,008)	(222,957)
Profit for the year from continued operations	59,554	26,484	517,773
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations (Note 37)	6,751	367	58,696
Profit for the year	66,305	26,852	576,468
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent	65,500	26,312	569,465
Non-controlling interests	806	540	7,003
Profit for the year	66,305	26,852	576,468
Profit for the year from continued operations attributable to owners of the parent	58,749	25,945	510,769
Profit for the year from discontinued operations attributable to owners of the parent	6,751	367	58,696
Profit for the year attributable to owners of the parent	¥ 65,500	¥ 26,312	\$ 569,465
EARNINGS PER SHARE (YEN/U.S. DOLLARS):			
Basic earnings per share			
Continued operations (Note 28)	366.37	161.80	3.19
Discontinued operations (Note 28)	42.10	2.29	0.37
Diluted earnings per share			
Continued operations (Note 28)	365.82	161.63	3.18
Discontinued operations (Note 28)	42.04	2.29	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
PROFIT FOR THE YEAR	¥ 66,305	¥ 26,852	\$ 576,468
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)	8,639	1,215	75,107
Remeasurements of defined benefit plans (Notes 20 and 27)	5,375	(284)	46,735
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges (Note 27)	3,077	(1,082)	26,755
Exchange differences on translating foreign operations (Note 27)	38,108	(19,481)	331,315
Total other comprehensive income, net of tax	55,199	(19,632)	479,911
COMPREHENSIVE INCOME	¥121,505	¥ 7,220	\$ 1,056,380
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	120,356	6,946	1,046,394
Non-controlling interests	1,149	274	9,985
Comprehensive income	¥121,505	¥ 7,220	\$ 1,056,380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2021 and 2020

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					
	Other components of equity					
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
BALANCE, JANUARY 1, 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, 2020 (From January 1, 2020 to December 31, 2020)

	Millions of Yen					
	Equity attributable to owners of the parent					
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translating foreign operations	Cash flow hedges
BALANCE, JANUARY 1, 2020	¥ 38,909	¥ 31,049	¥ 316,107	¥ (11,975)	¥ (1,734)	¥ 341
Profit for the year			26,312			
Other comprehensive income (Note 27)					(19,233)	(1,082)
Comprehensive income	—	—	26,312	—	(19,233)	(1,082)
Purchase of treasury shares (Note 21)				(2)		
Disposal of treasury shares (Note 21)		0		0		
Share-based payment transactions (Notes 21 and 29)		5		143		
Dividends from surplus (Note 22)			(10,433)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		(2)				
Transfer to retained earnings			(104)			
Others		(0)	(3)			
Total transactions with owners	—	3	(10,539)	141	—	—
BALANCE, DECEMBER 31, 2020	¥ 38,909	¥ 31,052	¥ 331,880	¥ (11,834)	¥ (20,967)	¥ (741)

	Equity attributable to owners of the parent					
	Other components of equity					
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
BALANCE, JANUARY 1, 2020	¥ 46,195	¥ —	¥ 44,802	¥ 418,893	¥ 8,785	¥ 427,678
Profit for the year			—	26,312	540	26,852
Other comprehensive income (Note 27)	1,230	(280)	(19,366)	(19,366)	(266)	(19,632)
Comprehensive income	1,230	(280)	(19,366)	6,946	274	7,220
Purchase of treasury shares (Note 21)			—	(2)		(2)
Disposal of treasury shares (Note 21)			—	0		0
Share-based payment transactions (Notes 21 and 29)			—	148		148
Dividends from surplus (Note 22)			—	(10,433)	(540)	(10,973)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(2)	(1,201)	(1,203)
Transfer to retained earnings	(177)	280	104	—		—
Others			—	(3)	(3)	(6)
Total transactions with owners	(177)	280	104	(10,291)	(1,745)	(12,036)
BALANCE, DECEMBER 31, 2020	¥ 47,248	¥ —	¥ 25,540	¥ 415,547	¥ 7,314	¥ 422,862

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

	Thousands of U.S. Dollars					
	Equity attributable to owners of the parent					
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translating foreign operations	Cash flow hedges
BALANCE, JANUARY 1, 2021	\$ 338,282	\$ 269,974	\$ 2,885,412	\$ (102,885)	\$ (182,293)	\$ (6,444)
Profit for the year			569,465			
Other comprehensive income (Note 27)					328,272	26,755
Comprehensive income	—	—	569,465	—	328,272	26,755
Purchase of treasury shares (Note 21)				(20)		
Disposal of treasury shares (Note 21)						
Share-based payment transactions (Notes 21 and 29)		392		677		
Dividends from surplus (Note 22)			(89,354)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		(378)				
Transfer to retained earnings			47,334			
Others		1,798	(5,198)			
Total transactions with owners	—	1,812	(47,218)	657	—	—
BALANCE, DECEMBER 31, 2021	\$ 338,282	\$ 271,786	\$ 3,407,659	\$ (102,228)	\$ 145,978	\$ 20,311

	Equity attributable to owners of the parent					
	Other components of equity					
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
BALANCE, JANUARY 1, 2021	\$ 410,783	\$ —	\$ 222,045	\$ 3,612,828	\$ 63,591	\$ 3,676,419
Profit for the year			—	569,465	7,003	576,468
Other comprehensive income (Note 27)	75,094	46,808	476,929	476,929	2,982	479,911
Comprehensive income	75,094	46,808	476,929	1,046,394	9,985	1,056,380
Purchase of treasury shares (Note 21)			—	(20)		(20)
Disposal of treasury shares (Note 21)			—	—		—
Share-based payment transactions (Notes 21 and 29)			—	1,070		1,070
Dividends from surplus (Note 22)			—	(89,354)	(5,787)	(95,142)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(378)	(1,237)	(1,615)
Transfer to retained earnings	(526)	(46,808)	(47,334)	—		—
Others			—	(3,400)	(80)	(3,480)
Total transactions with owners	(526)	(46,808)	(47,334)	(92,083)	(7,105)	(99,188)
BALANCE, DECEMBER 31, 2021	\$ 485,351	\$ —	\$ 651,640	\$ 4,567,139	\$ 66,472	\$ 4,633,611

CONSOLIDATED STATEMENT OF CASH FLOWS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 85,199	¥ 33,492	\$ 740,730
Profit before tax from discontinued operations (Note 37)	9,191	420	79,907
Depreciation and amortization	45,560	44,467	396,109
Impairment losses	93	721	812
Increase (decrease) in liabilities for retirement benefits	410	1,588	3,561
Interest and dividend income	(3,160)	(2,627)	(27,473)
Interest expenses	2,100	2,788	18,259
Loss (gain) on sales and retirement of non-current assets	(20,063)	(1,780)	(174,431)
Decrease (increase) in trade receivables	(7,387)	9,207	(64,222)
Increase (decrease) in trade payables	6,193	(13,449)	53,844
Decrease (increase) in inventories	(33,107)	7,573	(287,833)
Gain on sales of discontinued operations (Note 37)	(9,292)	—	(80,789)
Other	4,494	7,442	39,075
Subtotal	80,232	89,844	697,548
Interests and dividends received	3,180	2,624	27,643
Interests paid	(2,158)	(2,747)	(18,759)
Income taxes (paid) refund	(12,951)	(11,427)	(112,597)
Net cash provided by operating activities	68,303	78,294	593,836
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits	1,096	1,438	9,532
Payments into time deposits	(2,077)	(2,705)	(18,060)
Purchases of property, plant and equipment	(35,930)	(30,800)	(312,381)
Proceeds from sales of property, plant and equipment	21,766	3,650	189,238
Purchases of intangible assets	(370)	(481)	(3,219)
Purchases of investment securities	(113)	(35)	(980)
Proceeds from sales of investment securities	35	199	302
Proceeds from sales of discontinued operations (Note 37)	11,846	—	102,994
Other	(732)	869	(6,366)
Net cash used in investing activities	(4,479)	(27,865)	(38,940)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings (Note 30)	(2,163)	17	(18,809)
Net increase (decrease) in commercial paper (Note 30)	—	(17,000)	—
Proceeds from long-term borrowings (Note 30)	6,884	13,279	59,854
Repayments of long-term borrowings (Note 30)	(31,814)	(23,274)	(276,595)
Proceeds from issuance of bonds (Note 30)	—	10,000	—
Redemption of bonds (Note 30)	(10,000)	(10,000)	(86,941)
Purchases of treasury shares	76	(11)	657
Proceeds from sale of treasury shares	45	(0)	392
Cash dividends paid (Note 22)	(10,277)	(10,431)	(89,354)
Other (Note 30)	(7,945)	(9,132)	(69,075)
Net cash used in financing activities	(55,195)	(46,553)	(479,871)
Effect of exchange rate changes on cash and cash equivalents	3,134	(1,026)	27,249
Net increase (decrease) in cash and cash equivalents	11,764	2,850	102,274
Cash and cash equivalents at the beginning of year (Note 8)	30,760	27,909	267,429
Cash and cash equivalents at the end of year (Note 8)	¥ 42,523	¥ 30,760	\$ 369,703

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, 2021 were approved by the Board of Directors on March 30, 2022. 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 ¥115.02 = \$1.00, the approximate exchange rate prevailing on December 31, 2021.

4. Changes in Method of Presentation

(Changes in the method of presentation due to classification of the Hamatite business as a discontinued operation)

The Company executed a business transfer contract to transfer its Hamatite business to Sika AG in the fiscal year ended December 31, 2021. Accordingly, the Hamatite business was classified as a discontinued operation in the fiscal year ended December 31, 2021. As a result, the Company has partially reclassified the presentation in the consolidated statement of profit or loss, consolidated statement of cash flows, and the related notes to consolidated financial statements for the fiscal year ended December 31, 2020 to reflect the presentation for the fiscal year ended December 31, 2021.

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.

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.

- 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.

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 there is a concern about the resurgence of the COVID-19 Omicron variant, economic activities have resumed worldwide in part due to increased vaccine coverage. Therefore, accounting estimates are made on the assumption that the Company's operating environment will normalize in the business year ending December 31, 2022.

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, 2021 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.

- 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, 2021.

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.

Therefore, the Group is organized by business segment, and its business segments and reportable segments are "Tires," "Multiple Business" ("MB"), and "Alliance Tire Group" ("ATG").

Major products in each reportable segment

Reportable segment	Major products
Tires	Tires for passenger cars, trucks and buses, light trucks, construction equipment, and industrial equipment, etc., tire tubes, aluminum alloy wheels, and auto supplies
MB	Conveyor belts, hoses, pneumatic marine fenders, oil fences, marine hoses, antiseismic products, and aerospace products
ATG	Tires for agricultural machinery, industrial equipment, construction equipment, and forestry machinery

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, revenue from the segment has been reclassified as the amount of continued operations excluding the amount of revenue from discontinued operations.

Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

	Millions of Yen						
	Reportable segment			Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB	ATG				
Revenues							
Revenue from external customers	¥ 399,202	¥ 79,042	¥ 65,096	¥ 7,750	¥ 551,090	¥ —	¥ 551,090
Intersegment revenue	1,602	91	253	7,203	9,149	(9,149)	—
Total	¥ 400,804	¥ 79,133	¥ 65,349	¥ 14,953	¥ 560,239	¥ (9,149)	¥ 551,090
Segment profit (business profit) (Note 2)	23,985	2,898	8,812	78	35,772	103	35,875
Other income and expenses							114
Operating profit							35,989
(Other significant items) (Note 4)							
Depreciation and amortization	26,544	2,818	6,389	238	35,989	799	36,788
Impairment losses	31	691	—	—	721	—	721
Capital expenditures	19,004	2,371	6,393	40	27,807	307	28,114

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

	Millions of Yen						
	Reportable segment			Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB	ATG				
Revenues							
Revenue from external customers	¥ 470,203	¥ 84,438	¥ 107,284	¥ 8,884	¥ 670,809	¥ —	¥ 670,809
Intersegment revenue	8,316	130	901	8,603	17,951	(17,951)	—
Total	¥ 478,520	¥ 84,569	¥ 108,185	¥ 17,487	¥ 688,760	¥ (17,951)	¥ 670,809
Segment profit (business profit) (Note 2)	42,686	3,781	14,714	1,096	62,277	(115)	62,162
Other income and expenses							21,474
Operating profit							83,636
(Other significant items)							
(Note 4)							
Depreciation and amortization	26,939	2,870	6,778	103	36,690	1,011	37,701
Impairment losses	93	—	—	—	93	—	93
Capital expenditures	26,362	2,750	9,114	94	38,321	438	38,759

	Thousands of U.S. Dollars						
	Reportable segment			Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Tires	MB	ATG				
Revenues							
Revenue from external customers	\$ 4,088,014	\$ 734,117	\$ 932,741	\$ 77,238	\$ 5,832,110	\$ —	\$ 5,832,110
Intersegment revenue	72,303	1,134	7,832	74,798	156,067	(156,067)	—
Total	\$ 4,160,318	\$ 735,251	\$ 940,573	\$ 152,036	\$ 5,988,177	\$ (156,067)	\$ 5,832,110
Segment profit (business profit) (Note 2)	371,116	32,872	127,930	9,529	541,447	(1,001)	540,447
Other income and expenses							186,697
Operating profit							727,143
(Other significant items)							
(Note 4)							
Depreciation and amortization	234,216	24,954	58,926	893	318,988	8,791	327,779
Impairment losses	812	—	—	—	812	—	812
Capital expenditures	229,198	23,911	79,241	821	333,171	3,805	336,976

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Japan	¥ 146,428	¥ 140,117	\$ 1,273,063
United States of America ("USA")	51,610	45,800	448,705
India	146,061	126,070	1,269,874
China	33,017	30,610	287,054
Philippines	29,767	29,331	258,796
Others	59,629	58,044	518,421
Total	¥ 466,511	¥ 429,972	\$ 4,055,913

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, revenue from the segment has been reclassified as the amount of continued operations excluding the amount of revenue from discontinued operations.

Fiscal year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

	Millions of Yen				
	Tires	MB	ATG	Others	Total
Areas					
Japan	¥ 174,916	¥ 45,936	¥ 115	¥ 6,197	¥ 227,164
North America	105,727	15,192	28,384	127	149,430
Asia	61,775	12,186	4,507	1,426	79,894
Others	56,784	5,728	32,090	—	94,602
Total	¥ 399,202	¥ 79,042	¥ 65,096	¥ 7,750	¥ 551,090

Note:

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

North America mainly refers to the USA (¥140,996 million).

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

	Millions of Yen				
	Tires	MB	ATG	Others	Total
Areas					
Japan	¥ 182,289	¥ 48,669	¥ 149	¥ 6,580	¥ 237,686
North America	129,283	16,270	54,091	272	199,917
Asia	82,036	14,695	5,720	2,032	104,484
Others	76,595	4,804	47,324	—	128,723
Total	¥ 470,203	¥ 84,438	¥ 107,284	¥ 8,884	¥ 670,809

	Thousands of U.S. Dollars				
	Tires	MB	ATG	Others	Total
Areas					
Japan	\$ 1,584,844	\$ 423,131	\$ 1,292	\$ 57,205	\$ 2,066,473
North America	1,124,008	141,458	470,274	2,365	1,738,105
Asia	713,236	127,763	49,730	17,668	908,399
Others	665,925	41,765	411,443	—	1,119,134
Total	\$ 4,088,014	\$ 734,117	\$ 932,741	\$ 77,238	\$ 5,832,110

Note:

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

North America mainly refers to the USA (¥187,562 million, \$1,630,691 thousand).

The Group is engaged in the manufacturing of products in the Tires, MB, ATG, 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, MB, and ATG 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, MB, and ATG 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."

The Tires, MB, and ATG 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 solely of receivables (notes and accounts receivables) arising from contracts with customers, which is presented in 9. "TRADE AND OTHER RECEIVABLES."

3. Transaction Prices Allocated to Remaining Performance Obligations

The Group has no significant transactions whose respective contract period exceeds one year.

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Cash and deposits	¥ 33,191	¥ 23,796	\$ 288,564
Time deposits with maturities of three months or less	9,333	6,963	81,139
Total	¥ 42,523	¥ 30,760	\$ 369,703

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Notes and accounts receivable-trade	¥ 158,930	¥ 143,862	\$ 1,381,757
Others	14,101	11,848	122,599
Allowance for doubtful receivables	(3,162)	(3,320)	(27,491)
Total	¥ 169,869	¥ 152,390	\$ 1,476,865

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Merchandise and finished goods	¥ 100,353	¥ 74,109	\$ 872,482
Work in progress	7,326	6,194	63,695
Raw materials and supplies	45,020	32,270	391,413
Total	¥ 152,700	¥ 112,572	\$ 1,327,591

The valuation loss on inventories was ¥2,378 million and ¥1,994 million (\$17,335 thousand) for the fiscal years ended December 31, 2020 and 2021, respectively.

The valuation loss on inventories for the fiscal year ended December 31, 2020 includes fixed manufacturing costs as well as inventories whose amount is ¥272 million (\$2,362 thousand) that were not able to be used during the operation suspension 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, 2021 includes fixed manufacturing costs of ¥12 million (\$109 thousand) that incurred during the operation restriction period based on the request from government agencies 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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Non-derivative financial assets measured at amortized cost			
Loans	¥ 250	¥ 2,935	\$ 2,178
Others	6,409	5,326	55,724
Allowance for doubtful receivables	(106)	(308)	(919)
Non-derivative financial assets measured at fair value through profit or loss			
Others	182	195	1,581
Non-derivative financial assets measured at fair value through other comprehensive income			
Shares	113,972	101,614	990,888
Others	596	894	5,185
Derivative assets	3,995	723	34,734
Total	¥ 125,299	¥ 111,379	\$ 1,089,370
Current assets	4,983	2,690	43,326
Non-current assets	120,316	108,689	1,046,044
Total	¥ 125,299	¥ 111,379	\$ 1,089,370

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, 2020 (December 31, 2020)

Share issuer	Millions of Yen Amount
Zeon Corporation	¥ 33,547
TOYOTA MOTOR CORPORATION	27,549
Honda Motor Co., Ltd.	9,020
SUZUKI MOTOR CORPORATION	3,940
ADEKA Corporation	1,982

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

Share issuer	Thousands of U.S. Dollars Amount
TOYOTA MOTOR CORPORATION	\$ 316,893
Zeon Corporation	261,691
Honda Motor Co., Ltd.	88,026
SUZUKI MOTOR CORPORATION	31,729
ADEKA Corporation	24,563

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.

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Fair value	¥ 296	¥ 449	\$ 2,573
Accumulated gains (losses) recognized in other components of equity (Note)	¥ 130	¥ 177	\$ 1,131

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Investments derecognized during the year	¥ 24	¥ 5	\$ 210
Investments held as of the end of the year	2,658	2,328	23,112
Total	¥ 2,683	¥ 2,332	\$ 23,322

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, 2020	¥ 215,846	¥ 491,190	¥ 91,291	¥ 47,636	¥ 31,247	¥ 45,930	¥ 923,140
Individual acquisition	452	637	1,933	1,171	23,760	7,722	35,674
Sale or disposal	(1,829)	(5,060)	(5,149)	(667)	(115)	(423)	(13,244)
Exchange differences on translating foreign operations	(4,018)	(9,773)	(1,780)	(635)	(1,341)	(908)	(18,455)
Transfer from construction in progress	3,234	28,652	3,934	—	(35,828)	8	—
Others	(303)	(89)	(6)	(23)	(747)	(1,159)	(2,326)
Balance at December 31, 2020	¥ 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

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, 2020	\$ 1,855,173	\$ 4,395,389	\$ 784,415	\$ 412,811	\$ 147,581	\$ 444,875	\$ 8,040,244
Individual acquisition	26,264	21,002	18,189	—	268,905	122,508	456,869
Sale or disposal	(92,108)	(328,686)	(68,742)	(5,997)	(1,132)	(13,298)	(509,963)
Exchange differences on translating foreign operations	62,701	204,021	30,933	7,244	8,013	15,359	328,271
Transfer from construction in progress	28,689	149,534	47,158	145	(225,564)	(11)	(50)
Others	7,521	(8,941)	(5,017)	2,763	725	(1,830)	(4,778)
Balance at December 31, 2021	\$ 1,888,241	\$ 4,432,319	\$ 806,935	\$ 416,965	\$ 198,529	\$ 567,603	\$ 8,310,593

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, 2020	¥ (121,269)	¥ (382,666)	¥ (75,794)	¥ (615)	¥ (149)	¥ (14,942)	¥ (595,434)
Depreciation	(6,208)	(19,900)	(7,105)	—	—	(6,973)	(40,186)
Impairment losses	(529)	(8)	(1)	(146)	—	(25)	(708)
Sale or disposal	1,598	4,910	5,023	71	—	355	11,956
Exchange differences on translating foreign operations	1,646	6,541	1,331	20	5	184	9,727
Others	(22)	(30)	(81)	17	117	1,006	1,007
Balance at December 31, 2020	¥ (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)

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, 2020	\$ (1,084,893)	\$ (3,400,729)	\$ (666,208)	\$ (5,673)	\$ (231)	\$ (177,330)	\$ (5,335,064)
Depreciation	(55,633)	(185,103)	(54,749)	—	—	(63,227)	(358,714)
Impairment losses	(231)	(70)	(87)	(369)	—	—	(757)
Sale or disposal	80,979	311,768	65,746	2,317	49	11,345	472,203
Exchange differences on translating foreign operations	(24,623)	(128,449)	(23,197)	(388)	(21)	(4,463)	(181,142)
Others	(102)	11,177	3,696	(498)	—	2,173	16,447
Balance at December 31, 2021	\$ (1,084,503)	\$ (3,391,406)	\$ (674,800)	\$ (4,612)	\$ (203)	\$ (231,502)	\$ (5,387,026)

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, 2020	¥ 94,576	¥ 108,525	¥ 15,498	¥ 47,022	¥ 31,098	¥ 30,987	¥ 327,706
Balance at December 31, 2020	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

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, 2021	\$ 803,738	\$ 1,040,913	\$ 132,135	\$ 412,353	\$ 198,327	\$ 336,101	\$ 2,923,567

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, 2020	¥ 22,738	¥ 2,853	¥ 866	¥ 4,531	¥ 30,987
Balance at December 31, 2020	22,219	2,811	910	4,832	30,773
Balance at December 31, 2021	28,974	3,366	897	5,422	38,658

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, 2021	\$ 251,901	\$ 29,261	\$ 7,799	\$ 47,139	\$ 336,101

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, 2020	¥ 85,431	¥ 27,758	¥ 14,416	¥ 6,917	¥ 7,325	¥ 141,848
Individual acquisition	—	—	2	419	60	481
Sale or disposal	—	—	—	(109)	(119)	(227)
Exchange differences on translating foreign operations	(4,725)	(1,527)	(819)	(90)	(101)	(7,262)
Others	—	—	0	(287)	(2)	(289)
Balance at December 31, 2020	¥ 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

Cost	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2020	\$ 701,668	\$ 228,061	\$ 118,231	\$ 59,553	\$ 62,281	\$ 1,169,792
Individual acquisition	—	—	1	2,967	251	3,219
Sale or disposal	—	—	—	(1,029)	(1,339)	(2,368)
Exchange differences on translating foreign operations	81,936	25,234	13,537	1,765	2,464	124,934
Others	—	—	—	(8,134)	(262)	(8,396)
Balance at December 31, 2021	\$ 783,603	\$ 253,295	\$ 131,768	\$ 55,122	\$ 63,394	\$ 1,287,182

Accumulated amortization and accumulated impairment losses	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2020	¥ —	¥ (7,678)	¥ (284)	¥ (2,390)	¥ (3,951)	¥ (14,304)
Amortization	—	(2,060)	(74)	(1,420)	(727)	(4,281)
Impairment losses	—	—	—	—	(13)	(13)
Sale or disposal	—	—	—	106	0	106
Exchange differences on translating foreign operations	—	480	40	54	47	621
Others	—	—	—	502	5	507
Balance at December 31, 2020	¥ —	¥ (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)

Accumulated amortization and accumulated impairment losses	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2020	\$ —	\$ (80,495)	\$ (2,759)	\$ (27,368)	\$ (40,336)	\$ (150,958)
Amortization	—	(18,425)	(642)	(12,051)	(6,276)	(37,395)
Impairment losses	—	—	—	(53)	—	(53)
Sale or disposal	—	—	—	1,001	1,252	2,252
Exchange differences on translating foreign operations	—	(9,676)	(729)	(1,098)	(1,245)	(12,748)
Others	—	—	—	8,955	161	9,116
Balance at December 31, 2021	\$ —	\$ (108,597)	\$ (4,130)	\$ (30,615)	\$ (46,444)	\$ (189,785)

Carrying amount	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2020	¥ 85,431	¥ 20,080	¥ 14,132	¥ 4,526	¥ 3,374	¥ 127,544
Balance at December 31, 2020	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

Carrying amount	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2021	\$ 783,603	\$ 144,698	\$ 127,639	\$ 24,507	\$ 16,950	\$ 1,097,397

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, 2020 and 2021 were ¥13,177 million and ¥14,644 million (\$127,318 thousand), respectively. These assets are trademark rights acquired in business combinations. They were deemed to have indefinite useful lives in the fiscal year ended December 31, 2021 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, 2020 and 2021 was that in ATG, a CGU, whose carrying amounts were ¥80,706 million and ¥89,689 million (\$779,766 thousand), respectively.

Significant intangible assets other than goodwill at the end of the fiscal years ended December 31, 2020 and 2021 were related to ATG customers, whose carrying amounts were ¥16,973 million and ¥16,642 million (\$144,686 thousand), respectively. The remaining amortization period at the end of the fiscal year ended December 31, 2021 was eight years.

4. Research and Development Expenses

Research and development expenses recognized in the fiscal years ended December 31, 2020 and 2021 were ¥14,125 million and ¥15,297 million (\$132,993 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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Depreciation of right-of-use assets by class of underlying asset			
Buildings and structures	¥ 4,859	¥ 4,451	\$ 42,247
Machinery, equipment, and vehicles	1,567	1,729	13,627
Tools, furniture, and fixtures	439	410	3,814
Land	401	403	3,487
Other assets	6	17	53
Subtotal	7,272	7,011	63,227
Interest expenses on lease liabilities	634	614	5,514
Expense relating to short-term leases	1,014	646	8,818
Expense relating to leases of low-value assets (excluding short-term leases)	11	20	96
Variable lease payments	622	557	5,410
Income from subleasing right-of-use assets	366	234	3,181

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 (\$180,737 thousand), and the payment of ¥21,022 million (\$182,771 thousand) was received in the same period.

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.

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1. Impairment Losses

Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

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, 2020.

Usage	Segment	Type	Millions of Yen
			Amount
Business assets	Tires	Land	¥ 17
		Other intangible assets	13
		Total	30
Business assets	MB	Buildings and structures	529
		Machinery, equipment, and vehicles	8
		Tools, furniture, and fixtures	1
		Land	128
		Tangible leased assets	25
		Total	691

As a result of the Company's review of its business plans for a consolidated subsidiary in the MB segment which was conducted in the fiscal year ended December 31, 2020, the Company commenced liquidation procedures for the consolidated subsidiary in the fiscal year ended December 31, 2020. Accordingly, the carrying amounts of relevant non-current assets were assessed as no longer recoverable, and therefore were reduced to recoverable amounts, with ¥691 million (\$6,007 thousand) recorded as impairment losses in "Other expenses" in the consolidated statement of profit or loss. The recoverable amounts of the asset groups are measured at fair value.

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	Thousands of U.S. Dollars
			Amount	Amount
Business assets	Tires	Buildings and structures	¥ 27	\$ 231
		Machinery, equipment, and vehicles	8	70
		Tools, furniture, and fixtures	10	87
		Land	42	369
		Software	6	53
		Total	93	810

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

At the end of the fiscal year ended December 31, 2021, the Group identified an indication of impairment on property, plant and equipment totaling ¥14,716 million (\$127,944 thousand) of Yokohama Tire Manufacturing Mississippi, LLC. (USA), a consolidated subsidiary of the Company belonging to the Tires business segment. This was attributable to manufacturing labor shortage in the wake of the COVID-19 pandemic, production suspension due to record cold wave at the beginning of the fiscal year ended December 31, 2021 and supply shortage of materials due to logistics disruption.

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 10.2%; 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, the total demand for truck and bus tires in North America, 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, 2021: 1.6% to 4.0%, Fiscal year ended December 31, 2020: 1.7% 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, 2021: 10.4%, Fiscal year ended December 31, 2020: 8.7%

Concerning the goodwill and intangible assets with indefinite useful lives, since the recoverable amount of the CGU sufficiently exceeds the carrying amount, the Group considers that the 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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Current tax expense	¥ 38,132	¥ 2,272	\$ 331,525
Deferred tax expense	(10,048)	4,789	(87,357)
Total	¥ 28,084	¥ 7,061	\$ 244,168

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

Under the Indian government's budget for 2020 approved on March 27, 2020, the dividend distribution tax has been abolished and the rate of tax deducted at the source under the tax laws of India has been applied to dividend income. Accordingly, from the fiscal year ended December 31, 2020, the tax rate used to calculate deferred tax liabilities for taxable temporary differences associated with investments in consolidated subsidiaries in India has been changed to 10%. As a result of this reduction in the tax rate, income taxes for the fiscal year ended December 31, 2020 decreased by ¥1,350 million (\$11,741 thousand).

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, 2020 and 2021.

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

	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)
Statutory effective tax rate	30.3 %	30.3 %
(Reconciliation)		
Difference between statutory effective tax rates of overseas consolidated subsidiaries	(2.9)	(2.0)
Permanently nondeductible expenses	0.2	0.6
Permanently nontaxable income	(0.4)	(1.1)
Tax deduction for research and development	(1.3)	(2.6)
Effect of recoverability assessment of deferred tax assets	(0.8)	0.8
Taxable temporary differences associated with investments in subsidiaries or associates	4.4	(1.9)
Decrease in deferred tax liabilities at year-end due to tax reform	—	(4.0)
Effect of business transfer	(0.7)	—
Others	1.0	0.7
Average actual effective tax rate	29.8 %	20.8 %

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Deferred tax assets			
Liabilities for retirement benefits	¥ 9,859	¥ 10,901	\$ 85,720
Unrealized gains	2,283	2,746	19,852
Accrued expenses	1,897	1,671	16,497
Accrued vacation payable	1,474	1,509	12,818
Valuation loss on inventories	1,430	1,086	12,436
Impairment losses	2,938	2,966	25,542
Others	3,807	5,531	33,098
Total deferred tax assets	23,690	26,409	205,962
Deferred tax liabilities			
Intangible assets identified as a result of business combinations	(11,313)	(10,868)	(98,360)
Liabilities for pension and severance payments	(4,993)	(4,993)	(43,409)
Gain on receipt of stock set by pension plan	(1,581)	(1,581)	(13,745)
Reserve for advanced depreciation of non-current assets	(7,194)	(2,243)	(62,545)
Retained earnings of overseas subsidiaries	(8,299)	(4,148)	(72,155)
Non-current assets	(5,691)	(6,806)	(49,476)
Unrealized gains on securities	(21,672)	(18,977)	(188,423)
Others	(5,225)	(2,411)	(45,429)
Total deferred tax liabilities	(65,969)	(52,028)	(573,542)
Net deferred tax assets (liabilities)	¥ (42,279)	¥ (25,618)	\$ (367,580)

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Deferred tax assets	¥ 7,655	¥ 8,921	\$ 66,554
Deferred tax liabilities	(49,934)	(34,540)	(434,134)

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

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Beginning balance	¥ (25,618)	¥ (30,340)	\$ (222,730)
Tax expense or income recognized through profit or loss (Note)	(10,048)	4,789	(87,357)
Amount recognized in other comprehensive income			
Cash flow hedges	(1,007)	416	(8,752)
Gains (losses) on financial assets measured at fair value through other comprehensive income	(3,755)	(528)	(32,649)
Remeasurements of defined benefit plans	(1,851)	44	(16,091)
Total	(6,613)	(68)	(57,493)
Ending balance	¥ (42,279)	¥ (25,618)	\$ (367,580)

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Deductible temporary differences	¥ 6,358	¥ 7,029	\$ 55,278
Tax loss carryforwards and tax credit carryforwards	1,525	2,036	13,254

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
First year	¥ 177	¥ 140	\$ 1,539
Second year	243	271	2,111
Third year	189	107	1,642
Fourth year	71	154	621
Fifth year and after	301	565	2,614
Indefinite	544	799	4,727
Total	¥ 1,525	¥ 2,036	\$ 13,254

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, 2020 and 2021 were ¥7,023 million and ¥4,411 million (\$38,353 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, 2020 and 2021, 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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Accounts and notes payable-trade	¥ 56,069	¥ 48,637	\$ 487,470
Others	15,876	18,542	138,027
Total	¥ 71,945	¥ 67,179	\$ 625,498

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

18. BONDS AND BORROWINGS

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

	Millions of Yen		Thousands of U.S. Dollars		
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)	Average interest rate	Repayment period
Short-term borrowings	¥ 50,714	¥ 52,916	\$ 440,916	0.54 %	
Current portion of bonds (Note)	12,000	10,000	104,330		
Current portion of long-term borrowings	18,892	29,113	164,254	0.70	
Bonds (Note)	18,935	30,909	164,623		
Long-term borrowings	76,693	84,887	666,779	0.39	2023–2030
Total	177,235	207,825	1,540,902	—	—
Current liabilities	81,607	92,029	709,500		
Non-current liabilities	95,628	115,796	831,402		
Total	¥ 177,235	¥ 207,825	\$ 1,540,902		

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, 2021.

The Company's borrowings at December 31, 2020 and 2021 include those under syndicated loan agreements (total agreement amount: \$720 million and ¥54,240 million (\$471,570 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, 2020 include those under syndicated loan agreements (total agreement amount: ¥5,000 million (\$43,471 thousand) concluded with the counterparty banks on December 10, 2018.

Those agreements are subject to the following financial covenants:

- From the fiscal year ended December 31, 2018, 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, 2017, 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, 2020 and 2021 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 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
			2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)			
The Company	Tenth series of unsecured bonds	October 31, 2014	¥ —	¥ 9,994	\$ —	0.355 %	Unsecured	October 29, 2021
The Company	Eleventh series of unsecured bonds	October 30, 2015	11,993	11,985	104,269	0.381	Unsecured	October 28, 2022
The Company	Thirteenth series of unsecured bonds	December 9, 2016	8,988	8,982	78,145	0.250	Unsecured	December 8, 2023
The Company	Fourteenth series of unsecured bonds	July 27, 2020	9,954	9,948	86,538	0.360	Unsecured	July 26, 2030
Total	—	—	¥ 30,935	¥ 40,909	\$ 268,953	—	—	—

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

(1) Assets Pledged as Collateral

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Cash and cash equivalents	¥ 4,880	¥ 3,521	\$ 42,425
Trade and other receivables	2,434	1,696	21,162
Inventories	2,854	2,299	24,816
Other current assets	2,073	1,339	18,023
Property, plant and equipment	448	455	3,897
Total	¥ 12,689	¥ 9,311	\$ 110,323

(2) Liabilities Corresponding to Assets Pledged as Collateral

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Short-term borrowings	¥ 100	¥ 150	\$ 869
Total	¥ 100	¥ 150	\$ 869

19. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Non-derivative financial liabilities measured at amortized cost			
Lease liabilities	¥ 40,588	¥ 32,515	\$ 352,880
Others	18,777	16,541	163,246
Derivative liabilities	230	5,860	1,997
Total	59,595	54,916	518,124
Current liabilities	22,428	21,126	194,988
Non-current liabilities	37,168	33,790	323,143
Total	¥ 59,595	¥ 54,916	\$ 518,132

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

20. EMPLOYEE BENEFITS

1. Outline of Defined Benefit Plans

The Company, its domestic consolidated subsidiaries, and some of its overseas consolidated subsidiaries have adopted defined retirement benefit plans to cover employee retirement benefits.

In addition to the above plans, the Company and some of its consolidated subsidiaries have defined contribution pension plans.

The Group has mainly adopted lump-sum retirement benefit plans as defined retirement benefit plans. Under lump-sum retirement benefit plans, the source of funds is not saved externally but lump-sum benefits are paid to employees when they retire or voluntarily resign. Lump-sum retirement benefits are paid based on retirement benefit regulations under the Work Rules. Moreover, the Group has established a retirement benefit trust for the payment of lump-sum retirement benefits.

Some of the consolidated subsidiaries in the US have adopted post-retirement medical benefit plans. Post-retirement medical benefit plans are included in liabilities for retirement benefits as they have similar features to those of post-retirement benefits.

2. Defined Benefit Plans

(1) Breakdown of Liabilities or Assets for Retirement Benefits

Reconciliation of defined benefit obligations and plan assets, and liabilities or assets for retirement benefits in the consolidated statement of financial position is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Defined benefit obligations	¥ 71,415	¥ 69,763	\$ 620,889
Plan assets	(61,760)	(52,930)	(536,951)
Net liabilities (assets) for retirement benefits presented in the consolidated statement of financial position	9,655	16,832	83,938
Amounts presented in the consolidated statement of financial position			
Liabilities for retirement benefits	16,600	17,260	144,326
Assets for retirement benefits	6,946	428	60,388

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, 2020	¥ 58,917	¥ 7,052
Current service cost	2,891	124
Interest cost	845	179
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	81	(38)
Actuarial losses (gains) arising from changes in financial assumptions	(110)	704
Actuarial losses (gains) arising from other factors	457	(37)
Benefits paid	(1,937)	(352)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	1,382	(396)
At December 31, 2020	¥ 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

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2020	\$ 543,613	\$ 62,912
Current service cost	25,637	1,227
Interest cost	6,148	1,027
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	(431)	283
Actuarial losses (gains) arising from changes in financial assumptions	(12,809)	(3,342)
Actuarial losses (gains) arising from other factors	4,160	673
Benefits paid	(24,787)	(3,655)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	26,948	6,939
Transfer of discontinued operations	(13,654)	—
At December 31, 2021	\$ 554,825	\$ 66,063

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

	Years	
	2021 (December 31, 2021)	2020 (December 31, 2020)
Weighted-average duration	12.0	12.4

(3) Plan Assets

Changes in plan assets were as follows:

	Millions of Yen	
	Defined benefit plans	Post-retirement medical benefits
At January 1, 2020	¥ 50,506	¥ —
Interest income	745	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	3,795	—
Contributions from employer	671	—
Benefits paid	(1,209)	—
Exchange differences on translating foreign operations, etc.	(1,578)	—
At December 31, 2020	¥ 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	¥ —

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2020	\$ 460,182	\$ —
Interest income	5,419	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	51,360	—
Contributions from employer	6,318	—
Benefits paid	(8,265)	—
Exchange differences on translating foreign operations, etc.	21,937	—
At December 31, 2021	\$ 536,951	\$ —

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 ¥1,343 million (\$11,678 thousand) to defined benefit plans in the fiscal year ending December 31, 2022.

(4) Major Components of Plan Assets

The major components of total plan assets are as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2021			2020			2021		
	(December 31, 2021)			(December 31, 2020)			(December 31, 2021)		
	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	¥ 2,198	¥ —	¥ 2,198	¥ 2,035	¥ —	¥ 2,035	\$ 19,109	\$ —	\$ 19,109
Equity financial instruments									
Domestic equity securities	34,354	—	34,354	28,432	—	28,432	298,678	—	298,678
Foreign equity securities	3,664	—	3,664	3,200	—	3,200	31,854	—	31,854
Debt instruments									
Foreign bonds	19,416	—	19,416	17,464	—	17,464	168,807	—	168,807
Others	1,693	435	2,128	1,435	363	1,798	14,719	3,784	18,503
Total	¥ 61,325	¥ 435	¥ 61,760	¥ 52,567	¥ 363	¥ 52,930	\$ 533,167	\$ 3,784	\$ 536,951

(5) Items Related to Actuarial Assumptions

Major actuarial assumptions were as follows:

	2021	2020
	(December 31, 2021)	(December 31, 2020)
Discount rate (weighted-average)	1.4 %	1.2 %

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
		2021	2020	2021
		(December 31, 2021)	(December 31, 2020)	(December 31, 2021)
Discount rate	0.5% increase	¥ (4,009)	¥ (3,973)	\$ (34,855)
	0.5% decrease	4,276	4,212	37,174

3. Defined Contribution Pension Plans

Contributions to defined contribution pension plans for the fiscal years ended December 31, 2020 and 2021 were ¥1,724 million and ¥1,677 million (\$14,581 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, 2020 and 2021 were ¥138,397 million and ¥149,991 million (\$1,304,046 thousand), respectively.

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

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, 2020 and 2021 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, 2020	169,549	¥ 38,909	¥ 31,049
Changes	—	—	3
2020 (December 31, 2020)	169,549	38,909	31,052
Changes	—	—	208
2021 (December 31, 2021)	169,549	¥ 38,909	¥ 31,261

	Thousands of Shares	Thousands of U.S. Dollars	
	Number of issued shares	Share capital	Share premium
2020 (December 31, 2020)	169,549	\$ 338,282	\$ 269,974
Changes	—	—	1,812
2021 (December 31, 2021)	169,549	\$ 338,282	\$ 271,786

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, 2020	9,100	¥ 11,975
Changes	(108)	(141)
2020 (December 31, 2020)	8,992	11,834
Changes	(58)	(76)
2021 (December 31, 2021)	8,934	¥ 11,758

	Thousands of Shares	Thousands of U.S. Dollars
	Number of shares	Amount
2020 (December 31, 2020)	8,992	\$ 102,885
Changes	(58)	(657)
2021 (December 31, 2021)	8,934	\$ 102,228

The number of treasury shares decreased in the fiscal years ended December 31, 2020 and 2021 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, 2020 (From January 1, 2020 to December 31, 2020)

Resolution	Class of stock	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 27, 2020 General Meeting of Shareholders	Common stock	¥ 5,295	¥ 33	December 31, 2019	March 30, 2020
August 7, 2020 Board of Directors meeting	Common stock	¥ 5,138	¥ 32	June 30, 2020	August 31, 2020

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

Resolution	Class of stock	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
March 30, 2021 General Meeting of Shareholders	Common stock	\$ 44,669	\$ 0.28	December 31, 2020	March 31, 2021
August 11, 2021 Board of Directors meeting	Common stock	\$ 44,685	\$ 0.28	June 30, 2021	August 31, 2021

2. Dividend Plans for Common Stock

Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

Resolution	Class of stock	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 30, 2021 General Meeting of Shareholders	Common stock	Retained earnings	¥ 5,138	¥ 32	December 31, 2020	March 31, 2021

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

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, 2022 General Meeting of Shareholders	Common stock	Retained earnings	\$ 46,082	\$ 0.29	December 31, 2021	March 31, 2022

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Employee benefit expenses	¥ 58,598	¥ 53,859	\$ 509,458
Freightage and warehousing expenses	51,966	33,824	451,801
Advertising and promotion expenses	9,629	12,313	83,714
Others	41,276	39,576	358,862
Total	¥ 161,469	¥ 139,573	\$ 1,403,834

24. OTHER INCOME

The breakdown of other income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Gain on sales of non-current assets (Note)	¥ 20,926	¥ 2,218	\$ 181,935
Others	3,937	2,769	34,225
Total	¥ 24,863	¥ 4,987	\$ 216,160

Notes:

1. The main factor of "Gain on sales 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 (\$180,737 thousand), and the Company received payment of ¥21,022 million (\$182,771 thousand) during the period.
The Company considers to use this proceeds to invest in business growth. In addition, the Company plans to enter into a leaseback agreement with the transferee to continue to use the building as its office until around March 2023.
2. The amount of "Others" for the fiscal year ended December 31, 2021 includes insurance claim income in connection with the fire loss at our consolidated subsidiary Yokohama Tire Philippines, Inc. that occurred on May 14, 2017.

25. OTHER EXPENSES

The breakdown of other expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Loss on sales and retirement of non-current assets	¥ 863	¥ 438	\$ 7,504
Impairment losses	93	721	812
Others (Note)	2,432	3,713	21,147
Total	¥ 3,389	¥ 4,872	\$ 29,463

Note:

In the fiscal year ended December 31, 2020, some overseas manufacturing subsidiaries suspended operations based on the requests, statements, or other announcements by government agencies in overseas countries issued to help prevent the spread of COVID-19. The amount of "Others" includes fixed manufacturing costs as well as inventories whose amount was ¥1,196 million (\$10,402 thousand) that were not able to be used during the operation suspension period.

The amount of "Others" also includes provision for loss on liquidation of ¥494 million (\$4,299 thousand) such as costs related to the dismissal of employees which are expected to be incurred in the future in line with the commencement of liquidation procedures for a consolidated subsidiary in the MB segment in the fiscal year ended December 31, 2020.

26. FINANCE INCOME AND FINANCE COSTS

1. The Breakdown of Finance Income Is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Interest income			
Financial assets measured at amortized cost	¥ 477	¥ 295	\$ 4,151
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	2,683	2,332	23,322
Foreign exchange gains	—	483	—
Gain on valuation of derivatives	4,726	—	41,091
Others	3	4	26
Total	¥ 7,889	¥ 3,114	\$ 68,590

2. The Breakdown of Finance Costs Is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Interest expenses			
Financial liabilities measured at amortized cost	¥ 2,100	¥ 2,788	\$ 18,259
Foreign exchange losses	3,850	—	33,469
Loss on valuation of derivatives	—	2,437	—
Others	377	385	3,276
Total	¥ 6,327	¥ 5,610	\$ 55,004

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Exchange differences on translating foreign operations			
Amount recognized	¥ 38,108	¥ (19,481)	\$ 331,315
Before tax effects	38,108	(19,481)	331,315
Exchange differences on translating foreign operations	38,108	(19,481)	331,315
Cash flow hedges			
Amount recognized	4,630	(703)	40,257
Amount reclassified	(546)	(796)	(4,750)
Before tax effects	4,084	(1,499)	35,507
Tax effects	(1,007)	416	(8,752)
Cash flow hedges	3,077	(1,082)	26,755
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Amount recognized	12,394	1,744	107,756
Before tax effects	12,394	1,744	107,756
Tax effects	(3,755)	(528)	(32,649)
Gains (losses) on financial assets measured at fair value through other comprehensive income	8,639	1,215	75,107
Remeasurements of defined benefit plans			
Amount recognized	7,226	(328)	62,826
Before tax effects	7,226	(328)	62,826
Tax effects	(1,851)	44	(16,091)
Remeasurements of defined benefit plans	5,375	(284)	46,735
Total			
Amount recognized	62,359	(18,768)	542,154
Amount reclassified	(546)	(796)	(4,750)
Before tax effects	61,812	(19,564)	537,404
Tax effects	(6,613)	(68)	(57,493)
Other comprehensive income	55,199	(19,632)	479,911

28. EARNINGS PER SHARE

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Profit for the year attributable to owners of the parent	¥ 65,500	¥ 26,312	\$ 569,465
Profit for the year from continued operations attributable to owners of the parent	58,749	25,945	510,769
Profit for the year from discontinued operations attributable to owners of the parent	¥ 6,751	¥ 367	\$ 58,696

	Thousands of shares	
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)
Weighted-average number of common stock	160,353	160,354
Share-based payment	240	161
Weighted-average number of diluted common stock	160,593	160,516

	Yen		U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Basic earnings per share			
Continued operations	¥ 366.37	¥ 161.80	\$ 3.19
Discontinued operations	42.10	2.29	0.37
Diluted earnings per share			
Continued operations	365.82	161.63	3.18
Discontinued operations	¥ 42.04	¥ 2.29	\$ 0.37

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)
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Grant date	May 28, 2021	May 22, 2020	May 28, 2021
Number of shares granted (Shares)	59,200	108,623	59,200
Fair value at grant date	¥ 2,078	¥ 1,358	\$ 18.07

3. Expenses related to Share-based Payments

Expenses related to share-based payments were ¥138 million and ¥129 million (\$1,123 thousand) for the fiscal years ended December 31, 2020 and 2021, 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, 2020 (From January 1, 2020 to December 31, 2020)

	Millions of Yen					
	Balance at January 1, 2020	Cash flows	Non-cash changes			Balance at December 31, 2020
			Acquisition	New leases	Others	
Short-term borrowings	¥ 55,188	¥ 17	¥ —	¥ —	¥ (2,289)	¥ 52,916
Commercial paper	17,000	(17,000)	—	—	—	—
Long-term borrowings	126,749	(9,995)	—	—	(2,753)	114,000
Bonds	40,933	—	—	—	(24)	40,909
Lease liabilities	32,472	(7,073)	—	7,635	(519)	32,515
Financial liabilities	¥ 272,342	¥ (34,051)	¥ —	¥ 7,635	¥ (5,586)	¥ 240,340

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

	Thousands of U.S. Dollars					
	Balance at January 1, 2021	Cash flows	Non-cash changes			Balance at December 31, 2021
			Acquisition	New leases	Others	
Short-term borrowings	\$ 460,056	\$ (18,809)	\$ —	\$ —	\$ (330)	\$ 440,916
Long-term borrowings	991,134	(216,741)	—	—	56,640	831,033
Bonds	355,671	(86,941)	—	—	223	268,953
Lease liabilities	282,688	(63,128)	—	117,722	15,599	352,880
Financial liabilities	\$ 2,089,549	\$ (385,619)	\$ —	\$ 117,722	\$ 72,131	\$ 1,893,782

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.

(3) Changes in Allowance for Doubtful Receivables

Changes in allowance for doubtful receivables are as follows:

Millions of Yen							
2021 (From January 1, 2021 to December 31, 2021)				2020 (From January 1, 2020 to December 31, 2020)			
Allowance for doubtful receivables for financial instruments other than trade and other receivables (12-month expected credit loss)	Allowance for doubtful receivables for trade and other receivables (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments that are credit-impaired (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments other than trade and other receivables (12-month expected credit loss)	Allowance for doubtful receivables for trade and other receivables (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	Allowance for doubtful receivables for financial instruments that are credit-impaired (Lifetime expected credit loss)
Beginning balance	¥ —	¥ 1,542	¥ 610	¥ 1,475	¥ —	¥ 1,523	¥ 643
Provision (Note)	—	575	40	1	—	209	32
Utilization through write-off	—	(1,148)	—	—	—	(115)	—
Reversal (Note)	—	(56)	(32)	(33)	—	(5)	(73)
Other	—	133	31	130	—	(69)	9
Ending balance	¥ —	¥ 1,046	¥ 649	¥ 1,573	¥ —	¥ 1,542	¥ 610

Thousands of U.S. Dollars			
2021 (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)
Beginning balance	\$ —	\$ 13,407	\$ 5,307
Provision (Note)	—	5,003	346
Utilization through write-off	—	(9,984)	—
Reversal (Note)	—	(490)	(280)
Other	—	1,156	268
Ending balance	\$ —	\$ 9,092	\$ 5,641

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
	2021	2020	2021
	(December 31, 2021)	(December 31, 2020)	(December 31, 2021)
Financial instruments other than trade and other receivables (12-month expected credit loss)	¥ 6,509	¥ 8,079	\$ 56,594
Trade and other receivables (Lifetime expected credit loss)	171,886	153,703	1,494,402
Financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	305	714	2,652
Credit-impaired financial instruments (Lifetime expected credit loss)	990	1,475	8,609

(5) Analysis of Credit Risk

Below is the aged analysis of trade and other receivables.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
	(December 31, 2021)	(December 31, 2020)	(December 31, 2021)
30 days or less past due	¥ 7,929	¥ 6,378	\$ 68,938
Over 30 days to 60 days or less past due	2,082	1,313	18,104
Over 60 days to 90 days or less past due	1,066	949	9,269
Over 90 days past due	3,854	1,277	33,512
Total	¥ 14,932	¥ 9,917	\$ 129,822

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.

(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, 2020 (December 31, 2020)

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	¥ 67,179	¥ 67,179	¥ 67,179	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	207,825	210,005	92,702	31,686	22,845	14,375	14,385	34,012
Lease liabilities	32,515	37,450	7,587	4,842	3,807	3,042	2,368	15,803
Subtotal	307,519	314,634	167,468	36,529	26,653	17,416	16,753	49,815
Derivative financial liabilities	5,860	5,860	2,142	944	722	684	684	684
Total	¥ 313,379	¥ 320,494	¥ 169,609	¥ 37,473	¥ 27,375	¥ 18,100	¥ 17,437	¥ 50,499

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

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	\$ 625,498	\$ 625,498	\$ 625,498	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds and borrowings	1,540,902	1,556,560	715,119	207,143	141,391	145,125	186,463	161,318
Lease liabilities	352,880	400,691	72,950	48,646	42,301	32,244	25,205	179,345
Subtotal	2,519,280	2,582,749	1,413,566	255,789	183,693	177,369	211,668	340,663
Derivative financial liabilities	1,997	1,997	1,466	249	282	—	—	—
Total	\$ 2,521,277	\$ 2,584,745	\$ 1,415,032	\$ 256,039	\$ 183,974	\$ 177,369	\$ 211,668	\$ 340,663

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
		2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Effects on profit before tax	U.S. Dollar	¥ (74)	¥ (7)	\$ (71)
	Euro	(154)	(82)	(791)

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Effects on profit before tax	¥ (509)	¥ (591)	\$ (4,426)

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Effects on other comprehensive income (before tax)	¥ (1,027)	¥ (939)	\$ (8,928)

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	
	2021 (December 31, 2021)		2020 (December 31, 2020)		2021 (December 31, 2021)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	¥ 95,585	¥ 95,863	¥ 114,000	¥ 114,328	\$ 831,033	\$ 833,447
Bonds (Note)	30,935	30,984	40,909	40,911	268,953	269,375

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, 2020 and 2021.

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

Fiscal Year Ended December 31, 2020 (December 31, 2020)

	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	¥ —	¥ 195	¥ —	¥ 195
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	93,946	—	7,669	101,614
Other	—	—	894	894
Derivative assets	—	723	—	723
Total	¥ 93,946	¥ 918	¥ 8,562	¥ 103,426
Financial liabilities				
Derivative liabilities	—	5,860	—	5,860
Total	¥ —	¥ 5,860	¥ —	¥ 5,860

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	—	230	—	230
Total	¥ —	¥ 230	¥ —	¥ 230

	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	\$ —	\$ 1,581	\$ —	\$ 1,581
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	892,799	—	98,090	990,888
Other	—	—	5,185	5,185
Derivative assets	—	34,734	—	34,734
Total	\$ 892,799	\$ 36,315	\$ 103,275	\$ 1,032,388
Financial liabilities				
Derivative liabilities	—	1,997	—	1,997
Total	\$ —	\$ 1,997	\$ —	\$ 1,997

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.

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, 2020	¥ 8,006
Total gains and losses	
Other comprehensive income (Note)	490
Purchase	69
Sale	(6)
Other	3
Balance at December 31, 2020	¥ 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

	Thousands of U.S. Dollars
	Financial assets
Balance at December 31, 2020	\$ 74,442
Total gains and losses	
Other comprehensive income (Note)	31,225
Purchase	307
Sale	(123)
Other	(2,576)
Balance at December 31, 2021	\$ 103,275

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 future contracts 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, 2020 and 2021.

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, 2020 and 2021.

(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	
	2021		2020		2021	
	(December 31, 2021)		(December 31, 2020)		(December 31, 2021)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges						
Interest rate swaps	¥ 411	¥ —	¥ 154	¥ 3	\$ 3,570	\$ —
Forward foreign exchange contracts	2,674	123	569	1,672	23,247	1,073
Option contracts	183	—	—	—	1,595	—
Subtotal	3,268	123	723	1,675	28,411	1,073
Total	¥ 3,268	¥ 123	¥ 723	¥ 1,675	\$ 28,411	\$ 1,073

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	
				2021		2020		2021	
				(December 31, 2021)		(December 31, 2020)		(December 31, 2021)	
				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	¥ 8,281	¥ 33,126	¥ 12,452	¥ 37,260	\$ 72,000	\$ 288,000
Foreign exchange risk	Cash flow hedge	Short EUR Forward foreign exchange contracts	Notional amount	18,207	10,939	26,206	13,562	158,296	95,108
			Average price (USD/EUR)	1.2	1.2	1.2	1.2	0.01	0.01
		Long INR Forward foreign exchange contracts	Notional amount	12,076	—	6,981	2,993	104,990	—
			Average price (USD/INR)	79.1	—	78.5	83.9	0.69	—
		Long THB Forward foreign exchange contracts	Notional amount	11,319	—	11,180	—	98,409	—
			Average price (JPY/THB)	3.4	—	3.5	—	0.03	—
		Short EUR Call option contracts	Notional amount	8,150	—	—	—	70,865	—

The interest rate swaps that were entered into to fix variable interest payments against interest rate fluctuation risk bear variable interest of 3-month JPY TIBOR and 6-month USD LIBOR, with a fixed payment rate ranging from negative 0.011% to positive 0.54%.

The principal average price of an option contract is USD1.15 to 1.16 per EUR.

(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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Beginning of the year	¥ 23	¥ (21)	\$ 198
Amount recognized	506	988	4,400
Amount reclassified to profit for the year (Note)	(298)	(945)	(2,592)
End of the year	231	23	2,005

Note:

The amounts before tax effects are ¥(838) million and ¥(288) million (\$2,508 thousand) for the fiscal years ended December 31, 2020 and 2021, 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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Beginning of the year	¥ (818)	¥ 180	\$ (7,108)
Amount recognized	3,022	(820)	26,275
Amount reclassified to profit for the year (Note)	(137)	(178)	(1,189)
End of the year	2,068	(818)	17,978

Note:

The amounts before tax effects are ¥(216) million and ¥(194) million (\$1,690 thousand) for the fiscal years ended December 31, 2020 and 2021, 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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Beginning of the year	¥ 54	¥ 182	\$ 466
Amount recognized	32	(343)	278
Amount reclassified to profit for the year (Note)	(48)	214	(416)
End of the year	38	54	328

Note:

The amounts before tax effects are ¥258 million and ¥(63) million (\$552 thousand) for the fiscal years ended December 31, 2020 and 2021, respectively, and are included in "Cost of sales" in the consolidated statement of profit or loss.

32. BUSINESS COMBINATIONS

Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

Not applicable.

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

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.	Naha, Japan	40.0
Sasson Yokohama Tire Co., Ltd.	Otaru, Japan	50.0
YFC Co., Ltd.	Tokyo, 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.	Tokyo, 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 Tire Corporation of America	California, United States of America	100.0
Yokohama Tire 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 Tyre Australia Pty., Ltd.	New South Wales, Australia	100.0
Yokohama Europe GmbH	Düsseldorf, Germany	100.0
Yokohama Suisse SA	Payerne, Switzerland	100.0
Yokohama Scandinavia AB	Stockholm, Sweden	100.0
Yokohama Denmark A/S	Copenhagen, Denmark	100.0
N.V. Yokohama Belgium S.A.	Lummen, Belgium	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	Lyon, France	66.0
Yokohama CEE Sp. 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 Pvt. Ltd.	Haryana, India	100.0
Yokohama Asia Co., Ltd.	Bangkok, Thailand	100.0
Yokohama Tire Korea Co., Ltd.	Seoul, South Korea	100.0
Yokohama Rubber Singapore Pte. Ltd.	Singapore	100.0
Yokohama Off-Highway Tires K.K.	Tokyo, Japan	100.0

Name	Location	Ownership percentage of voting rights
Alliance Tire Company Ltd.	Haifa, Israel	100.0
ATC Tires Private Ltd.	Maharashtra, India	100.0
ATC Tires AP 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
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 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.	Tokyo, Japan	100.0
HAMAGOMU AICOM INC.	Yokohama, Japan	100.0
PRGR Co., Ltd.	Tokyo, Japan	100.0
Yokohamagomu Finance Co., Ltd.	Tokyo, Japan	100.0
Y.T. Rubber Co., Ltd.	Suratthani, Thailand	90.0

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
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Remunerations and bonuses	¥ 397	¥ 347	\$ 3,455
Performance-linked remuneration	58	—	500
Share-based payment	100	110	869
Total	¥ 555	¥ 457	\$ 4,825

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
	2021 (December 31, 2021)	2020 (December 31, 2020)	2021 (December 31, 2021)
Agreements on the acquisition of property, plant and equipment and intangible assets	¥ 19,249	¥ 6,664	\$ 167,356

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, 2021, there are tax investigations conducted by taxation authorities concerning the interpretation and application of taxation systems 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

The Company started the Hamatite business in 1958 and has since grown the business with a focus on automotive and construction sealants. However, the current market environment has become increasingly severe and after thoroughly considering how best to achieve further growth and development of the business, the Company decided that a future vision for the business' growth could be best developed together with a global industry leader. Accordingly, on April 28, 2021, the Company entered into a business transfer agreement to transfer the Hamatite business, which belonged to the MB segment, to Sika AG.

As a result, the above business has been classified as discontinued operations in the fiscal year ended December 31, 2021, and the results for the fiscal year ended December 31, 2020 have been retroactively restated to present the discontinued operations separately.

The transfer will cover 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). The transfer was completed on November 1, 2021.

Profit (loss) from discontinued operations is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Revenue (Note)	¥ 25,476	¥ 19,470	\$ 221,493
Expenses	(16,285)	(19,050)	(141,586)
Profit for the year before tax from discontinued operations	9,191	420	79,907
Income taxes (Note)	(2,440)	(53)	(21,211)
Profit for the year from discontinued operations	¥ 6,751	¥ 367	\$ 58,696

Note:

A gain of ¥9,292 million (\$80,789 thousand) from the transfer of the Hamatite business is included.

The income tax expense related to this gain was ¥2,528 million (\$21,977 thousand).

Cash flows from discontinued operations are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021 (From January 1, 2021 to December 31, 2021)	2020 (From January 1, 2020 to December 31, 2020)	2021 (From January 1, 2021 to December 31, 2021)
Cash flows from operating activities	¥ 1,381	¥ 2,359	\$ 12,003
Cash flows from investing activities	11,846	(319)	102,994
Cash flows from financing activities	46	(25)	396
Total	¥ 13,273	¥ 2,016	\$ 115,393

38. SIGNIFICANT SUBSEQUENT EVENTS

(Acquisition of Company, etc. Through Acquisition of Shares)

Acquisition of shares in Trelleborg Wheel Systems Holding AB to make it a subsidiary

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

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. Figures equivalent to consolidated net assets, consolidated total assets and consolidated net assets per share have not been provided.

4. Timing of Share Acquisition

Second half of 2022 (planned)

Note:

The Transaction will be implemented after procedures under the antitrust laws in the relevant countries are completed.

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 (\$2,305,686 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 acquired business.

6. Acquisition Financing

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

(Halt of Production in Russia)

On March 18, 2022, the Company decided to gradually halt production at its Russian passenger car tire manufacturing subsidiary, LLC Yokohama R.P.Z.

The impact of this decision on the Group's business performance for the next fiscal year is currently being evaluated.

(2) Other

Quarterly information for the fiscal year ended December 31, 2021

	Millions of Yen			
	First three months	First six months	First nine months	Full year
Revenue	¥ 144,576	¥ 303,888	¥ 460,455	¥ 670,809
Profit (loss) before tax	37,057	50,406	60,199	85,199
Profit (loss) attributable to owners of the parent	27,824	36,933	43,479	65,500
Basic earnings (loss) per share (Yen)	173.51	230.32	271.15	408.47

	Thousands of U.S. Dollars			
	First three months	First six months	First nine months	Full year
Revenue	\$ 1,256,967	\$ 2,642,046	\$ 4,003,262	\$ 5,832,110
Profit (loss) before tax	322,177	438,238	523,383	740,730
Profit (loss) attributable to owners of the parent	241,902	321,099	378,014	569,465
Basic earnings (loss) per share (U.S. Dollars)	1.51	2.00	2.36	3.55

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	¥ 173.51	¥ 56.81	¥ 40.83	¥ 137.33

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (U.S. Dollars)	\$ 1.51	\$ 0.49	\$ 0.35	\$ 1.19



For more information

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