YOKOHAMA

ANNUAL REPORT 2021

THE YOKOHAMA RUBBER CO., LTD. Year ended December 31, 2020

YOKOHAMA Transformation 2023

PROFILE

The Yokohama Rubber Co., Ltd., established in 1917, is a leading tire manufacturer. It has also deployed its polymer expertise in several lines of diversified business, including high-pressure hoses, sealants and adhesives, other industrial products, aircraft fixtures and components, and golf equipment. Yokohama is laying a foundation for sustainable growth in tires and in diversified products in Japan and overseas by developing high-functionality products and by expanding its production capacity.

BASIC PHILOSOPHY

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

MANAGEMENT POLICIES

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

ACTION GUIDELINES

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

CORPORATE SLOGAN

Excellence by nature

Forward-Looking Statements

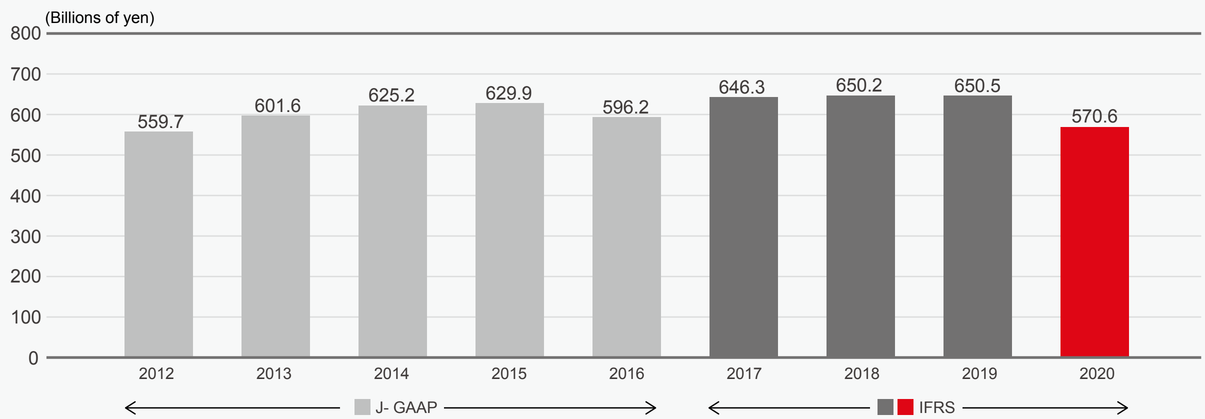
This annual report contains forward-looking estimates and forecasts based on management's plans, which are subject to unforeseeable risks and uncertainties. The company's business results could differ significantly from those estimates and forecasts.

CONTENTS

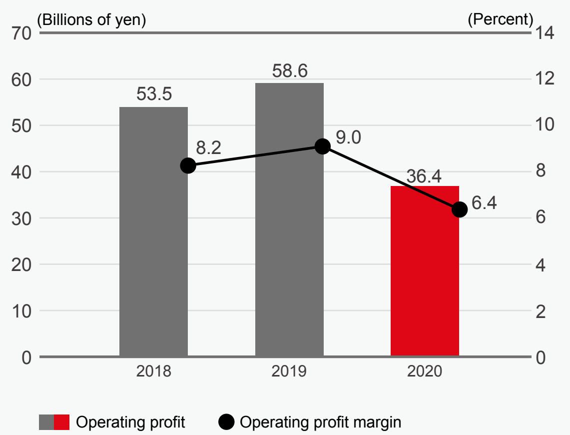
FINANCIAL HIGHLIGHTS

Yokohama has adopted the International Financial Reporting Standards (IFRS) in place of accounting principles generally accepted in Japan as of the fiscal 2017 year-end.

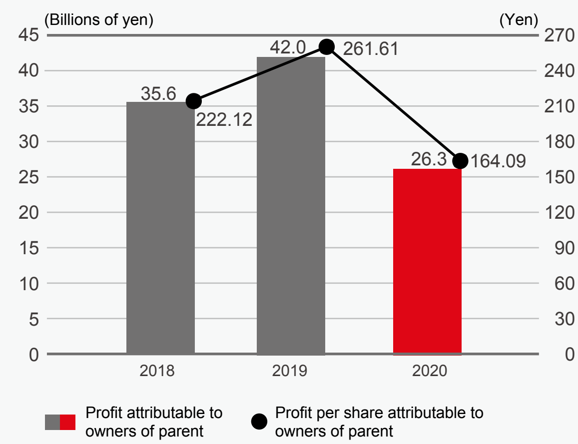
Sales Revenue (Net Sales)



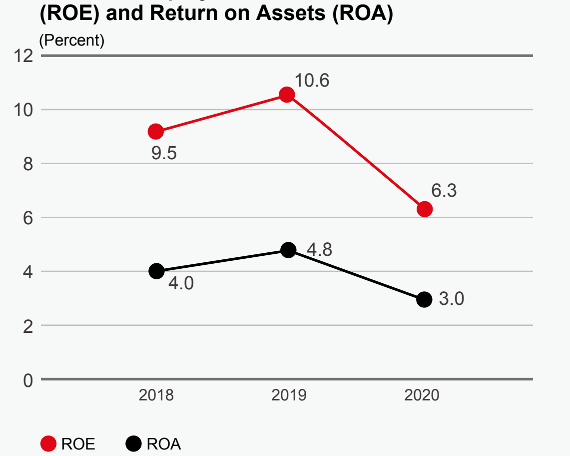
Operating Profit and Operating Profit Margin



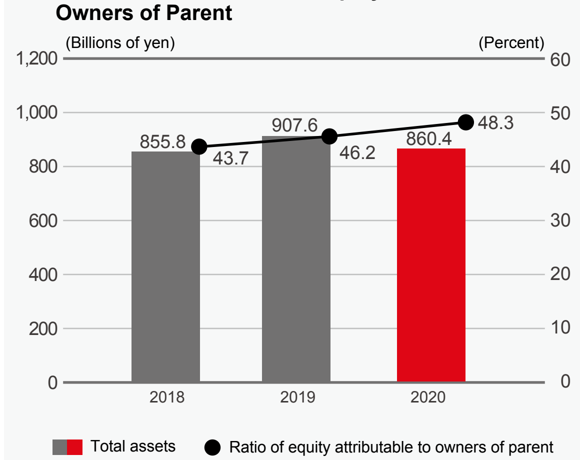
Profit and Profit per Share Attributable to Owners of Parent



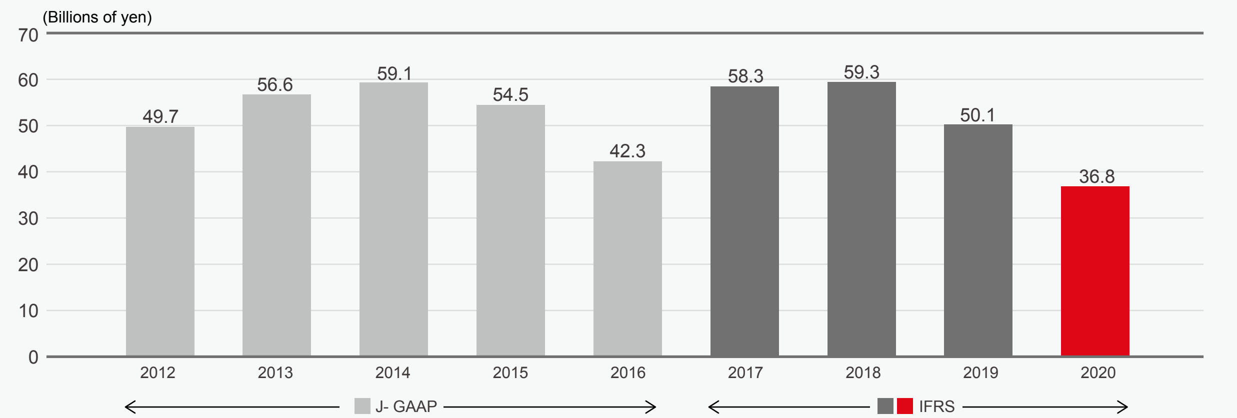
Return on Equity Attributable to Owners of Parent (ROE) and Return on Assets (ROA)



Total Assets and Ratio of Equity Attributable to Owners of Parent

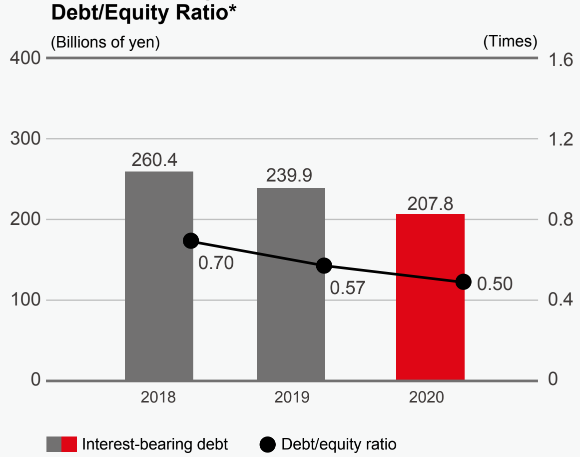


Business Profit* (Operating Income)



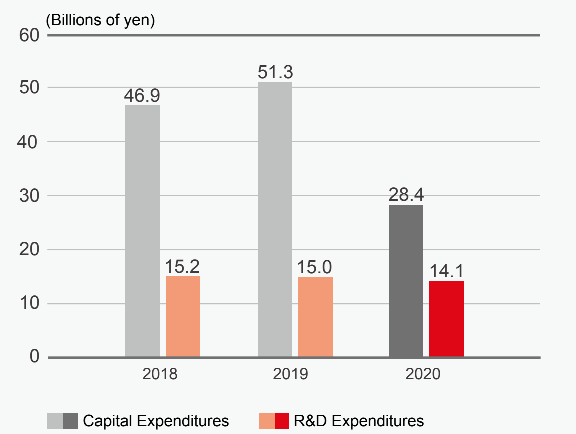
* Sales revenue less the sum of cost of sales and selling, general and administrative expenses

Interest-Bearing Debt and Debt/Equity Ratio*

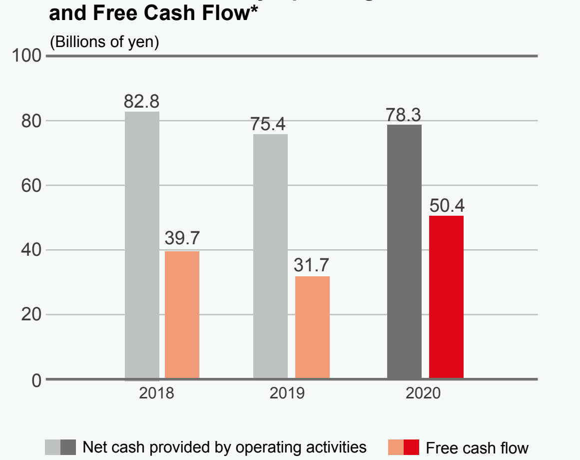


*Interest-bearing debt divided by total equity attributable to owners of parent

Capital Expenditures and R&D Expenditures

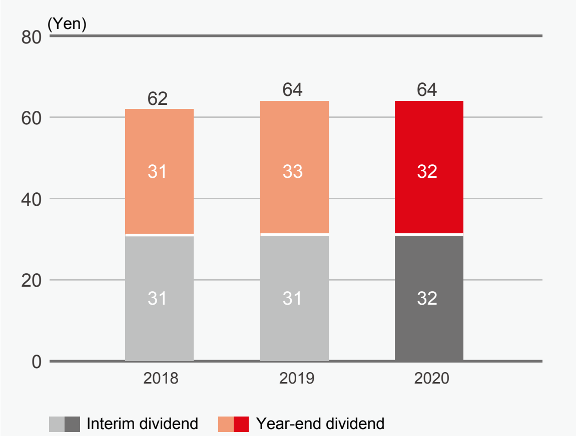


Net Cash Provided by Operating Activities and Free Cash Flow*



*Net cash provided by operating activities less net cash used in investing activities

Cash Dividends per Share

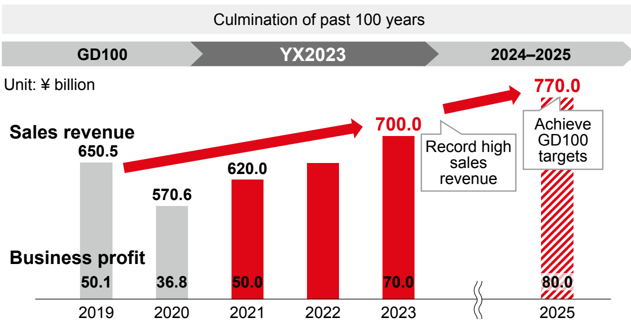


Medium-Term Management Plan
—Yokohama Transformation 2023

Under its medium-term management plan, Yokohama Transformation 2023 (YX2023), YOKOHAMA is implementing initiatives to achieve "Transformation" targeting growth into the next generation.

Target pursuits: "Exploitation" & "Exploration"

The automotive industry is entering an era of great change, driven by the CASE, MaaS and DX trends. Under YX2023, we will aim for "Transformation" that targets growth into the next generation by pursuing the "Exploitation" of strengths in existing businesses while "Exploration" to create new value that meets the needs of this transformative era. Through this effort, we aim to achieve record highs for sales revenue of ¥700 billion and business profit of ¥70 billion in 2023. We also aim to achieve the goals originally envisioned in GD100 as the culmination of our first 100 years—sales of ¥770 billion and profit of ¥80 billion—in 2025.

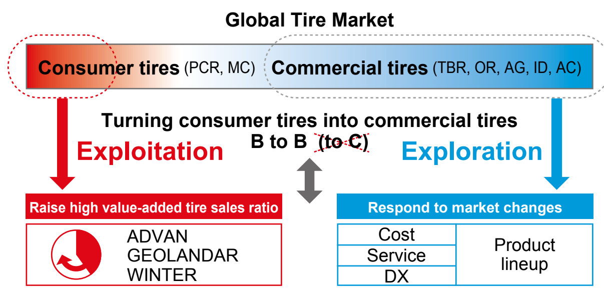


Financial Targets for 2023

Sales revenue	¥700 billion
Business profit	¥70 billion
Business profit margin	10%
D/E ratio	0.4
ROE	10%
ROIC	7%
Operating cash flow	¥250 billion (3-year total)
Capital investment	within depreciation (excluding strategic investments)

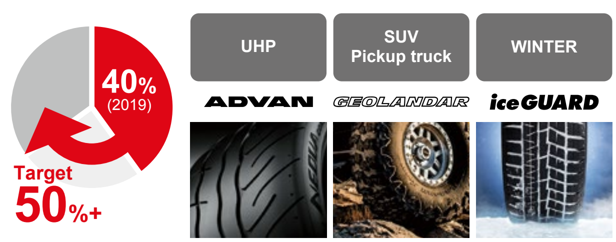
Key viewpoint: Turning consumer tires into commercial tires

The consumer tire market centered on passenger car tires and the commercial tire market, which includes tires for trucks, buses, agricultural machinery and other commercial-use vehicles are about equal in scale. However, we expect the CASE, MaaS and DX trends will decrease individual ownership of cars and increase the number of infrastructure-related vehicles devoted to moving people and goods, effectively turning many consumer tires into commercial tires. We plan to respond by "Exploitation" of our efforts to expand sales of our high-value-added consumer tires while "Exploration" for new opportunities created by market changes in the commercial tire business.



Consumer tires: Raise high-value-added tire sales ratio

We aim to raise the sales ratios of our core high-value-added consumer tires, namely the ADVAN and GEOLANDAR brands as well as winter tires. We aim to expand sales of the ADVAN brand by 50%, the GEOLANDAR brand by 15%, winter tires by 20%, and tire sizes of 18-inch and over by 55% from the 2019 levels, raising their combined share of our total tire sales from the current 40% to more than 50% in 2023. We plan to achieve these goals through the three initiatives outlined below:



❶ Expand OE use of ADVAN and GEOLANDAR

❷ Strengthen sales in the replacement market and expand tire sizes in each brand, including winter tires

We will continue to focus on OE sales for the world's leading premium car models, as such sales are evidence of our brand power and technological capabilities. We also will strengthen our product development and continue to participate in world-class motorsports events.

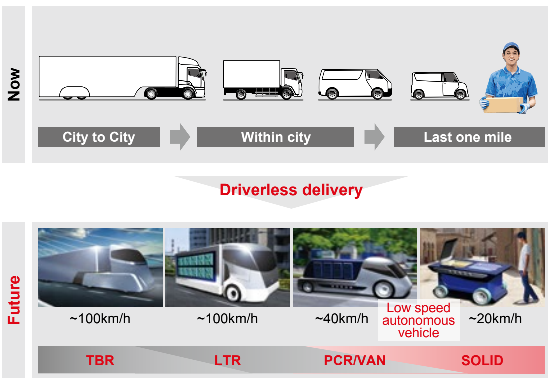
❸ Strengthen sales of tires suited to local market needs, via integrated "Product & Regional Strategies"

This strategy will focus on expanding sales of tires according to market trends in each region—for example, GEOLANDAR in North America, studless tires in Japan, ADVAN and winter tires in Europe.

Commercial tires: Respond to market changes & further strengthen the business

<Our view of the future commercial tire market>

We expect the trends toward vehicle electrification and self-driving will result in the transportation and logistics industries requiring various types, including puncture-proof, solid tires to be used on vehicles that cover the last leg of deliveries to bring goods to their recipients. Our response to this transformation of the logistics industry will include further expansion of our already uniquely diverse lineup of commercial tires, which ranges from TBR tires to solid tires, a strength that will provide us with a competitive advantage in the commercial tire market. Our commercial tire strategy during YX2023 centers on the four themes presented below.



❶ Cost

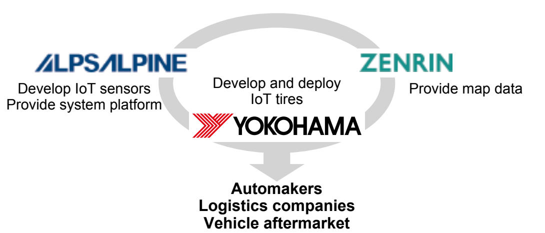
We aim to establish a low-cost production model that positions our passenger car tire plant in India as the most cost-efficient passenger car tire plant in YOKOHAMA. We also are considering using a similar low-cost model to increase output at our TBR tire plant in Thailand.

❷ Service

To provide a full package of after-sales services to support our tire sales, we will strengthen our service network by expanding our fleet of service vehicles to supplement our nationwide sales and logistics network in Japan.

❸ DX

We are accelerating our development of cutting-edge sensor-equipped tires and plan to create new value-added services by adding new functions to the sensors and gradually expanding the services and customers that can make use of tires equipped with these sensors. Toward that end, we are forming alliances with companies in different industries.

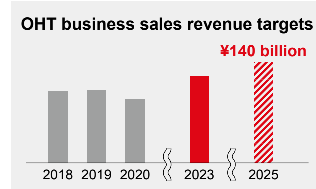


❹ Product lineup

Our response to the transformation of logistics being brought about by vehicle electrification and self-driving vehicles will focus on establishing a competitive advantage by reinforcing our core strength and expanding our already uniquely diverse lineup of commercial tires.

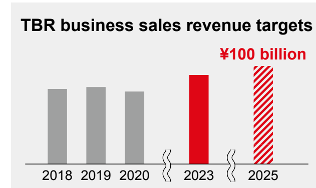
<OHT business: Future growth driver>

We aim to further strengthen the OHT business and expand its sales revenue to ¥140 billion in 2025, about 30% of targeted Group revenue, by implementing a multi-brand strategy that includes integrating the OHT operations of YRC, ATG and Aichi Tire and investing aggressively to increase production capacity.

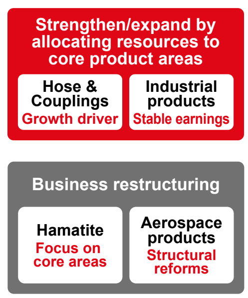


<TBR business: Strengthening foundation for future growth>

We aim to increase TBR sales revenue to ¥100 billion in 2025. Toward that goal, we are working to secure stable supply from our Mississippi plant while investing to further boost capacity at our TBR plant.



MB business: Shift portfolio to products with highly stable earnings and strong growth potential



We will solidify the MB segment's ability to generate stable earnings by concentrating resources in its two core product areas—hose & couplings and industrial materials. We will improve the Hamatite business by focusing on its core product areas. In the aerospace products business, we will make structural reforms targeted at bringing the business more in line with today's market.

Strengthening management foundations: Human resources strategy and ESG initiatives

<Human resources strategy>

Personnel system reforms will strengthen management and administration at all levels, build a stronger organization, and promote work-style reforms.

❶ Personnel management to realize further growth

- Strengthen performance-linked remuneration for managers
- Job-typed assignments and treatment for managerial level

❷ Speed up decision-making by merging head office and Hiratsuka factory

Integrated production, sales, R&D, & logistics site

❸ Work-style reforms

Place & time constraints removed: expand work at home & flexible hours

- Improved work life balance
- Promote participation and career development of women in child bearing and child rearing age group
- Reduce staff turnover related to need to care for children/elderly parents or a spouse's job change/transfer

<ESG initiatives>

In addition to providing environmentally friendly products and efforts to achieve carbon neutrality, we intend to continue strengthening corporate governance and create safe and comfortable working environments for all employees.

Ultra-lightweight concept tire

Hydrogen filling hose

YOKOHAMA Forever Forest

A WORD FROM THE PRESIDENT

Next-Generation Growth Under Yokohama Transformation 2023

Tackling corporate transformation with an eye to next-generation growth by exploiting strengths in established operations and by exploring new value for fulfilling needs in an era of profound change

Masataka Yamaishi
President, Chairman of the Board

Yokohama Rubber launched the medium-term management plan Yokohama Transformation 2023 (YX2023) in February 2021. YX2023 is the successor to the medium-term management plan Grand Design 2020 (GD2020). Here, Yokohama president Masataka Yamaishi reflects on the company's accomplishments under GD2020 and discusses strategic initiatives and the measures for reinforcing the company's foundation that Yokohama will tackle under YX2023.

Redefining Our Core Strengths with Growth Strategy

We implemented growth strategies under GD2020 for redefining our core strengths in each business. In our consumer tire business, we pursued four strategies to further expand our presence in the premium tire markets. The first was a premium car strategy that succeeded in expanding use of our high-inch, high-performance tires as original equipment for 13 premium car models, such as Porsche's Cayenne and BMW's X3.

The second was a winter tire strategy that saw us launch three new tires, including the all-season BluEarth-4S AW21 and the iceGUARD iG53, a studless tire for the North American market.

Next was our hobby tire strategy, which sought to meet the needs of a wide range of car enthusiasts through the launch of six new tires, including the GEOLANDAR X-AT for sport-utility vehicles and pickup trucks. Our fourth initiative was a communications strategy that focused on leveraging digital technologies to strengthen direct marketing and increase communication with end users.

In our commercial tire business, we sought to "make commercial tires as a pillar of revenue in our second century" by strengthening our off-highway tire (OHT) and truck and bus tire (TBR) businesses. The strong growth achieved by ATG (Alliance Tire Group), which we acquired in 2016, has boosted our commercial tire business' share of companywide tire sales above the level we envisioned at the start of GD2020.

In our TBR business, in 2018 we posted an impairment loss on our US plant in Mississippi, which started production in 2015. However, our efforts to resolve equipment and personnel issues have improved the plant's supply capability, and we are now focused on expanding sales of its truck and bus tires.

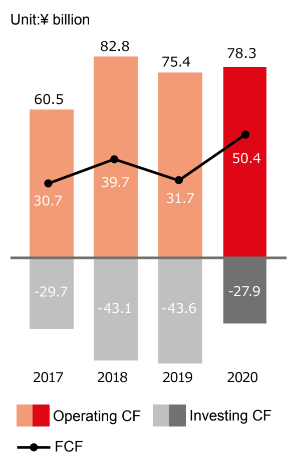
Our GD2020 efforts in the MB (Multiple Business) segment focused on allocating resources on a priority basis to business fields of strength. This included strengthening the segment's automotive parts and marine products businesses. The automotive parts business succeeded in expanding shipment of its hoses in North America, while the marine products business' successes included delivering the world's largest floating pneumatic fenders.

Improving the Balance Sheet Despite Shortfalls on the Profit and Loss Statement

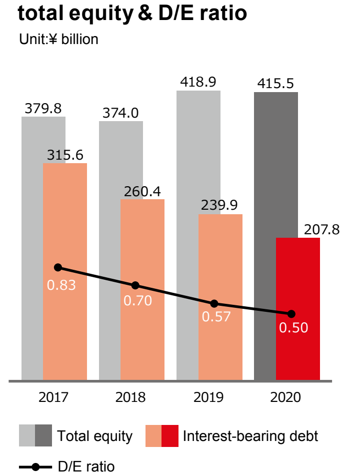
Despite each of our business' promotion of these growth strategies, we fell short of GD2020's goals of ¥700 billion in sales revenue and ¥70 billion in business profit. Of course, the shortfalls also reflect the impact of the economic slowdown caused by the COVID-19 pandemic that swept across the planet in 2020.

We succeeded nonetheless in improving our financial position. We greatly reduced the interest-bearing debt we took over when acquiring ATG in 2016 from ¥335.9 billion to ¥207.8 billion at the end of fiscal 2020. As a result, we lowered our debt/equity ratio to 0.5, lower than GD2020's target of 0.6. We also generated operating cash flow totaling ¥236.5 billion over the three years of GD2020, exceeding the targeted ¥200 billion, and we provided shareholders with stable returns, including a dividend payout ratio in 2020 of 39.0%, above our target of 30%.

Cash flow



Interest-bearing debt, total equity & D/E ratio



* Total equity is without minority share

“Exploitation” in Strengths and “Exploration” in New Value

The new medium-term management plan is a three-year plan for 2021–2023. We are calling the new plan “Yokohama Transformation 2023” and have created this logo, with“Y” standing for Yokohama and “X” for transformation, as we plan to pursue“Exploitation” and “Exploration” to achieve a transformation of the Yokohama Group over this three-year period.

During Yokohama Transformation 2023, we will dig deeper into the core strengths of our existing businesses, while also exploring new growth opportunities by responding to the dynamic once-in-a hundred years transformation taking place in our main market. We are targeting record highs of ¥700 billion for sales revenue and ¥70 billion for business profit in 2023, the plan’s final year. In addition, we are targeting achievement of the levels originally envisioned in our earlier longer-term GD100 implemented from 2006 to 2017, as the culmination of our first 100 years—sales of ¥770 billion and profit of ¥80 billion—in 2025.

YOKOHAMA Transformation 2023

Recognizing the Impending Market Shift to Commercial Tires

The tire market actually is composed of two distinct markets — the consumer tire market centering on passenger car tires and the commercial tire market, which includes tires for trucks, buses, agricultural machinery and other commercial-use vehicles. At present, these two markets are about equal in scale. However, as the CASE, MaaS and DX (digital transformation) trends accelerate, individual ownership of cars will decrease, and we expect the number of infrastructure-related vehicles devoted to moving people and goods to increase. In short, we think this shift in the main customers for tires from individuals to companies will increasingly turn consumer tires into commercial tires. Responding to this change in the tire market, we will implement a growth strategy based on two separate approaches, which we refer to as “Exploitation” and “Exploration”.

Exploiting Strengths in High-Value-Added Consumer Tires

We will seek to maximize the sales ratio of our core higher-value added tires in three categories—ultra-high performance tires, sport-utility vehicle and pickup truck tires, and winter tires, through an “Exploitation” effort to increase sales of our ADVAN and GEOLANDAR brands as well as our winter tires. We aim to expand sales of our high-performance consumer tires, namely the ADVAN and GEOLANDAR brands as well as winter tires, and raise their share of our total tire sales from the current 40% to more than 50%. We plan to achieve this by expanding original equipment (OE) use of ADVAN and GEOLANDAR, strengthening sales in the replacement market, expanding the tire sizes offered in each brand, including winter tires, and strengthening sales of tires suited to local market needs.

We will step up our efforts to develop such high-value-added products and further strengthen our product brands. As selection of a tire as OE on a premium car model is one indicator of that tire’s excellent technology, we will intensify our OE sales efforts. We also are working to further enhance our winter tires’ ice and snow performance at our winter tire test centers in Hokkaido and Sweden. The test center in Hokkaido has an in indoor test site and in November last year bolstered its development capabilities by installing a new refrigeration system that enables it to test tire performance across a wide temperature range.

Among our motorsports activities, we will again be supporting Walkenhorst Motorsport, a BMW customer team, as it aims for a second consecutive Nürburgring Endurance series championship in the top-level SP9 Pro class, and the overall victory in the Nürburgring 24-Hour Endurance Race. In this year’s SUPER GT GT500, we aim to further strengthen our ADVAN brand by supporting two teams—one racing a Nissan and the other a Toyota, in their challenge to reach the winner’s podium. In off-road racing, we seek to further raise awareness of our GEOLANDAR brand through our support for teams participating in series races in North America and Asia.

We will strive through our product and regional strategies to expand sales of products that fit well with the market trends in each region. For example, in North America we will be focusing on sales of our GEOLANDAR tires for sport-utility vehicles and pickup trucks. In Japan, we will be emphasizing sales of our studless winter tires, and in Europe we will seek to expand sales of our ultra-high performance ADVAN brand and our winter tires. We will strengthen our product development, supply, and sales systems in accordance with market trends in each region, as we aim to expand sales of the ADVAN brand by 50%, the GEOLANDAR brand by 15%, winter tires by 20%, and tire sizes of 18-inch and over by 55%.

Tire Test Center of Hokkaido

Walkenhorst Motorsport’s machine–2020 NLS SP9 Pro class champion

Tackling Exploration in Commercial Tires through Focusing on Four Themes

In commercial tire business, we will "Explore" opportunities to create new value by capturing major market changes, such as the trends toward CASE, MaaS, and DX, by focusing on four themes: cost, services, DX, and product lineup expansion. First, we will seek to add value by lowering costs. To meet the expected growth in demand for lower cost tires, we are positioning Yokohama India Private Ltd.'s passenger car plant as the most cost-competitive passenger car plant in the Yokohama Rubber Group, as a first step in the revision of our production network with the aim of establishing a new low-cost model in tune with the tire market of the future. We also are considering using a similar low-cost model to increase output at our truck and bus tire plant in Thailand.

India passenger car tire plant

Thailand truck and bus tire plant

We will search for ways to increase value in our service operations. With CASE and MaaS expected to increase corporate ownership of vehicles, we believe the value demanded from tire manufacturers will expand from the tires themselves to tire-related after-sales services, including tire replacement. We already have a sales and logistics network with locations in all of Japan's 47 prefectures, and we will leverage this network to strengthen our services to corporate customers. More specifically, we will expand our fleet of service vehicles, which we use to provide tire replacement, tire checkups and other tire management services to such corporate customers as car dealers and companies operating car-sharing businesses. Going forward, we aim to provide more flexible and mobile services.

Next theme in our response to market changes is DX. Applying digital technologies to tires to support enhanced information services is becoming an important trend. We are developing cutting-edge sensor-equipped tires and plan to add functions to the sensors to gradually increase the services and customers that can make use of these tires. For starters, we will add a tire tread detection function to our sensors that are already capable of detecting air pressure to realize a vehicle management service for companies that operate vehicle fleets. In addition, we plan to create a new value-added service that uses our tire sensors to detect road conditions and transmit the information to companies that provide road information. Toward that end, we will form alliances with companies in different industries. For example, in February 2021, we announced the start of the trial operation of a system with Alps Alpine Co., Ltd. and Zenrin Co., Ltd. that links data obtained from tire sensors equipped with a road surface detection system with map information. If successful, it could lead to the start of a new tire-related business.

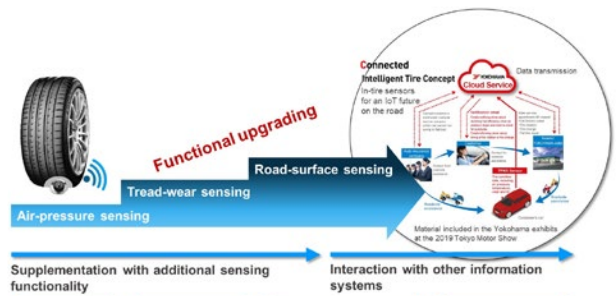


Image of new service using tire sensors

The fourth theme in our commercial tire strategy is our product lineup. Today, deliveries are made by drivers operating a range of vehicles, from large trailer trucks to small trucks and vans. However, as vehicles become electric and self-driving, the transport of goods over long and short distances as well as the last one mile to the recipient's door could well be accomplished without drivers. The diverse lineup of vehicles that run the logistics gauntlet in the future will need different types of tires. For example, last-mile vehicles may be fitted with puncture proof solid tires. One of our strengths is being one of the few tire makers that has the full lineup of tires, from truck and bus tires to airless solid tires, that will be required by the expected change in the types of vehicles used to distribute goods in the future. And we will continue to broaden our product lineup to further strengthen this competitive advantage.

Eyeing Continued Sales Growth in Off-Highway Tires and in Truck and Bus Tire

We are positioning off-highway tires as a growth driver in commercial tires, and we have been strengthening the business since acquiring ATG in 2016 and Aichi Tire Industry Co., Ltd. in 2017. We plan to further accelerate growth of this business during the new medium-term plan and in 2021 have begun to integrate the OHT operations of Yokohama Rubber, ATG and Aichi Tire Industry Co., Ltd. The integrated business has a multi-brand lineup that includes YOKOHAMA, ALLIANCE, GALAXY, PRIMEX, and AICHI tires. We will use this product lineup to develop new markets, meet customers'

diverse needs, and therefore expand this business. We expect strong demand from the OHT market in the years ahead and will aggressively invest to expand our production capacity, such as the third plant in India now being built. Through these initiatives, we aim to expand OHT sales revenue to ¥140 billion in 2025, accounting for 30% of Group revenues.

Sales in the TBR business are already greater than our production capacity. We are working to secure stable supply from our Mississippi plant and create the infrastructure needed to fulfill demand. Expecting demand for TBR tires to continue expanding, we plan to invest to further boost capacity as we target sales revenue of ¥100 billion in 2025.

Concentrating Resources on Product Strengths in the MB Sector

We plan to solidify the MB segment's ability to generate stable earnings while also enhancing its growth potential by concentrating resources in the segment's two core product areas—hose & couplings and industrial products. We will achieve growth by strengthening our presence in the market for hydraulic hoses and developing new technologies that respond to automakers' promotion of CASE. We will also step up our efforts to contribute to the emerging hydrogen society. Meanwhile, we will improve the Hamatite business by focusing on its core product areas. In the aerospace products business, which continues to face a harsh environment, we will carry out some structural reforms targeted at bringing the business more in line with today's market.

Fortifying Our Corporate Foundation through Human Resources Strategy and Careful Attention to Environmental, Social, and Governance Issues

We will be undertaking the Human Resources (HR) and ESG initiatives as part of our effort to strengthen our management foundation. In our human resources strategy, we will reform our personnel management system and strengthen the link between job performance and remuneration for managers as we seek to create an organization that will enable us to sustain growth. We also will decide managers' assignments and treatment on a job-by-job basis to ensure that we have the right person in the right place. Also, in addition to expanding in-house training programs, we will strengthen our management corps by promoting mid-career hiring, the early advancement of capable employees, and assignments for employees of Group companies, and continued opportunities for senior-age staff. To create an organization that can respond more flexibly to the dynamic changes in our operating environment, we will merge our Shimbashi head office with the Hiratsuka factory. This merger will facilitate speedier decision-making by bringing together management, planning, production, sales, R&D and logistics staff together under one roof. The merger also will facilitate our continued efforts to promote work-style reforms. By removing place and time constraints, we will make greater use of work-at-home and flexible working hours. The work-style reforms will improve employees' worklife balance, realize more active participation and career development of women in the child-bearing and child-rearing age group, and reduce staff turnover caused by the need to care for children or elderly parents or by a spouse's transfer or job change.

Yokohama's head office building in Tokyo

• Environmental stewardship

Our ESG initiatives are conducted in line with our slogan of "Caring for the Future." First I will explain our environment-related initiatives. Here at Yokohama, we have been striving to provide more environment friendly products for many years now. Looking ahead, the move toward more environmentally conscious products will only grow stronger. In the automobile market, we expect the shift to electric vehicles to accelerate. In response, we will continue to our efforts to provide environmentally friendly products, such as lightweight tires and hydrogen-filling hoses, that will help lighten the automobile's impact on the environment. We also aim to be carbon neutral and will continue to expand our use of renewable energy and promote energy-efficient operations at all our plants and offices. We also will contribute to a circular economy by increasing our use of renewable fuels and recyclable materials to more than 30% of all material inputs by 2030. We also will continue the YOKOHAMA Forever Forest tree-planting program. Launched in 2007, the program has planted trees at 14 of our locations in Japan and 21 overseas locations in eight countries. We are targeting reaching a total of 1,060,000 trees and seedlings planted by the end of 2023.

Solar power generation at Yokohama's Philippine plant

• Social responsibility

In 2020, the YOKOHAMA Magokoro Fund established by our employees in 2016 donated funds to support COVID-19 measures and donated medical masks and disinfectants to Asahikawa City in Hokkaido, which is home to our winter tire test site. More recently, the Fund made a donation to the Japan Red Cross Society to support its relief efforts for victims of a major earthquake with epicenter off the coast of Fukushima Prefecture. Going forward, Yokohama will fulfill its responsibilities as a corporation through various activities that contribute to our local communities and society at large.

• Corporate governance

We have decided to use share buybacks when unwinding strategic crossshareholdings as part of our effort to raise shareholder value. We also will practice group governance to increase our oversight of subsidiaries and strengthen global management by extending the use of our whistleblowing system to overseas bases.

Lastly, we are committed to creating safe and comfortable environments for all employees. Accordingly, we are taking concrete action to create an environment in which all kinds of employees will be comfortable. For example, we set up a working group to promote diversity and have held LGBT seminars for managers. In addition, we will ensure that our plants are places where employees can work safely and with peace of mind by conducting regular risk assessments and accident prevention drills. Our ESG activities have been highly evaluated, as indicated by the inclusion of our stock in the FTSE4Good Index Series, a global ESG investment index, for 16 consecutive years. Going forward, we will continue our efforts to contribute to society through our ESG-related activities.

Implementing YX2023 Swiftly and Effectively

Measures for implementing YX2023 are well under way as of June 2021. We have strengthened our European marketing, for example, by acquiring our Polish tire distributor, ITR CEE Spółka z.o.o., in May 2021. That company distributes our tires in Poland, Ukraine, Belarus, and other nations of Central and Eastern Europe.

Our premium tire strategy has also gained momentum. We have won factory fitments for the ADVAN Sport V107 on the BMW electric model, the iX3; on two models in the high-performance BMW M series, the M3 sedan and the M4 coupe; and on the Mercedes-AMG sport-utility vehicle, the GLB 35 4MATIC.

In the MB segment, we are making progress in shaping a business portfolio that will provide steady, profitable growth. That means, as noted, concentrating resources on our priority product categories. We have agreed to sell our Hamatite business to the Swiss company Sika AG and plan to complete the divestiture on November 1, 2021.

Hose & couplings are a priority product category in the MB segment, and we have begun work that will triple the production capacity of our Chinese plant for hoses. That will position us to step up our business in supplying original equipment and replacement hoses for construction equipment in China. We have strengthened our Japanese marketing for hoses, meanwhile, with the March 2021 acquisition of Furusawa Shokai. That company, based in Hokkaido, conducts repairs and maintenance on construction equipment.

Off-highway tires are another emphasis in YX2023, and we have begun consolidating our strengths globally in that product category. We established Yokohama Off-Highway Tires America Inc. in January 2021 to provide a unified platform for marketing our off-highway tires in North America. Our production capacity for off-highway tires is expanding, meanwhile, with the construction of a third ATG plant in India.

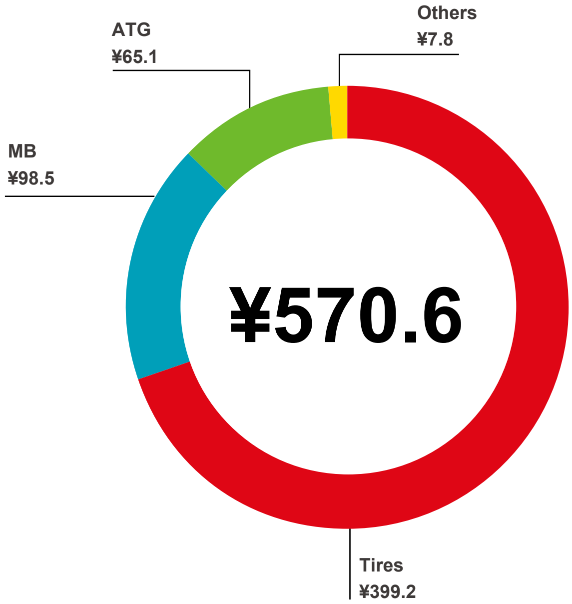
We sold our headquarters building in Shimbashi, Tokyo, in March 2021. That was part of the aforementioned shift of headquarters functions to our Hiratsuka Factory and attendant efficiency gains. We are allocating the proceeds of the sale to priority sectors.

Our measures for addressing environmental, social, and governance issues include working to achieve carbon neutrality. We recently developed technology for the world's first production of butadiene from biomass with fermentation.

All of us at Yokohama are united in a worldwide commitment to carrying out the YX2023 strategic initiatives and the plan's measures for reinforcing our corporate foundation. We invite your attention to our progress in addressing the change under way in the global marketplace and in thereby earning the confidence of our customers and all our stakeholders.

YOKOHAMA AT A GLANCE

Sales Revenue
(Billions of yen)



Products and Companies by Business Segment
As of December 31, 2020

Tires




Principal products
Tires for passenger cars and light trucks; for trucks and buses; for construction and mining equipment; and for motor sports and tire tubes, aluminum alloy wheels, and other peripheral products

Principal production companies
Japan
Yokohama Rubber Co., Ltd.; Yokohama Tire Retread Co., Ltd.; Kameyama Bead Co., Ltd.
Overseas
Yokohama Tire Manufacturing Virginia LLC. (United States); LLC Yokohama R.P.Z. (Russia); Hangzhou Yokohama Tire Co., Ltd. (China);Yokohama Tire Philippines, Inc. (Philippines); Yokohama Tire Manufacturing (Thailand) Co., Ltd. (Thailand); Yokohama Tyre Vietnam Inc. (Vietnam); Yokohama India Private Ltd. (India)

Principal sales and marketing support companies
Japan
Yokohama Tire Japan Co., Ltd.
Overseas
Yokohama Tire Corporation (United States); Yokohama Tire (Canada) Inc. (Canada); Yokohama Tire Mexico S. de R.L. de C.V. (Mexico); Yokohama H.P.T. Ltd. (United Kingdom); Yokohama Europe GmbH (Germany); Yokohama Russia L.L.C. (Russia); Yokohama Tire Sales (Shanghai) Co., Ltd. (China); Yokohama Tire Sales Philippines, Inc. (Philippines); Yokohama Tire Sales (Thailand) Co., Ltd. (Thailand)

Employees: 19,031

ATG (Alliance Tire Group)




Principal products
Tires for agricultural, industrial, construction, and forestry machinery

Principal production companies
ATC Tires Private Ltd. (India); Alliance Tire Company Ltd. (Israel)

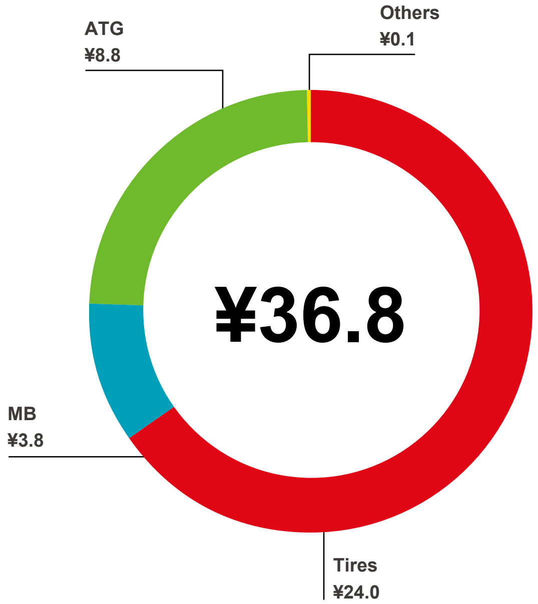
Principal sales, marketing, and other support companies
Alliance Tire Europe B.V. (Netherlands); Alliance Tire Americas Inc. (renamed Yokohama Off-Highway Tires America Inc. in January 2021; United States)

Employees: 3,214

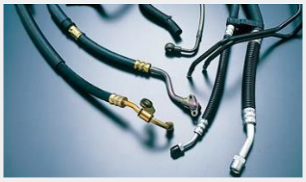
Business Profit*

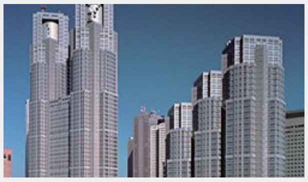
(Billions of yen)

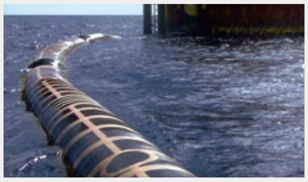
Sales revenue – (cost of sales + selling, general and administrative expenses)



MB (Multiple Business)







Principal products

High-pressure hoses, conveyor belts, marine hoses and pneumatic marine fenders, Hamatite-brand sealants and adhesives, aircraft fixtures and components

Principal production companies

Japan

Yokohama Rubber Co., Ltd.

Overseas

Yokohama Industries Americas Inc. (United States); Yokohama Industries Americas de Mexico, S. de R.L. de C.V. (Mexico); Yokohama Industrial Products-Hangzhou Co., Ltd. (China); SC Kingflex Corporation (Taiwan); PT. Yokohama Industrial Products Manufacturing Indonesia (Indonesia); Yokohama Rubber (Thailand) Co., Ltd. (Thailand)

Principal sales and marketing support companies

Japan

Yokohama Industrial Products Japan Co., Ltd.

Overseas

Yokohama Aerospace America, Inc. (United States); Yokohama Industries Americas Ohio Inc. (United States); Yokohama Industrial Products Sales-Shanghai Co., Ltd. (China); Yokohama Industrial Products Asia-Pacific Pte. Ltd. (Singapore)

Employees: 3,883

Others

Principal products

Golf equipment and services for Yokohama Rubber and its subsidiaries and affiliates

Principal companies

Japan

PRGR Co., Ltd.; Acty Co., Ltd.; Yokohamagomu Finance Co., Ltd.; Yokohama Mold Co., Ltd.

Overseas

Y.T. Rubber Co., Ltd. (Thailand); Yokohama Rubber Singapore Pte. Ltd. (Singapore)

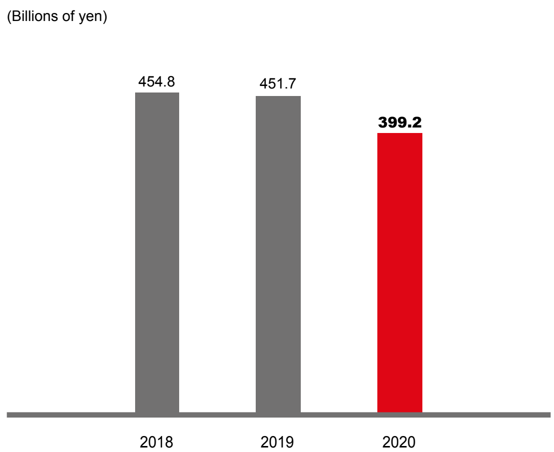
Employees: 1,214

RESULTS AND TRENDS BY BUSINESS SEGMENT

TIRES

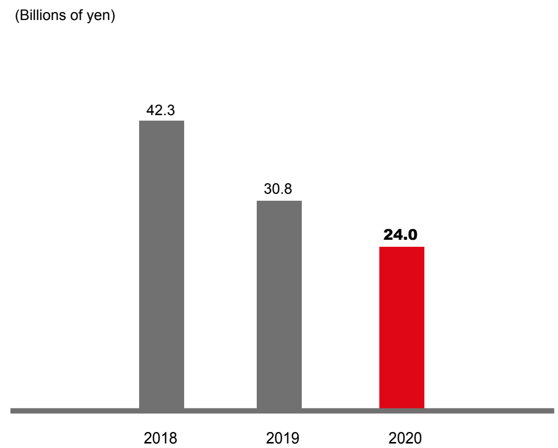
Sales Revenue:

¥399.2 billion



Business Profit:

¥24.0 billion



Business results in 2020

Business profit declined 22.2%, to ¥24.0 billion, on an 11.6% decline in sales revenue, to ¥399.2 billion. The Tires segment accounted for 65.2% of total business profit and for 70.0% of total sales revenue.

Original equipment

Sales declined in original equipment tires in Japan and overseas, reflecting sharp declines in demand occasioned by the COVID-19 pandemic in the fiscal first half. Original equipment business in Japan displayed gradual improvement in the fiscal second half, and full-year sales in China increased over the previous year.

Replacement tires

Sales declined in replacement tires, as the COVID-19 pandemic undermined consumer spending during the fiscal first half. Yokohama continued to promote vigorously the premium-grade tires of its global flagship brand, ADVAN; iceGUARD studless snow tires for passenger cars; GEOLANDAR tires for sport-utility vehicles and pickup trucks; and other high-value-added products. Japanese sales of winter tires were robust in the fiscal fourth quarter.

Premium-car models fitted with the ADVAN Sport V107 as factory equipment include new BMW models and a new Mercedes-AMG model.

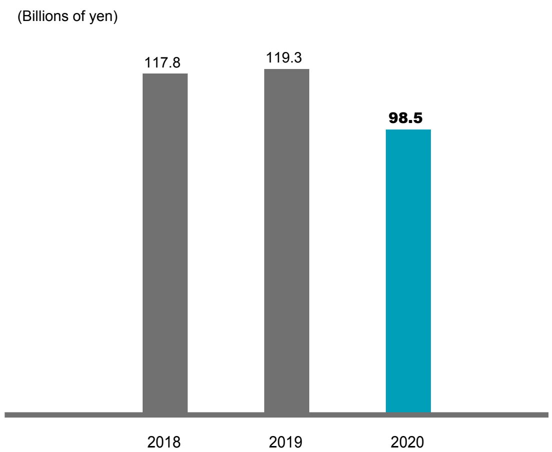
Yokohama launched the GEOLANDAR CV G058 in February 2020 as a grand touring tire for cross-over sport-utility vehicles.

The iceGUARD iG52c debuted in Japan in October 2020 as a basic studless snow tire for passenger cars.

MB (Multiple Business)

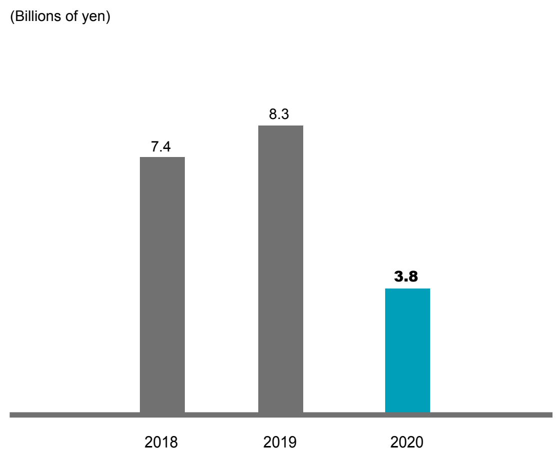
Sales Revenue:

¥98.5 billion



Business Profit:

¥3.8 billion

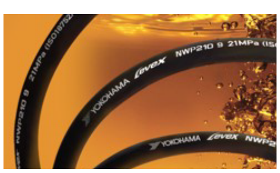


Business results in 2020

In the MB segment, business profit declined 54.1%, to ¥3.8 billion, on a 17.4% decline in sales revenue, to ¥98.5 billion. The MB segment accounted for 10.4% of total business profit and for 17.3% of total sales revenue.

Hose & couplings

Sales of high-pressure hoses (hose & couplings) declined from the previous year as demand shrank severely in the first half on account of the COVID-19 pandemic.



The Levex series is part of Yokohama's product offerings in rubber hydraulic hoses.

Industrial products

Business declined in industrial products, as sales weakened in Japan and overseas on account of the COVID-19 pandemic.

Steel cord conveyor belts

Hamatite

Sales of Hamatite were down from the previous year, as demand slumped in the first half on account of the COVID-19 pandemic.

Hamatite SC-SA2/EVOMAX sealant, for all-weather durability

Aerospace products

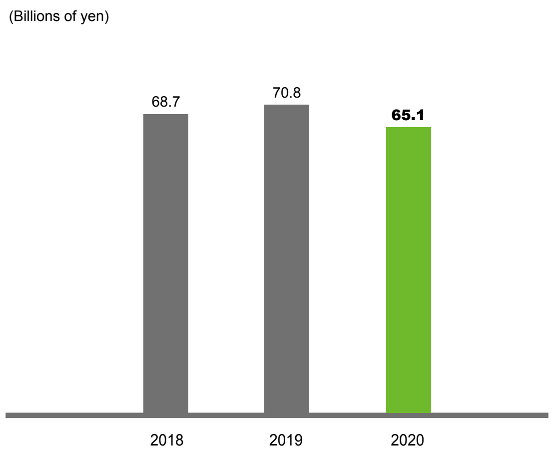
Yokohama also posted a sales decline in aerospace products, as sales declined in the commercial and government sectors throughout the year on account of the COVID-19 pandemic.

High-quality aircraft lavatory modules

ATG

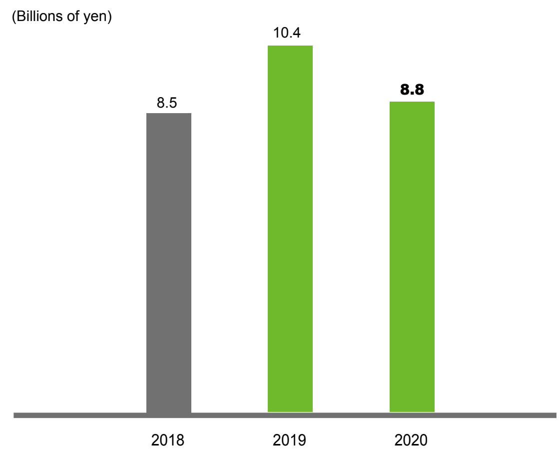
Sales Revenue:

¥65.1 billion



Business Profit:

¥8.8 billion



Business results in 2020

Business profit declined 15.3% in the ATG segment, to ¥8.8 billion, on an 8.0% decline in sales revenue, to ¥65.1 billion. The ATG segment accounted for 23.9% of total business profit and for 11.4% of total sales revenue.

Off-highway tires

Business suffered worldwide from the effects of the COVID-19 pandemic. However, sales increased in the fiscal second half over the same period of the previous year, led by an upturn in sales of replacement tires for agricultural equipment.

Agricultural tires
ALLIANCE AGRISTAR Ⅱ (pictured).

Golf Equipment

Yokohama markets golf equipment under the PRGR brand in Japan and also in China, the Republic of Korea, and Southeast Asian nations.

Product launches in 2020

egg EXTREME drivers: the best-ever inertial moment from PRGR

Yokohama augmented the egg series in April 2020 with the egg EXTREME drivers, for men and women of all ages. The new drivers combine PRGR's greatest-ever inertial moment with a deep center of gravity and high repulsion performance. They let golfers swing freely with no undue concern about hooking their shots.

RS5 drivers: committed striking performance to the maximum extent of the rules

Yokohama unveiled the RS5 drivers in August 2020 as a complete revamping of the RS series. The new drivers inherit the RS tradition of taking spring like effect to the maximum permitted by the Rules of Golf. Their design invests the drivers with committed striking performance while providing for launching the ball with high initial speed. Yokohama has arrayed three types of RS5 drivers for different needs.

New PRGR IRONs: new entries in Yokohama's flagship line of golf clubs

The PRGR IRONs family gained three new members in August 2020. The PRGR 01 IRON furnishes serious weekend golfers with a combination of solid heft and reassuring feel. Golfers enjoy approachability and easy stance with the PRGR 02 IRON. The PRGR 0 WEDGE, meanwhile, offers a comfortable sense of control.

TUNE Wedge: golf club heads for tour pros and for advanced amateurs

Yokohama launched the TUNE Wedge driver heads in September 2020 in the PRGR TUNE family of driver heads for tour pros. It has deployed new heads in four sets of specifications for different loft angles: 50° and 52° for optimizing shots and 56° and 58° for optimizing handling.

egg EXTREAM driver

RS5 driver

PRGR 01 IRON

TUNE wedge

CORPORATE PHILOSOPHY
CORPORATE SOCIAL RESPONSIBILITY

Corporate Philosophy

We at Yokohama abide by a formal Corporate Philosophy, which comprises our Basic Philosophy, Management Policies, Action Guidelines, and Corporate Slogan. The Basic Philosophy outlines our vision for the kind of company that we are committed to becoming. The Management Policies articulate the stance that our management team has adopted. The Action Guidelines are the code of conduct for each employee. Our slogan, “Excellence by nature,” expresses our overall commitment to fulfilling all the elements of the Corporate Philosophy.

Corporate Philosophy (Launched in 1992)

Basic Philosophy

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

Management Policies

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

Action Guidelines

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

Corporate Slogan

Excellence by nature

Corporate Social Responsibility

Fulfilling our corporate social responsibility (CSR) is fundamental to fulfilling our Corporate Philosophy, and that means building a trusted identity as a contributing member of the global community. In that spirit, we equate the notion of “corporate social responsibility” with “corporate social reliability.” The latter phrasing, we believe, makes the concept easier to understand and to put into practice in our daily operations. It evinces our continuing determination in our second century to serve the greater good of the world.

CSR Management Vision (Launched in 2008)

To build a trusted identity as a contributing member of the global community

CSR Action Guidelines

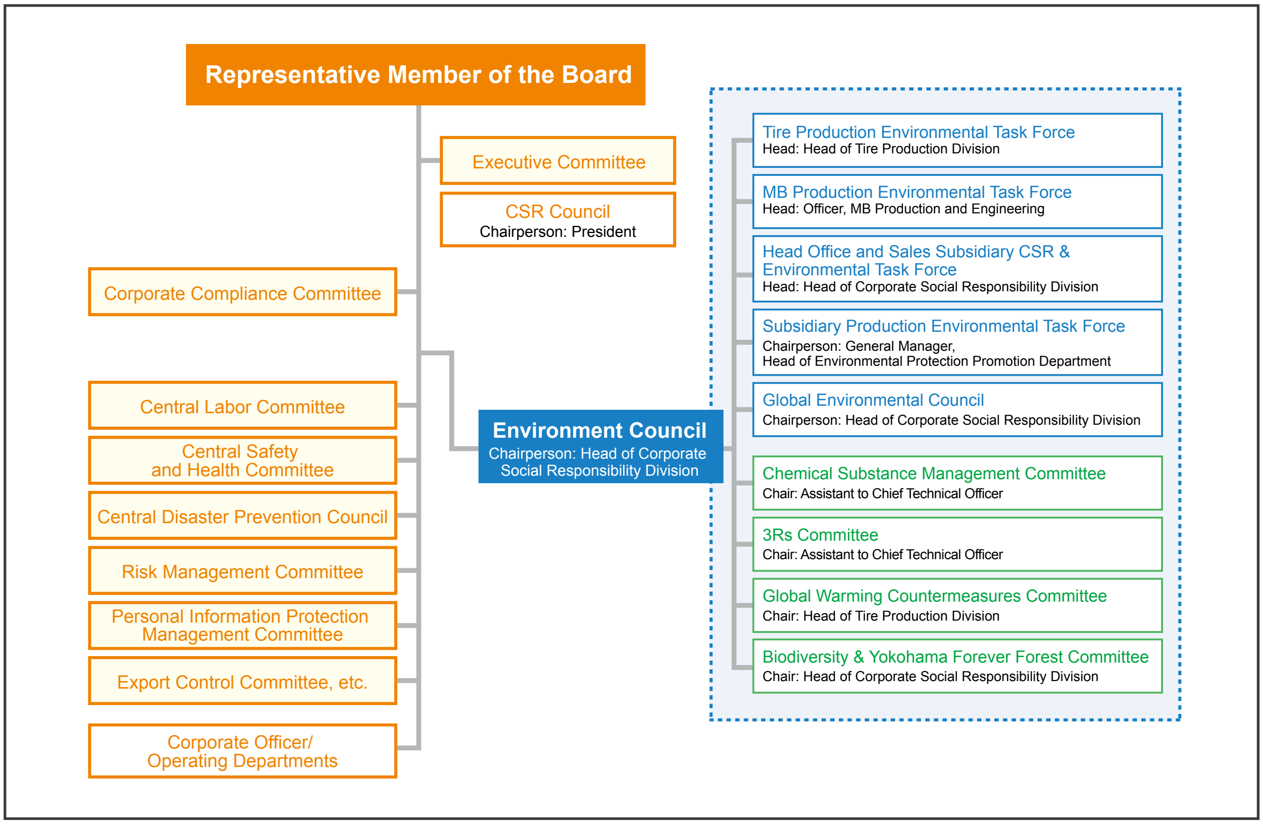
- Identify continually changing social trends.
- Ascertain the items that can contribute.
- Act swiftly to earn firm trust.
- Practice CSR in one’s own work.

CSR and Environmental Management Promotion Framework

Overseeing our measures for fulfilling corporate social responsibility is our CSR Council, headed by our company president. Safeguarding the environment is a central emphasis, of course, in those measures, and we have established the Environmental Council, headed by the head of our Corporate Social Responsibility Division, to oversee our work in maintaining environmental quality. Each council meets twice yearly to establish priorities and to evaluate our progress in tackling those priorities. They evaluate our progress in reference to our seven pillars of critical issues and issue instructions as appropriate for making improvements in our approach.

Fulfilling our corporate social responsibility is a global undertaking in the Yokohama Group, and representatives of group companies worldwide gather annually for a global environmental conference. In addition, we have been holding regional gatherings of the managers responsible for environmental protection at Yokohama Group companies since 2014.

CSR and Environmental Promotion Framework



CSR Slogan

Tackle ESG management under our medium-term management plan, Yokohama Transformation (YX2023), and create value through business activities based on our CSR slogan, “Caring for the Future.”

Corporate Governance
Lay a solid foundation for supporting sustainable business activity in accordance with international norms.

Products
Deliver products and services that help people enjoy fulfilling lives with peace of mind.

The Earth
Address environmental concerns through our operations and help leave a sound natural environment to future generations.

People
Nurture values accommodating diversity in the workplace and in the community at large.

Community
Earn the confidence of our neighbors through robust community engagement.

CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

Tackling Carbon Neutrality through R&D on Raw Materials

Preventing climate change is an emphasis in the UN Sustainable Development Goals. Numerous nations have adopted the shared goal of eliminating net emissions of carbon dioxide by 2050. We at Yokohama have long been working to help achieve environmental sustainability by reducing carbon dioxide emissions throughout the sequence of raw material processing and tire manufacturing, usage, and disposal. Here, we examine some measures at Yokohama for increasing sustainability in a principal raw material for tires, synthetic rubber.

Studying Possibilities for Producing Synthetic Rubber from Biomass

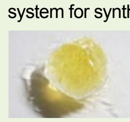
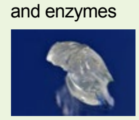
■ Joint research with universities and research organizations

Synthetic rubber accounts for more than 20% of the material that goes into passenger car tires (example for reference here: size 195/65R15, weight 8.2 kg). Industrial production of the two principal raw materials in synthetic rubber relies on the pyrolysis of naphtha. We at Yokohama, with an eye to reducing dependence on petroleum and reducing emissions of carbon dioxide, have engaged in joint research on producing synthetic rubber from biomass with the Tokyo Institute of Technology, Japan's national scientific research organization Riken, Zeon Corporation, the National Institute of Advanced Industrial Science and Technology (AIST), and the Research Association of High-Throughput Design and Development for Advanced Functional Materials (ADMAT). Below is a summary of our recent advances in that field.

World's first technology for synthesizing butadiene efficiently from biomass

Joint research on biomonomers by Yokohama Rubber, Japan's national scientific research organization Riken, and Zeon yielded a breakthrough in April 2021: the generation of cells that possess the capacity for synthesizing high-quality butadiene. The new technology uses an artificial pathway with enzymes and allows for using less-expensive intermediates than are required by the metabolic pathway now used widely. It promises to lower costs greatly in producing butadiene with fermentation. In 2018, our biomonomers research team used a first-of-its-kind artificial pathway and highly activated enzyme to generate cells capable of synthesizing isoprene.

Yokohama Landmarks in Deriving Synthetic Rubber from Biomass

	2015	2018	2019	2021
Butadiene	Joint development with Tokyo Institute of Technology of catalyst for synthesizing butadiene directly from cellulose		Development with AIST and ADMAT of world's highest-productivity catalytic system for synthesizing butadiene 	Development with Riken and Zeon of technology for high-efficiency synthesis of butadiene with artificial pathway and enzymes 
Isoprene	Development with Riken and Zeon of technology for synthesis of isoprene with in silico metabolic design Evolutionary advances	Development with Riken and Zeon of technology for high-efficiency synthesis of isoprene with artificial pathway and enzymes  	Same research team	

High Regard in the Global Community

■ Repeat selection to Climate Change A List

The United Kingdom-based nonprofit organization CDP Global (formerly Carbon Disclosure Project) named Yokohama in December 2020 to its Climate Change A List 2020. CDP Global recognized us for our groupwide commitment to cutting emissions, mitigating climate risks, and contributing to the development of the low-carbon economy. We are making our third appearance on CDP Global's Climate Change A List, having also appeared on the lists for 2016 and 2019.

■ Sixteenth consecutive selection to FTSE4Good Index Series

Yokohama is part of the FTSE4Good Index Series and the FTSE Blossom Japan Index. The FTSE4Good Index is an influential reference for investors who weigh environmental, social, and governance (ESG) performance heavily in allocating equity investment, and Yokohama has been part of that index continuously since 2005. The FTSE Blossom Japan Index is one of four indexes that Japan's Government Pension Investment Fund administers as benchmarks for ESG performance, and Yokohama has been part of the index since its inception in 2017.

Diverse Efforts in the Public Interest

■ Support for Thai Growers of natural rubber in accordance with sustainable purchasing policy

Our natural rubber processing subsidiary Y.T. Rubber Co., Ltd., based in Surat Thani Province, provides growers with diverse support. It cosponsored a research symposium in December 2020 with the Rubber Authority of Thailand (RAOT) for sharing useful insights with growers. In addition, Y.T. Rubber has furnished growers with free fertilizer and, in the wake of severe flooding, supplied 360 grower households with rice and bottled water. RAOT experts call on growers in Surat Thani to examine the growers' stands of rubber plants and to offer guidance in dealing with problems. Y.T. Rubber cooperates with that activity in accordance with the principles of the rubber industry's Global Platform for Sustainable Natural Rubber initiative and Yokohama's Procurement Policy for Sustainable Natural Rubber.

Natural rubber growers with Yokohama representatives at a seminar

■ Recognition for contributions to reducing output of carbon dioxide through tire retreading

Yokohama Tire Retread Co., Ltd. received a Hokkaido Zero Emissions Award in March 2021, the first company in the tire industry to earn that recognition. Retreading tires for reuse results in about 60% less output of carbon dioxide than producing new tires does, and it allows for recycling all of the rubber scrap that occurs in tire manufacturing.

■ The Yokohama Magokoro Fund

Our Yokohama Magokoro (Sincere Heart) Fund, launched in 2016, is a philanthropic vehicle funded with voluntary contributions by employees and matching contributions by the company. The fund trustees allocate donations to organizations engaged in environmental protection, human rights advocacy, and other worthy causes and to emergency relief efforts. In 2020, the fund focused on supporting measures for addressing the COVID-19 pandemic. It donated about ¥1,600,000 to such measures in eight Japanese prefectures. In addition, Yokohama donated tires for medical vehicles in Kanagawa Prefecture, and it donated masks and hand sanitizer to the city of Asahikawa, in Hokkaido. The fund also donated contributed cash support to organizations engaged in providing disaster relief, caring for the environment, and defending human rights.

CORPORATE GOVERNANCE

Basic Approach

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

Framework

Our management framework centers on governance entities prescribed by Japan's Company Act: the annual General Meeting of Shareholders, the representative member of the Board, the Board of Directors, the Audit and Supervisory Board, and an independent public accountancy. We supplement those entities with officers who are responsible for operational management to speed the process of making and implementing decisions. Our senior management team comprises 11 members of the Board, headed by the president, who serves concurrently as the chairman of the Board, and 14 officers, not including officers who serve concurrently as members of the Board. The members of the Board include 5 members who serve concurrently as officers and 5 nonexecutive members of the Board.

We reinforce our management framework with the Executive Committee, which comprises the chairman of the Board, other selected members of the Board, and other executives. That committee monitors our performance in fulfilling our business plans and deliberates on matters pertinent to our business strategy.

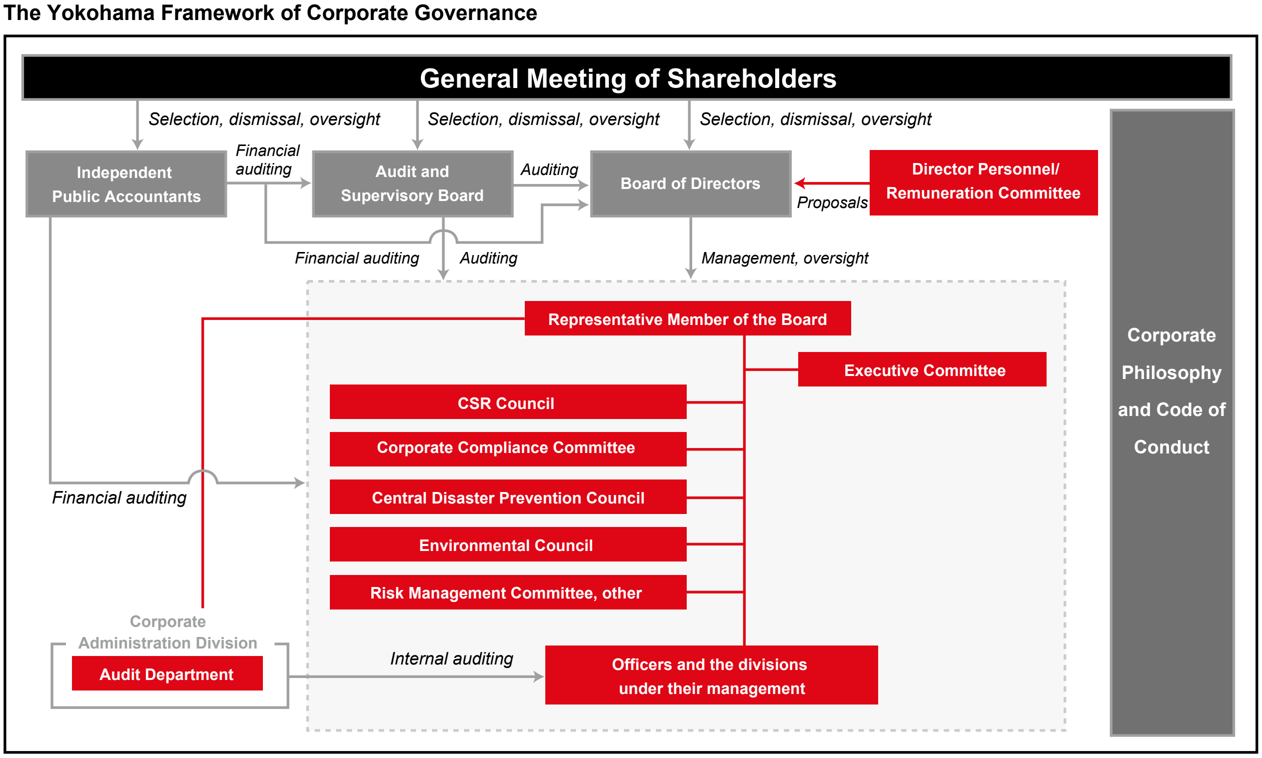
In the interest of clarifying management responsibility, we employ a one-year term for members of the Board. And we abide by the principles of transparency and fairness in personnel and remuneration decisions in regard to the Board. Our Director Personnel/Remuneration Committee, the members of which include one or more nonexecutive directors, reviews proposals for matters under its purview and makes recommendations to the Board of Directors, which makes the final decisions.

Yokohama adopted a stock compensation plan in March 2018 for members of the Board, not including the nonexecutive members. That plan, subject to restrictions on selling shares, is a measure for instilling a shareholder perspective on share-price movement and for strengthening the motivation to maximize Yokohama's corporate value and share valuation.

Audit and Supervisory Board Members

Auditing at Yokohama is a tripartite undertaking by our Audit and Supervisory Board, which monitors management; an

The Yokohama Framework of Corporate Governance



independent public accounting firm, which monitors the company's financial accounting; and our Audit Department, which conducts operational and financial auditing of the parent company and its principal subsidiaries and affiliates. We reinforce the auditing function by maintaining autonomy among those units.

The Audit and Supervisory Board comprises five members, including three recruited from outside the company to help ensure objectivity in the auditing function. Its deliberative responsibility centers on preparing audit reports, handling the appointment and dismissal of standing auditors, determining auditing policy and audit plans, determining the methodology for investigating the status of the company's business and finances, and deciding other matters pertinent to the auditing function. The Audit and Supervisory Board members obtain important information from the independent public accounting firm and from the 17-member Audit Department. We deploy full-time staff to help the Audit and Supervisory Board carry out their work smoothly and effectively.

Nonexecutive Members of the Board and Independent Audit and Supervisory Board Members

Our Board and our Audit and Supervisory Board each include, as noted, members recruited from outside the company. In appointing the nonexecutive members of the Board and the independent Audit and Supervisory Board members, we refer to guidelines established by the Tokyo Stock Exchange for ensuring independence.

The nonexecutive members of the Board receive reports from the Audit Department about the results of internal audits and about the maintenance and operation of our framework of internal controls. They also receive regular reports from the Audit and Supervisory Board members about pertinent matters. The nonexecutive members of the Board thereby secure a grasp of the status of the Yokohama Group and of issues faced by the Group, and they express their views on matters of importance to their fellow members of the Board as they deem appropriate.

Our independent Audit and Supervisory Board members receive reports in the same manner as the nonexecutive members of the Board. They further fortify their capacity for conducting audits efficiently and effectively by exchanging information with the independent public accounting firm, with our Audit Department, and with the corporate auditors at Yokohama subsidiaries.

Internal Controls

The Board of Directors adopted a basic policy for internal controls based on Japan's Company Law in May 2006. It has subsequently adopted a series of measures for safeguarding the company against risk and for ensuring compliance with rigorous standards of ethical behavior.

Risk Management

Spearheading risk-preparedness measures at Yokohama is our Risk Management Committee, chaired by the director responsible for risk management. That committee evaluates risk from a cross-sector perspective and devises precautionary measures. We have also established committees to manage risk, respond to incidents, establish guidelines, and distribute manuals in regard to ethical compliance, safety, disaster preparedness, environmental quality, information security, personal information management, and exports. Our Board of Directors, Executive Committee, and CSR Council receive timely reports from all of those committees.

Corporate Compliance Committee and Corporate Compliance Department

A member of the Board who discovers evidence of a serious legal or regulatory breach or of any other serious misconduct reports his or her suspicion to the chairman of our Corporate Compliance Committee, who is the director responsible for ethical compliance, and to the Audit and Supervisory Board members. Responsible for enforcing ethical compliance is our Corporate Compliance Department. That department establishes guidelines for ethical behavior in the Yokohama Group and conducts training and awareness-raising activities in regard to ethical compliance for the members of the Board, our officers, and our employees.

Enforcement at subsidiaries and affiliates

Each principal Yokohama subsidiary and affiliate has prepared and observes ethical guidelines based on the action guidelines established by the Corporate Compliance Committee. The Corporate Compliance Department and compliance officers designated by that department at our Japanese subsidiaries and affiliates share information and develop a common grasp of issues. In addition, the Corporate Compliance Department reports regularly to the CSR Council about the status of ethical compliance in the Yokohama Group. The Audit Department, meanwhile, systematically monitors the auditing functions for accounting, operations, and ethical compliance at the subsidiaries and affiliates and reports its findings to the members of the Board, to the pertinent divisions, and to the Audit and Supervisory Board members.

MEMBERS OF THE BOARD, AUDIT & SUPERVISORY BOARD MEMBERS, AND OFFICERS

As of July 1, 2021

Members of the Board

Masataka Yamaishi
President, Chairman of the Board

Masaki Noro
Member of the Board and Managing Officer,
Chief Technical Officer, Head of Research and Advanced Development Div.,
in charge of Multiple Business Production and Technology,
in charge of Corporate Quality Assurance Div.

Gota Matsuo
Member of the Board and Managing Officer,
Chief Financial Officer, Head of Corporate Administration Div.,
in charge of Corporate Finance & Accounting Dept.,
Head of Corporate Social Responsibility Div.,
in charge of IT & Management System Planning Div.,
President of Yokohamagomu Finance Co., Ltd., in charge of PRGR

Toru Nakamura
Member of the Board and Officer,
Head of Tire Production Div.,
in charge of Tire Production Technology Div.

Nitin Mantri
Member of the Board and Officer,
Head of OHT Div., CEO of ATC Tires Pvt. Ltd.,
Chairman of Yokohama India Pvt. Ltd.

Yasuo Nakayama
Member of the Board and Officer,
Head of MB Div., Head of Aerospace Div.,
Head of Hamatite Div.

Hideichi Okada
Member of the Board (Outside)

Nobuo Takenaka
Member of the Board (Outside)

Hirokazu Kono
Member of the Board (Outside)

Takashi Yamane
Member of the Board (Outside)

Masatoshi Hori
Member of the Board (Outside)

Audit & Supervisory Board Members

Osamu Mikami
Audit & Supervisory Board Member

Hisao Uchida
Audit & Supervisory Board Member

Atsushi Kamei
Audit & Supervisory Board Member (Outside)

Megumi Shimizu
Audit & Supervisory Board Member (Outside)

Hiroki Kimura
Audit & Supervisory Board Member (Outside)

Officers

Shinichi Takimoto
Senior Managing Officer,
President and CEO of Yokohama Corporation of North America, Chairman of Yokohama Tire Corporation, CEO of Yokohama Tire (Canada) Inc., CEO of Yokohama Tire Mexico S. De R.L. De C.V.

Tadaharu Yamamoto
Managing Officer,
Assistant to President, Head of Tire Logistics Div.

Jeff Barna
Managing Officer,
President and CEO of Yokohama Tire Corporation

Shinji Seimiya
Officer,
Assistant in Technology Control, Head of Tire Development Div.

Tomoaki Miyamoto
Officer,
Head of Japan Replacement Tire Sales & Marketing Div., Head of Japan Replacement Tire Business Planning Dept., Member of the Board of Yokohama Tire Japan Co., Ltd.

Masahiro Yuki
Officer,
Chairman and President of Yokohama Rubber (China) Co., Ltd., Chairman and President of Yokohama Tire Sales (Shanghai) Co., Ltd., Chairman of Hangzhou Yokohama Tire Co., Ltd., Chairman of Suzhou Yokohama Tire Co., Ltd., Chairman of Yokohama Industrial Products-Hangzhou Co., Ltd., Chairman of Yokohama Industrial Products Sales-Shanghai Co., Ltd., Vice Chairman of Shandong Yokohama Rubber Industrial Products Co., Ltd.

Hiroyuki Shioiri
Officer,
President of Yokohama Europe GmbH, Chairman of Yokohama Scandinavia AB, Chairman of Yokohama H.P.T. Ltd., Chairman of Yokohama Iberia, S.A., Chairman of Yokohama France S.A.S., President of Yokohama Danmark A/S, President of Yokohama Suisse SA, President of Yokohama CEE Spółka z.o.o.

Katsuhiko Yahata
Officer,
President of Yokohama Tire Japan Co., Ltd., Deputy Head of Japan Replacement Tire Sales & Marketing Div.

Yoshikuni Nakamura
Officer,
Head of Tire Overseas Sales & Marketing Div., President of Yokohama Asia Co., Ltd.

Satoshi Fujitsu
Officer,
Head of O.E. Tire Sales & Marketing Div.

Kazuhito Yanadori
Officer,
Head of Global Procurement Div., Head of Raw Materials Procurement Dept., President of Yokohama Rubber Singapore Pte. Ltd.

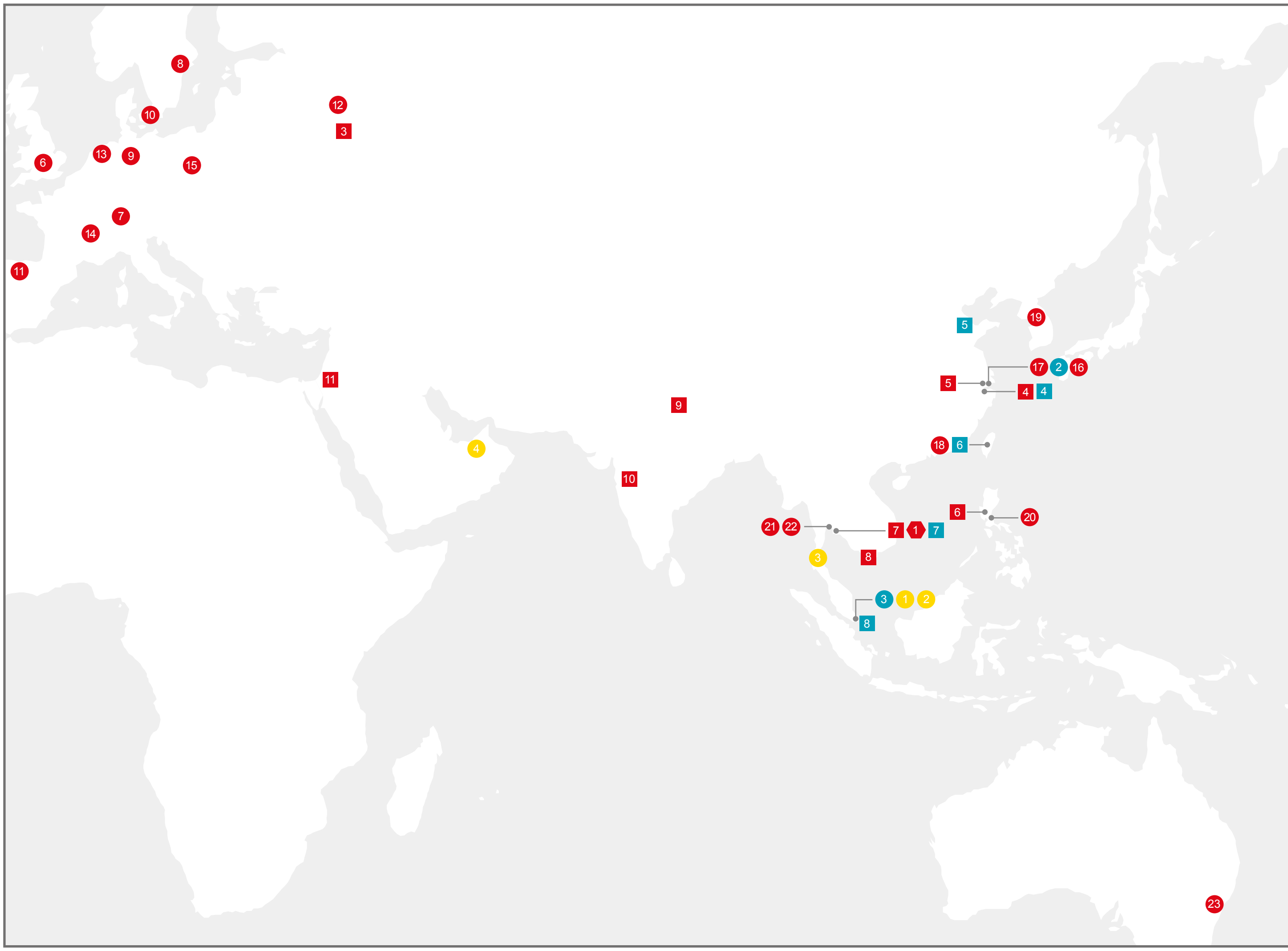
Hiroyuki Narabayashi
Officer,
Head of Corporate Quality Assurance Div.

Takehisa Morimoto
Officer,
Chairman and President of Yokohama Tire Manufacturing Mississippi, LLC.

Shingo Ishimitsu
Officer,
Head of Global HR Dept., President of Yokohama Peer Support Co., Ltd., President of Yokohama Business Association Co., Ltd., President of Yokohama Rubber Health Insurance Society., President of Yokohama Rubber Co-op.

GLOBAL NETWORK

Overseas Subsidiaries and Affiliates



Tires Segment and ATG Segment

Production and Sales

Americas

1 Yokohama Tire Manufacturing Virginia LLC. (United States)
2 Yokohama Tire Manufacturing Mississippi, LLC. (United States)

Europe

3 LLC Yokohama R.P.Z. (Russia)

Asia

4 Hangzhou Yokohama Tire Co., Ltd. (China)
5 Suzhou Yokohama Tire Co., Ltd. (China)
6 Yokohama Tire Philippines, Inc. (Philippines)
7 Yokohama Tire Manufacturing (Thailand) Co., Ltd. (Thailand)
8 Yokohama Tyre Vietnam Inc. (Vietnam)
9 Yokohama India Pvt. Ltd. (India)
10 ATC Tires Private Ltd. (India)
11 Alliance Tire Company Ltd. (Israel)

Sales and Marketing Support

Americas

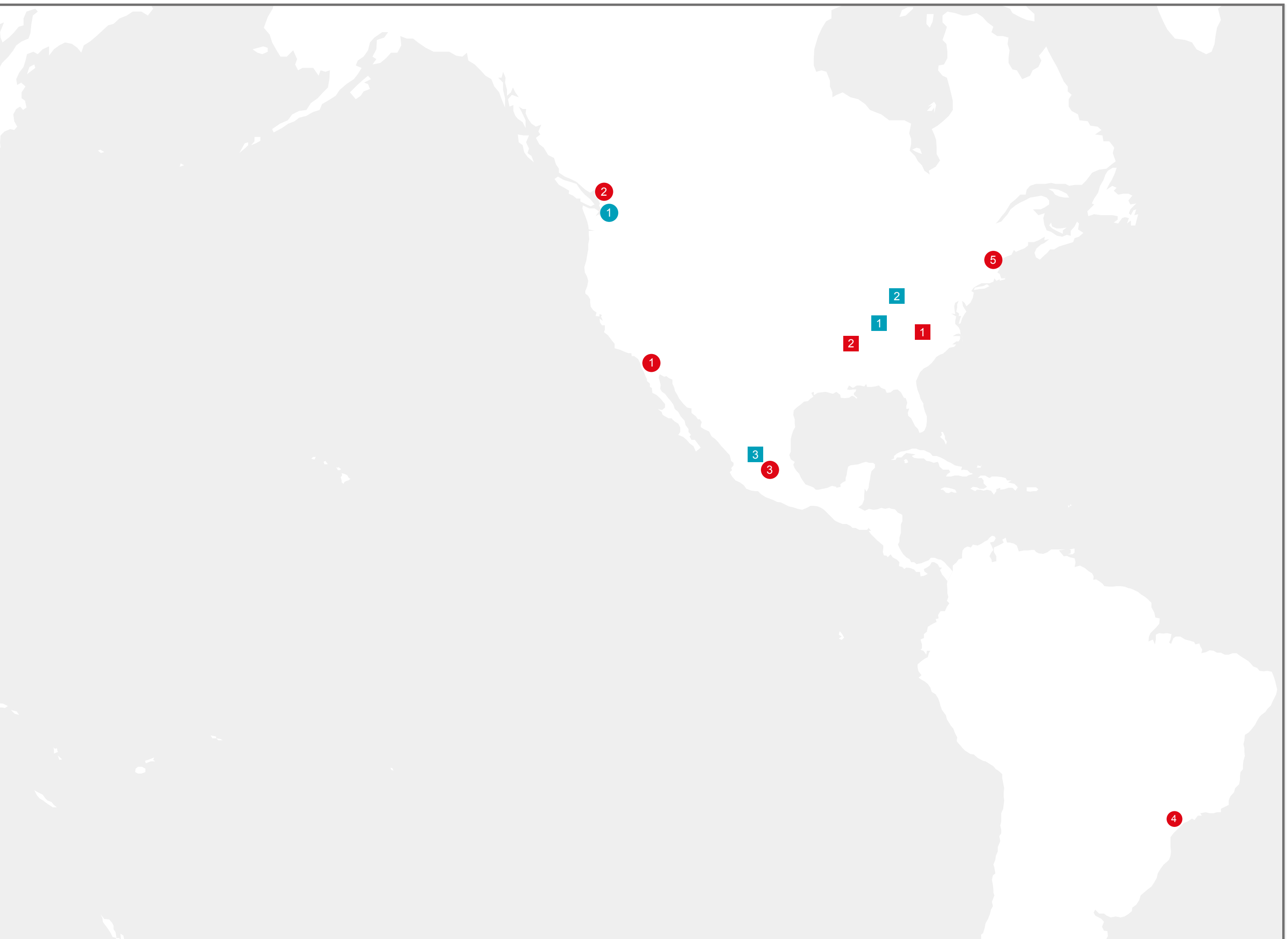
1 Yokohama Tire Corporation (United States)
2 Yokohama Tire (Canada) Inc. (Canada)
3 Yokohama Tire Mexico S. de R.L. de C.V. (Mexico)
4 Yokohama Rubber Latin America Indústria e Comércio Ltda. (Brazil)
5 Yokohama Off-Highway Tires America, Inc. (United States)

Europe

6 Yokohama H.P.T. Ltd. (United Kingdom)
7 Yokohama Suisse SA (Switzerland)
8 Yokohama Scandinavia AB (Sweden)
9 Yokohama Europe GmbH (Germany)
10 Yokohama Danmark A/S (Denmark)
11 Yokohama Iberia S.A.U. (Spain)
12 Yokohama Russia L.L.C. (Russia)
13 Alliance Tire Europe B.V. (Netherlands)
14 Yokohama France S.A.S. (France)
15 Yokohama CEE Spółka z.o.o. (Poland)

Asia

16 Yokohama Rubber (China) Co., Ltd. (China)
17 Yokohama Tire Sales (Shanghai) Co., Ltd. (China)
18 Yokohama Tire Taiwan Co., Ltd. (Taiwan)
19 Yokohama Tire Korea Co., Ltd. (Republic of Korea)



20 Yokohama Tire Sales Philippines, Inc. (Philippines)
21 Yokohama Tire Sales (Thailand) Co., Ltd. (Thailand)
22 Yokohama Asia Co., Ltd. (Thailand)

Oceania

23 Yokohama Tyre Australia Pty., Ltd. (Australia)

Proving Ground

1 Tire Test Center of Asia (Thailand)

MB (Multiple Business) Segment

Production and Sales

Americas

1 Yokohama Industries Americas Inc. (United States)
2 Yokohama Industries Americas Ohio Inc. (United States)
3 Yokohama Industries Americas de Mexico, S. de R.L. de C.V. (Mexico)

Asia

4 Yokohama Industrial Products-Hangzhou Co., Ltd. (China)
5 Shandong Yokohama Rubber Industrial Products Co., Ltd. (China)
6 SC Kingflex Corporation (Taiwan)
7 Yokohama Rubber (Thailand) Co., Ltd. (Thailand)
8 PT. Yokohama Industrial Products Manufacturing Indonesia (Indonesia)

Sales and Marketing Support

Americas

1 Yokohama Aerospace America, Inc. (United States)

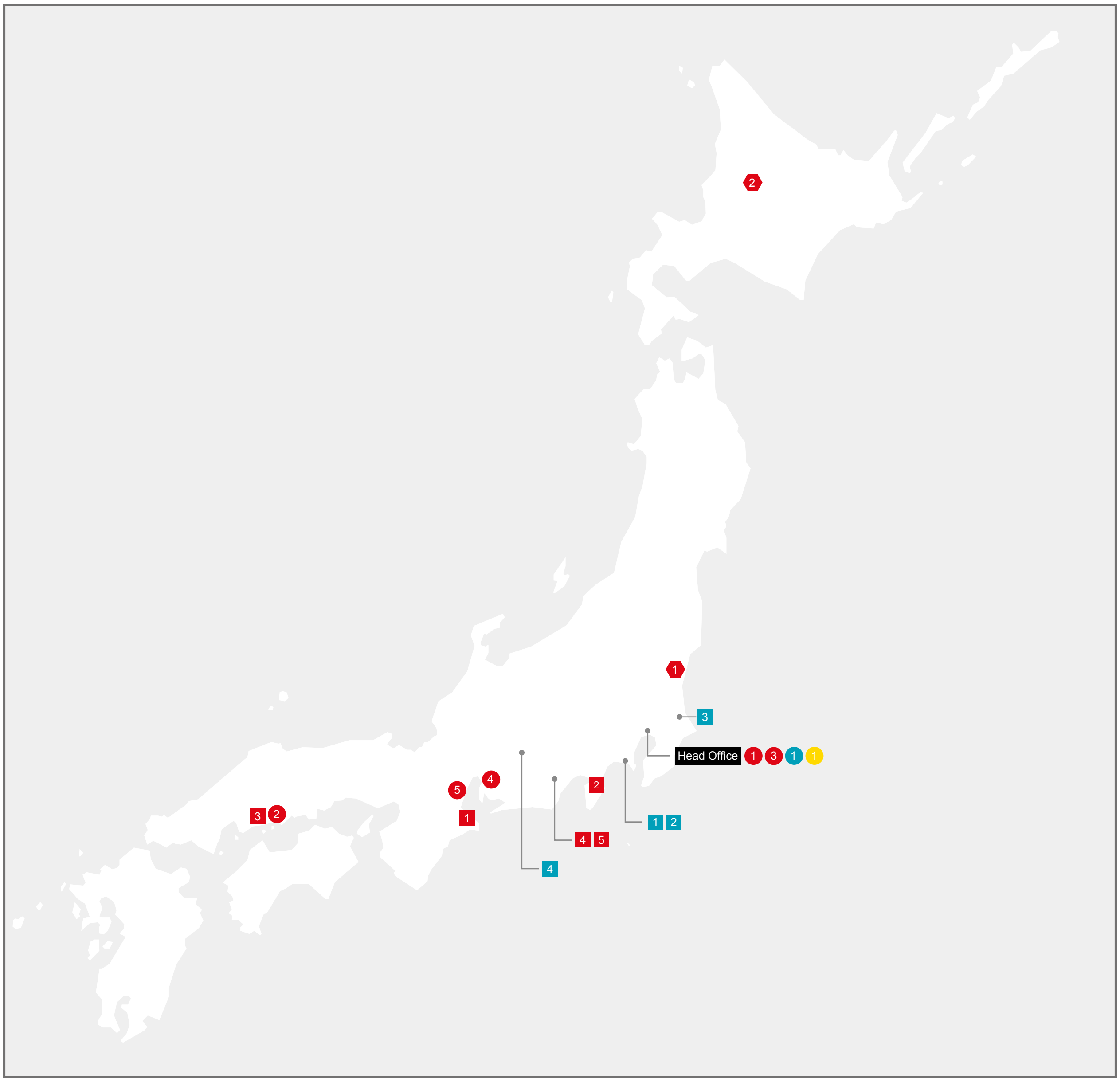
Asia

2 Yokohama Industrial Products Sales-Shanghai Co., Ltd. (China)
3 Yokohama Industrial Products Asia-Pacific Pte. Ltd. (Singapore)

Other

1 Yokohama Rubber Singapore Pte. Ltd. (Singapore/Business coordination)
2 Singapore Branch (Singapore/Business coordination)
3 Y.T. Rubber Co., Ltd. (Thailand/Natural rubber processing)
4 Dubai Office (Dubai/Business coordination)

PRINCIPAL OPERATIONS IN JAPAN



Tires Segment

Plants

1. Mie Plant
2. Mishima Plant
3. Onomichi Plant
4. Shinshiro Plant
5. Shinshiro-Minami Plant

Sales Subsidiaries and Affiliates

1. Yokohama Tire Japan Co., Ltd.
2. Yokohama Tire Retread Co., Ltd.
3. YFC Co., Ltd.
4. Aichi Tire Industry Co., Ltd.
5. Kameyama Bead Co., Ltd.

Proving Grounds

1. D-PARC
2. Tire Test Center of Hokkaido

MB (Multiple Business) Segment

Plants

1. Hiratsuka Factory
2. Hamatite Plant
3. Ibaraki Plant
4. Nagano Plant

Sales Subsidiaries

1. Yokohama Industrial Products Japan Co., Ltd.

Other

1. PRGR Co., Ltd.

FINANCIAL SECTION

FINANCIAL REVIEW

Yokohama has prepared and presented its accounts in accordance with the International Financial Reporting Standards (IFRS) as of the fiscal period ended December 31, 2017. In addition, the company employs the indicator "business profit" in the interest of expressing operational profitability accurately. That indicator corresponds to operating income under accounting principles generally accepted in Japan and is equal to sales revenue less the sum of cost of sales and selling, general and administrative expenses.

Business Environment

Japanese economic growth remained sluggish until the second quarter of 2020 on account of the lockdown and other regulatory measures occasioned by the COVID-19 pandemic and a downturn in consumer spending. Measures by the national and local governments to reinvigorate economic activity took effect in the latter half of 2020. They stimulated overall economic recovery, though the pace of recovery differed among industrial sectors.

Yokohama took a full range of measures to cope with the challenges posed by the COVID-19 pandemic. The company continued working to fulfill the outline detailed in its medium-term management plan, Grand Design 2020, for implementing growth strategy and for reinforcing the company's business foundation. It accompanied that effort with reductions in capital spending and in current expenditures to curtail cash outflows. The reductions in current expenditures included cuts in monthly compensation for directors and for management-level employees. Yokohama maintained sound liquidity on hand through an adaptive approach to raising funds. And it moved to adapt its marketing more closely to regional needs and circumstances and to trends in demand.

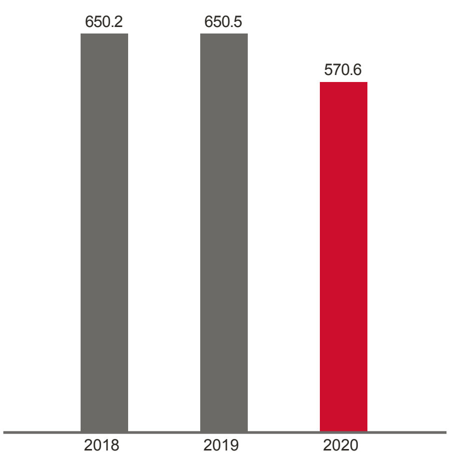
Sales, Expenses, and Earnings

Sales revenue declined 12.3% from the previous year, to ¥570.6 billion. That decline reflected the adverse effect of the COVID-19 pandemic on business worldwide in the Tire, MB (Multiple Business), and ATG (Alliance Tire Group: off-highway tires) segments.

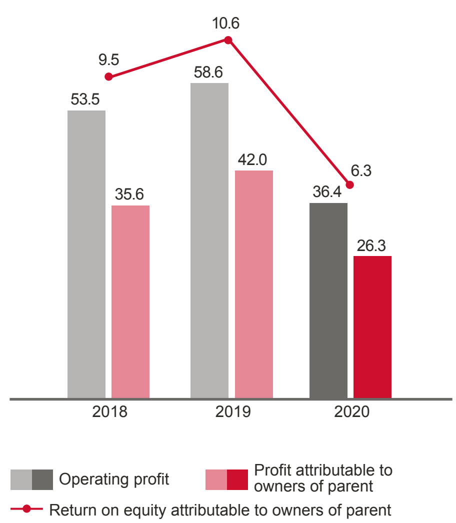
Business profit declined 26.6%, to ¥36.8 billion. That decline occurred despite reductions of ¥50.9 billion in cost of sales, to ¥390.4 billion, and ¥15.6 billion in selling, general and administrative expenses, to ¥143.4 billion.

Operating profit declined 37.8%, to ¥36.4 billion. That decline occurred as other income declined ¥6.8 billion, to ¥5.0 billion, and as other expense increased ¥2.0 billion, to ¥5.4 billion. The downturn in other income included a decline in gains on the sale of fixed assets, and the increase in other

Sales Revenue
Billions of Yen



Operating Profit, Profit Attributable to Owners of Parent, and Return on Equity Attributable to Owners of Parent
Billions of Yen, Percent



expense reflected the effect of suspending operations at some overseas production companies and a charge for liquidating an Italian subsidiary in the MB segment. Yokohama's operating profit margin was 6.4%.

Profit attributable to owners of parent declined 37.3%, to ¥26.3 billion. That decline included a ¥109 million decline in finance income, to ¥3.1 billion, and a ¥1.6 billion increase in finance expenses, to ¥5.6 billion.

The average yen/US dollar exchange rate was ¥107, compared with ¥109 in 2019; the average yen/euro exchange rate ¥122, approximately the same as in 2019; and the average yen/ruble exchange rate ¥1.5, compared with ¥1.7 in 2019.

Performance by Business Segment

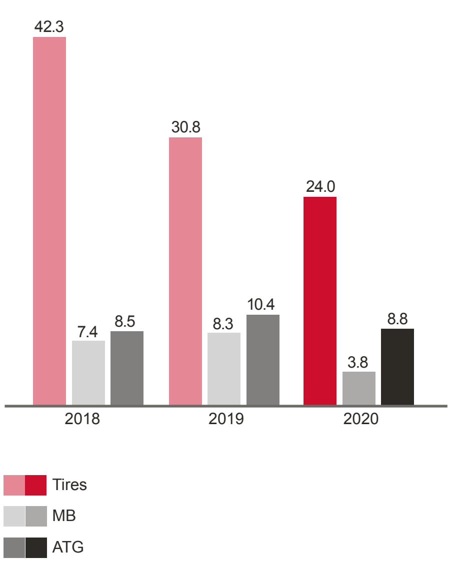
In Yokohama's Tires segment, sales revenue declined 11.6%, to ¥399.2 billion, and business profit declined 22.2%, to ¥24.0 billion. Sales declined in original equipment tires in Japan and overseas, reflecting sharp declines in demand in the fiscal first half. Original equipment business in Japan displayed gradual improvement in the fiscal second half, and full-year sales in China increased over the previous year.

Sales declined in replacement tires, as the COVID-19 pandemic undermined consumer spending during the fiscal first half. Yokohama continued to promote vigorously the premium-grade tires of its global flagship brand, ADVAN; iceGUARD studless snow tires for passenger cars; GEOLANDAR tires for sport-utility vehicles and pickup trucks; and other high-value-added products. Japanese sales of winter tires were robust in the fiscal fourth quarter.

In the MB segment, sales revenue declined 17.4%, to ¥98.5 billion, and business profit declined 54.1%, to ¥3.8 billion. The COVID-19 pandemic affected business adversely in every product category in this segment throughout the year. Sales of hose & couplings declined from the previous year as demand shrank severely in the first half. Business declined in industrial products, as sales weakened in Japan and overseas. Sales of Hamatite were down from the previous year, as demand slumped in the first half. Yokohama also posted a sales decline in aerospace products, as sales declined in the commercial and government sectors throughout the year.

Sales revenue declined 8.0% in the ATG segment, to ¥65.1 billion, and business profit declined 15.3%, to ¥8.8 billion. Business suffered worldwide from the effects of the COVID-19 pandemic in tires for agricultural machinery, for industrial machinery, and for other off-highway applications. Sales increased in the fiscal second half, however, over the same period of the previous year, led by an upturn in sales of replacement tires for agricultural equipment.

Business Profit by Business Segment
Billions of Yen



Financial Position

Total assets declined ¥47.2 billion, to ¥860.4 billion at fiscal year-end. Current assets declined ¥6.7%, to ¥309.3 billion, principally because of a decline in trade and other accounts receivable. Non-current assets declined 4.3%, to ¥551.1 billion, principally because of an increase in depreciation and amortization.

Current liabilities declined 9.5%, to ¥227.4 billion, reflecting repayments of bonds and short-term borrowings. Non-current liabilities declined 8.1%, to ¥210.1 billion, largely on account of repayments of long-term borrowings. The ratio of interest-bearing debt to total equity attributable to owners of parent was 0.50 at year-end, down 0.07 points from the previous year-end. Total equity declined 1.1%, to ¥422.9 billion at fiscal year-end.

Cash Flow

Net cash provided by operations in 2020 totaled ¥78.3 billion, which consisted chiefly of profit before tax and depreciation and amortization. Net cash used in investing activities totaled ¥27.9 billion, reflecting expenditures for purchases of property, plant and equipment. Net cash used in financing activities totaled ¥46.6 billion, including expenditures for the repayment of long-term borrowings. Cash and cash equivalents at year-end increased ¥2.9 billion from the previous year-end, to ¥30.8 billion.

Capital Expenditures

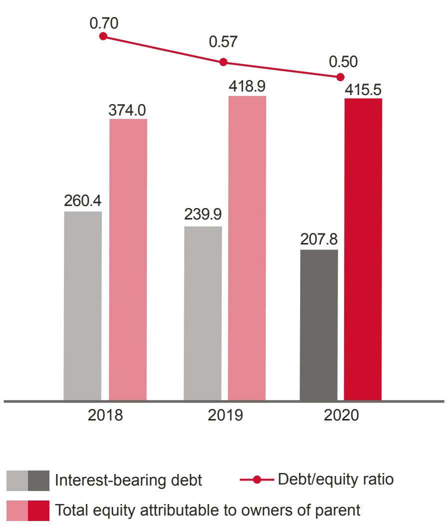
Capital expenditures in 2020 totaled ¥28.4 billion. Yokohama curtailed overall capital spending in response to the adverse effects of the COVID-19 pandemic on business and focused on growth markets and growth sectors and on R&D facilities.

In the Tires segment, the capital expenditures included investment in fortifying production equipment at Japanese tire plants to manufacture new products and to accommodate Yokohama's heightened emphasis on high-performance tires, to raise productivity, and to improve product quality. They also included investment in expanding tire production capacity and increasing product value-added at overseas plants.

The investment in the MB segment centered on expanding production capacity and raising productivity in hose & couplings and industrial products. In the ATG segment, investment centered on expanding production capacity for off-highway tires. That expansion included work on a new plant in India.

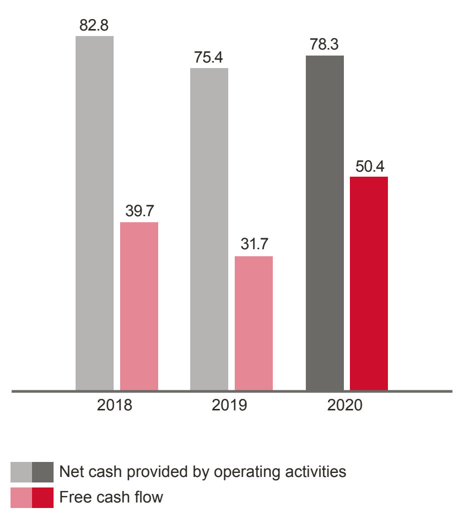
R&D Expenditures

Interest-Bearing Debt, Total Equity Attributable to Owners of Parent, and Debt/Equity Ratio*
Billions of Yen, Times



*Interest-bearing debt divided by total equity attributable to owners of parent

Net Cash Provided by Operating Activities and Free Cash Flow*
Billions of Yen



*Free cash flow = net cash provided by operating activities less net cash used in investing activities

Yokohama conducts R&D on basic technologies at its R&D Center, in Hiratsuka, Kanagawa Prefecture. The Company conducts R&D linked directly to specific products through R&D units in its Tires, MB, ATG, and other operations. Expenditures on R&D in 2020 totaled ¥14.1 billion.

Dividends

Yokohama paid an annual dividend of ¥64 per share for 2020. That comprised an interim dividend of ¥32, compared with ¥31 in the previous year, and a year-end dividend of ¥32, compared with ¥33 in the previous year.

Outlook for 2020

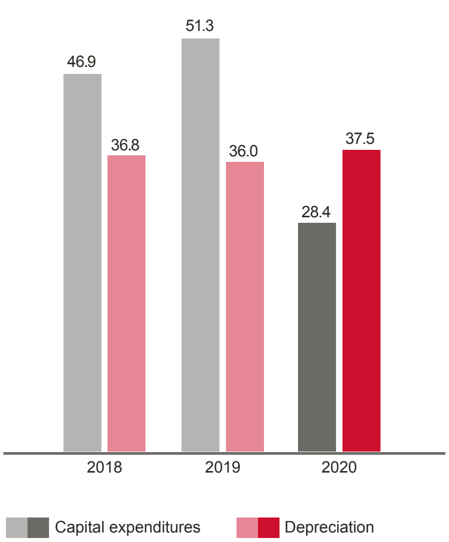
Yokohama is tackling corporate transformation with an eye to next-generation growth under a medium-term management plan announced in February 2021, Yokohama Transformation 2023 (YX2023). That plan calls for exploiting strengths in established operations and for exploring new value for fulfilling needs in an era of profound change.

In May 2021, Yokohama revised upward the full-year fiscal projections for 2021 that it announced in February 2021. Its revised full-year projections call for sales revenue to increase 12.2%, to ¥640.0 billion; for business profit to increase 35.9%, to ¥50.0 billion; for operating profit, including a gain on the sale of Yokohama's headquarters building, to increase 96.4%, to ¥71.5 billion; and for profit attributable to owners of parent to increase 112.8%, to ¥56.0 billion. In preparing the fiscal projections for 2021, management has assumed average exchange rates of ¥110 to the US dollar, ¥130 to the euro, and ¥1.5 to the ruble.

Projected Dividends for 2021

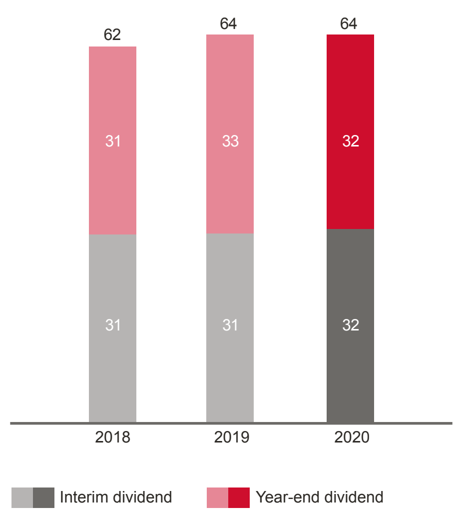
Management plans to pay an aggregate annual dividend of ¥65 per share for 2021, a ¥1 increase over 2020. That would comprise an interim dividend of ¥32 per share and a year-end dividend of ¥33.

Capital Expenditures and Depreciation*
Billions of Yen



The 2019 and 2020 amount for depreciation is net of the portion allocable to right-of-use assets newly recognized under the accounting standard "IFRS 16 Leases."

Cash Dividends per Share
Yen



RISK

Below is a partial listing of risks that could adversely affect the Company's business performance, financial position, or share price. All references to possible future events and to other subjects are from the standpoint of the fiscal year ended December 31, 2020.

Economic Conditions

Vehicle tires account for most of the Company's worldwide revenues. Demand for those tires reflects economic conditions in nations and regions where the Company sells its products. Therefore, economic trends and developments that diminish demand in the Company's main markets—including Japan, North America, Europe, and Asian nations besides Japan—could adversely affect the Company's business performance and financial position.

Exchange Rates

The Company conducts most of its business transactions and investments in yen, but it conducts some transactions and investments in dollars and in other currencies. The Company continues to expand its operations globally. That expansion will increase the Company's exposure to fluctuations in currency exchange rates. The Company hedges its exposure to currency exchange rates with forward exchange contracts and with other instruments, but hedging cannot fully offset the effect of fluctuations in currency exchange rates on the Company's business performance and financial position.

Seasonal Factors

Historically, the Company's sales and earnings performance has tended to be strongest in the winter months. That is mainly because sales of winter tires are an important contributor to the Company's sales and earnings. A later-than-usual onset of winter or lighter-than-usual snowfall could diminish demand for winter tires and thereby adversely affect the Company's business performance and financial position.

Raw Material Prices

Yokohama's principal raw materials are natural rubber and petrochemical products, including synthetic rubber and carbon black. Sharp increases in prices for natural rubber or for crude oil could raise the Company's manufacturing costs. Yokohama employs diverse measures to insulate its business from such increases, but increases in raw material prices that exceed the scope of those measures could adversely affect the Company's business performance and financial position.

Access to Funding

Instability in any of the world's principal financial markets could affect the Company's access to funding adversely. In addition, the lowering of the Company's credit rating by leading credit-rating agencies could adversely affect the Company's access to debt financing and could increase the Company's cost of funds. That could adversely affect the Company's financial performance and financial position.

Interest Rates

As of December 31, 2020, the Company's interest-bearing debt was equivalent to 24.2% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position. In addition, some of the Company's borrowings are subject to financial limitation clauses.

Securities

The Company owns marketable securities, mainly Japanese equities. A decline in the value of those securities could adversely affect the Company's financial performance and financial position.

Investment

In response to growing demand for automobile tires, the Company is investing in expanding its tire production capacity, especially in Asia. Changes in the regulatory environment, in economic conditions, in industrial circumstances, or in political and social stability in the host nations for the Company's investment could adversely affect the Company's business performance and financial position.

Corporate Acquisitions and Capital and Business Alliances

The Company sometimes undertakes corporate acquisitions and enters into capital and business alliances to strengthen its competitive position and fortify its foundation for growth. If any business acquired by the Company underperforms the Company's expectations at the time of the acquisition, that could occasion impairment loss on goodwill and on other assets and affect the Company's business performance and financial position adversely. Such underperformance could result from internal factors or from unforeseen changes in the business environment or in competitive conditions.

Retirement Benefit Obligations

The Company calculates retirement benefit obligations and retirement benefit expenses according to predetermined criteria, including the discount rate and the anticipated return on pension assets. If the actual discount rate or the actual return on the Company's pension assets differs substantially from the expected levels, that could adversely affect the Company's financial performance and financial position. Such divergence from the expected levels could occur as a result of a decline in market interest rates, a decline in the valuation of the pension assets, a decline in return on the pension assets, or changes in the severance payment system or pension system.

Natural Disasters and Terrorist Acts

The Company could suffer direct or indirect damage from earthquakes or other natural disasters, from epidemics, or from terrorist acts. Management has devoted especially careful attention to the threat posed by natural disasters and has adopted systematic measures for coping with that threat. However, the occurrence of natural disasters, epidemics, or terrorist acts in the regions of the Company production sites or principal suppliers could adversely affect the Company's business performance and financial position.

Pandemics

The Company has addressed the global spread of the COVID-19 pandemic with thorough measures. That has included emphasizing to employees the importance of health and safety and of acting to prevent the spread of the COVID-19 pandemic. However, the further spread of the pandemic or the persistence of the pandemic over the long term could result in the curtailment or suspension of the Company's operations in the nations or regions affected. Such a development could adversely affect the Company's business performance and financial position.

Intellectual Property

The Company strives to protect its accumulated technological expertise from unauthorized use by third parties and its intellectual property rights from infringement, but it could, in some circumstances, be unable to prevent such unauthorized use or infringement. Conversely, third parties could claim that the Company's products or technologies infringe on their intellectual property rights. Unauthorized use of the Company's technological expertise, infringement of its intellectual property, or court rulings that its products or technologies infringe on third-party intellectual property rights could adversely affect the Company's business performance and financial position.

Product Quality

Management at the Company is committed to ensuring high and consistent product quality and maintains a framework and procedures for fulfilling that commitment, but product defects could occur despite the Company's best efforts in prevention. The occurrence of defects serious enough to occasion large product recalls could adversely affect the Company's business performance and financial position.

Laws, Regulations, and Litigation

The Company is subject to laws and regulations in the nations where it conducts business that pertain to such activities as investment, trade, currency exchange, exports, competition, personal information safeguarding, and environmental protection. The imposition of new laws or regulations in Japan or overseas or unexpected changes in laws or regulations that result in constraining the Company's operating latitude or in raising the Company's costs could adversely affect the Company's business performance and financial position. In addition, the Company could become the subject of litigation or of investigations by legal authorities in the nations where it operates. Serious litigation or the initiation of an investigation of the Company by legal authorities could adversely affect the Company's business performance and financial position.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2020** (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8)	**¥ 30,760**	¥ 27,909	**$ 297,195**
Trade and other receivables (Notes 9 and 31)	**152,390**	165,261	**1,472,368**
Other financial assets (Notes 11 and 31)	**2,690**	2,193	**25,994**
Inventories (Notes 10)	**112,572**	124,355	**1,087,651**
Other current assets	**10,840**	11,821	**104,736**
Total current assets (Notes 18)	**309,252**	331,540	**2,987,944**
NON-CURRENT ASSETS:			
Property, plant and equipment (Notes 12, 15 and 18)	**311,150**	327,706	**3,006,278**
Goodwill (Notes 13 and 15)	**80,706**	85,431	**779,766**
Intangible assets (Notes 13 and 15)	**36,481**	42,113	**352,469**
Other financial assets (Notes 11 and 31)	**108,689**	107,913	**1,050,133**
Deferred tax assets (Notes 16)	**8,921**	8,065	**86,197**
Other non-current assets (Notes 20)	**5,173**	4,793	**49,982**
Total non-current assets (Notes 18)	**551,119**	576,021	**5,324,826**
TOTAL ASSETS	**¥ 860,372**	¥ 907,560	**$ 8,312,770**
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables (Notes 17 and 31)	**¥ 67,179**	¥ 75,017	**$ 649,072**
Bonds and borrowings (Notes 18 and 31)	**92,029**	105,287	**889,170**
Other financial liabilities (Notes 19 and 31)	**21,126**	23,218	**204,116**
Income taxes payable	**4,697**	5,077	**45,386**
Other current liabilities	**42,369**	42,578	**409,363**
Total current liabilities	**227,401**	251,177	**2,197,107**
NON-CURRENT LIABILITIES:			
Bonds and borrowings (Notes 18 and 31)	**115,796**	134,583	**1,118,802**
Other financial liabilities (Notes 19 and 31)	**33,790**	30,947	**326,475**
Liabilities for retirement benefits (Note 20)	**17,260**	16,506	**166,767**
Deferred tax liabilities (Note 16)	**34,540**	38,404	**333,717**
Other non-current liabilities	**8,723**	8,266	**84,281**
Total non-current liabilities	**210,109**	228,706	**2,030,042**
TOTAL LIABILITIES	**437,510**	479,882	**4,227,150**
EQUITY:			
Share capital (Note 21)	**38,909**	38,909	**375,934**
Share premium (Note 21)	**31,052**	31,049	**300,023**
Retained earnings (Note 21)	**331,880**	316,107	**3,206,571**
Treasury shares (Note 21)	**(11,834)**	(11,975)	**(114,336)**
Other components of equity	**25,540**	44,802	**246,760**
Total equity attributable to owners of the parent	**415,547**	418,893	**4,014,951**
Non-controlling interests	**7,314**	8,785	**70,669**
TOTAL EQUITY	**422,862**	427,678	**4,085,620**
TOTAL LIABILITIES AND EQUITY	**¥ 860,372**	¥ 907,560	**$ 8,312,770**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Revenue (Notes 6 and 7)	**¥ 570,572**	¥ 650,462	**$ 5,512,776**
Cost of sales (Notes 12,13 and 20)	**(390,413)**	(441,323)	**(3,772,105)**
Gross profit	**180,159**	209,139	**1,740,671**
Selling, general, and administrative expenses (Notes 12,13,20 and 23)	**(143,360)**	(159,009)	**(1,385,123)**
Business profit (Note 6)	**36,799**	50,129	**355,548**
Other income (Note 24)	**4,974**	11,807	**48,061**
Other expenses (Notes 15 and 25)	**(5,364)**	(3,372)	**(51,829)**
Operating profit	**36,409**	58,564	**351,780**
Finance income (Note 26)	**3,114**	3,223	**30,086**
Finance costs (Note 26)	**(5,610)**	(4,022)	**(54,207)**
Profit before tax	**33,913**	57,764	**327,659**
Income taxes (Note 16)	**(7,061)**	(14,837)	**(68,223)**
Profit for the year	**26,852**	42,927	**259,436**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent	**26,312**	41,971	**254,221**
Non-controlling interests	**540**	957	**5,216**
Profit for the year	**¥ 26,852**	¥ 42,927	**$ 259,436**
EARNINGS PER SHARE (YEN/U.S. DOLLARS):			
Basic earnings per share (Note 28)	**164.09**	261.61	**1.59**
Diluted earnings per share (Note 28)	**163.92**	—	**1.58**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
PROFIT FOR THE YEAR	**¥ 26,852**	¥ 42,927	**$ 259,436**
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)	**1,215**	12,927	**11,743**
Remeasurements of defined benefit plans (Notes 20 and 27)	**(284)**	1,693	**(2,748)**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges (Note 27)	**(1,082)**	(458)	**(10,458)**
Exchange differences on translating foreign operations (Note 27)	**(19,481)**	(703)	**(188,219)**
Total other comprehensive income, net of tax	**(19,632)**	13,460	**(189,682)**
COMPREHENSIVE INCOME	**¥ 7,220**	¥ 56,387	**$ 69,754**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**6,946**	55,287	**67,106**
Non-controlling interests	**274**	1,100	**2,648**
Comprehensive income	**¥ 7,220**	¥ 56,387	**$ 69,754**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2020 and 2019

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

	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, 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, 2019 (From January 1, 2019 to December 31, 2019)

	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, 2019	¥ 38,909	¥ 31,118	¥ 282,918	¥ (12,041)	¥ (908)	¥ 799
Cumulative effect of accounting change			(237)			
RESTATED BALANCE, JANUARY 1, 2019	38,909	31,118	282,681	(12,041)	(908)	799
Profit for the year			41,971			
Other comprehensive income (Note 27)					(826)	(458)
Comprehensive income	—	—	41,971	—	(826)	(458)
Purchase of treasury shares (Note 21)				(3)		
Disposal of treasury shares (Note 21)		0		0		
Share-based payment transactions (Notes 21 and 29)		41		69		
Dividends from surplus (Note 22)			(9,946)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		(110)				
Transfer to retained earnings			1,637			
Others			(235)			
Total transactions with owners	—	(69)	(8,544)	66	—	—
BALANCE, DECEMBER 31, 2019	¥ 38,909	¥ 31,049	¥ 316,107	¥ (11,975)	¥ (1,734)	¥ 341

	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, 2019	¥ 33,232	¥ —	¥ 33,123	¥ 374,027	¥ 8,374	¥ 382,401
Cumulative effect of accounting change			—	(237)		(237)
RESTATED BALANCE, JANUARY 1, 2019	33,232	—	33,123	373,790	8,374	382,164
Profit for the year			—	41,971	957	42,927
Other comprehensive income (Note 27)	12,908	1,692	13,316	13,316	143	13,460
Comprehensive income	12,908	1,692	13,316	55,287	1,100	56,387
Purchase of treasury shares (Note 21)			—	(3)		(3)
Disposal of treasury shares (Note 21)			—	0		0
Share-based payment transactions (Notes 21 and 29)			—	110		110
Dividends from surplus (Note 22)			—	(9,946)	(587)	(10,533)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(110)	(175)	(285)
Transfer to retained earnings	55	(1,692)	(1,637)	—		—
Others			—	(235)	73	(162)
Total transactions with owners	55	(1,692)	(1,637)	(10,184)	(689)	(10,873)
BALANCE, DECEMBER 31, 2019	¥ 46,195	¥ —	¥ 44,802	¥ 418,893	¥ 8,785	¥ 427,678

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

	Thousands of U.S. Dollars					
	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Share premium	Retained earnings	Treasury shares	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE, JANUARY 1, 2020	**$ 375,934**	**$ 299,994**	**$ 3,054,176**	**$ (115,701)**	**$ (16,754)**	**$ 3,297**
Profit for the year			**254,221**			
Other comprehensive income (Note 27)					**(185,830)**	**(10,458)**
Comprehensive income	**—**	**—**	**254,221**	**—**	**(185,830)**	**(10,458)**
Purchase of treasury shares (Note 21)				**(17)**		
Disposal of treasury shares (Note 21)		**0**		**1**		
Share-based payment transactions (Notes 21 and 29)		**44**		**1,381**		
Dividends from surplus (Note 22)			**(100,799)**			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		**(15)**				
Transfer to retained earnings			**(1,001)**			
Others		**(0)**	**(26)**			
Total transactions with owners	**—**	**29**	**(101,826)**	**1,365**	**—**	**—**
BALANCE, DECEMBER 31, 2020	**$ 375,934**	**$ 300,023**	**$ 3,206,571**	**$ (114,336)**	**$ (202,583)**	**$ (7,162)**

	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	**$ 446,330**	**$ —**	**$ 432,873**	**$ 4,047,276**	**$ 84,876**	**$ 4,132,152**
Profit for the year			**—**	**254,221**	**5,216**	**259,436**
Other comprehensive income (Note 27)	**11,881**	**(2,708)**	**(187,114)**	**(187,114)**	**(2,568)**	**(189,682)**
Comprehensive income	**11,881**	**(2,708)**	**(187,114)**	**67,106**	**2,648**	**69,754**
Purchase of treasury shares (Note 21)			**—**	**(17)**		**(17)**
Disposal of treasury shares (Note 21)			**—**	**1**		**1**
Share-based payment transactions (Notes 21 and 29)			**—**	**1,425**		**1,425**
Dividends from surplus (Note 22)			**—**	**(100,799)**	**(5,217)**	**(106,016)**
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			**—**	**(15)**	**(11,606)**	**(11,621)**
Transfer to retained earnings	**(1,706)**	**2,708**	**1,001**	**—**		**—**
Others			**—**	**(26)**	**(32)**	**(59)**
Total transactions with owners	**(1,706)**	**2,708**	**1,001**	**(99,431)**	**(16,856)**	**(116,287)**
BALANCE, DECEMBER 31, 2020	**$ 456,505**	**$ —**	**$ 246,760**	**$ 4,014,951**	**$ 70,669**	**$ 4,085,620**

CONSOLIDATED STATEMENT OF CASH FLOWS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	**¥ 33,913**	¥ 57,764	**$ 327,659**
Depreciation and amortization	**44,467**	42,382	**429,633**
Impairment losses	**721**	432	**6,971**
Increase (decrease) in liabilities for retirement benefits	**1,588**	1,070	**15,345**
Interest and dividend income	**(2,627)**	(2,836)	**(25,381)**
Interest expenses	**2,788**	2,728	**26,941**
Loss (gain) on sales and retirement of non-current assets	**(1,780)**	(5,873)	**(17,199)**
Decrease (increase) in trade receivables	**9,207**	5,228	**88,960**
Increase (decrease) in trade payables	**(13,449)**	(9,979)	**(129,939)**
Decrease (increase) in inventories	**7,573**	(4,449)	**73,166**
Other	**7,442**	4,930	**71,905**
Subtotal	**89,844**	91,397	**868,061**
Interests and dividends received	**2,624**	2,837	**25,355**
Interests paid	**(2,747)**	(2,762)	**(26,544)**
Income taxes (paid) refund	**(11,427)**	(16,099)	**(110,409)**
Net cash provided by operating activities	**78,294**	75,374	**756,463**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits	**1,438**	16	**13,890**
Payments into time deposits	**(2,705)**	(3)	**(26,139)**
Purchases of property, plant and equipment	**(30,800)**	(49,520)	**(297,584)**
Proceeds from sales of property, plant and equipment	**3,650**	7,098	**35,264**
Purchases of intangible assets	**(481)**	(675)	**(4,645)**
Purchases of investment securities	**(35)**	(24)	**(341)**
Proceeds from sales of investment securities	**199**	54	**1,924**
Other	**869**	(583)	**8,400**
Net cash used in investing activities	**(27,865)**	(43,638)	**(269,231)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings (Note 30)	**17**	25,511	**162**
Net increase (decrease) in commercial paper (Note 30)	**(17,000)**	17,000	**(164,251)**
Proceeds from long-term borrowings (Note 30)	**13,279**	—	128,302
Repayments of long-term borrowings (Note 30)	**(23,274)**	(51,889)	**(224,874)**
Proceeds from issuance of bonds (Note 30)	**10,000**	—	**96,618**
Redemption of bonds (Note 30)	**(10,000)**	(9,000)	**(96,618)**
Purchases of treasury shares	**(11)**	(3)	**(110)**
Proceeds from sale of treasury shares	**(0)**	—	**(3)**
Cash dividends paid (Note 22)	**(10,431)**	(9,950)	**(100,782)**
Other (Note 30)	**(9,132)**	(7,181)	**(88,229)**
Net cash used in financing activities	**(46,553)**	(35,512)	**(449,784)**
Effect of exchange rate changes on cash and cash equivalents	**(1,026)**	(60)	**(9,909)**
Net increase (decrease) in cash and cash equivalents	**2,850**	(3,836)	**27,540**
Cash and cash equivalents at the beginning of year (Note 8)	**27,909**	31,745	**269,656**
Cash and cash equivalents at the end of year (Note 8)	**¥ 30,760**	¥ 27,909	**$ 297,195**

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, 2020 were approved by the Board of Directors on March 30, 2021. 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 ¥103.50 = $1.00, the approximate exchange rate prevailing on December 31, 2020.

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.

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.

Even though it is unclear when COVID-19 will be contained, the global economy is on a moderate recovery track. Therefore, accounting estimates are made on the assumption that the Company's operating environment will normalize in the fiscal year ending December 31, 2021.

However, given that the above assumptions used for estimates involve a lot of uncertainties, any changes in the operating environment, such as the resurgence of COVID-19, 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:
- 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.

- 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, 2020.

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").

Since the fiscal year ended December 31, 2020, some consolidated subsidiaries previously included in "Others" have been included in "Tires" in line with an organizational change. Segment information for the fiscal year ended December 31, 2019 was prepared based on the reportable segments for the fiscal year ended December 31, 2020.

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, adhesives, sealants, coatings, encapsulants, 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.

Fiscal Year Ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

	Millions of Yen						
	Reportable segment			Others		Adjustments	
	Tires	MB	ATG	(Note 1)	Total	(Note 3)	Consolidated
Revenues							
Revenue from external customers	¥ 451,726	¥ 119,337	¥ 70,787	¥ 8,612	¥ 650,462	¥ —	¥ 650,462
Intersegment revenue	1,786	133	38	10,018	11,976	(11,976)	—
Total	¥ 453,512	¥ 119,470	¥ 70,826	¥ 18,630	¥ 662,437	¥ (11,976)	¥ 650,462
Segment profit (business profit) (Note 2)	30,823	8,322	10,404	503	50,052	78	50,129
Other income and expenses							8,434
Operating profit							58,564
(Other significant items) (Note 4)							
Depreciation and amortization	25,655	3,617	5,969	304	35,546	481	36,027
Impairment losses	—	432	—	—	432	—	432
Capital expenditures	38,494	2,556	9,987	85	51,123	216	51,339

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. Since the fiscal year ended December 31, 2019, depreciation and capital expenditures for right-of-use assets have not been included.
   This change is attributable to a revision to the management method for determining the distribution of management resources, etc. in line with the application of IFRS 16.

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

	Millions of Yen						
	Reportable segment			Others		Adjustments	
	Tires	MB	ATG	(Note 1)	Total	(Note 3)	Consolidated
Revenues							
Revenue from external customers	**¥ 399,202**	**¥ 98,525**	**¥ 65,096**	**¥ 7,750**	**¥ 570,572**	**¥ —**	**¥ 570,572**
Intersegment revenue	**1,602**	**91**	**253**	**7,203**	**9,149**	**(9,149)**	**—**
Total	**¥ 400,804**	**¥ 98,616**	**¥ 65,349**	**¥ 14,953**	**¥ 579,721**	**¥ (9,149)**	**¥ 570,572**
Segment profit (business profit) (Note 2)	**23,985**	**3,822**	**8,812**	**78**	**36,696**	**103**	**36,799**
Other income and expenses							**(390)**
Operating profit							**36,409**
(Other significant items) (Note 4)							
Depreciation and amortization	**26,544**	**3,524**	**6,389**	**238**	**36,695**	**799**	**37,494**
Impairment losses	**31**	**691**	**—**	**—**	**721**	**—**	**721**
Capital expenditures	**19,004**	**2,690**	**6,393**	**40**	**28,126**	**307**	**28,433**

	Thousands of U.S. Dollars						
	Reportable segment			Others		Adjustments	
	Tires	MB	ATG	(Note 1)	Total	(Note 3)	Consolidated
Revenues							
Revenue from external customers	**$ 3,857,022**	**$ 951,931**	**$ 628,947**	**$ 74,876**	**$ 5,512,776**	**$ —**	**$ 5,512,776**
Intersegment revenue	**15,479**	**880**	**2,441**	**69,596**	**88,395**	**(88,395)**	**—**
Total	**$ 3,872,501**	**$ 952,811**	**$ 631,388**	**$ 144,472**	**$ 5,601,172**	**$ (88,395)**	**$ 5,512,776**
Segment profit (business profit) (Note 2)	**231,739**	**36,930**	**85,136**	**749**	**354,555**	**993**	**355,548**
Other income and expenses							**(3,767)**
Operating profit							**351,780**
(Other significant items) (Note 4)							
Depreciation and amortization	**256,468**	**34,044**	**61,728**	**2,297**	**354,538**	**7,720**	**362,258**
Impairment losses	**295**	**6,676**	**—**	**—**	**6,971**	**—**	**6,971**
Capital expenditures	**183,614**	**25,988**	**61,765**	**384**	**271,750**	**2,967**	**274,717**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Japan	**¥ 142,283**	¥ 147,454	**$ 1,374,714**
United States of America (“USA”)	**46,359**	51,653	**447,916**
India	**126,070**	129,575	**1,218,065**
China	**30,808**	32,453	**297,667**
Philippines	**29,331**	31,498	**283,396**
Others	**58,230**	66,367	**562,604**
Total	**¥ 433,081**	¥ 459,000	**$ 4,184,361**

Note:
Non-current assets are classified based on the location of each company in the Group. They exclude other financial assets, assets for retirement benefits, and deferred tax assets.

5. Information on Major Customers
There was no single external customer that accounted for 10% or more of revenue on the consolidated statement of profit or loss.

7. REVENUE
1. Disaggregation of Segment Revenues by Geographic Area
Fiscal Year Ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

	Millions of Yen				
	Tires	MB	ATG	Others	Total
Areas					
Japan	¥ 190,904	¥ 71,458	¥ 501	¥ 7,335	¥ 270,199
North America	121,398	22,759	30,625	69	174,852
Asia	69,871	16,936	4,310	1,208	92,325
Others	69,552	8,183	35,351	—	113,086
Total	¥ 451,726	¥ 119,337	¥ 70,787	¥ 8,612	¥ 650,462

Note:
Revenues are classified based on the location of customers and exclude intersegment transactions.
North America mainly refers to the USA (¥164,457 million).

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**	**¥ 59,686**	**¥ 115**	**¥ 6,197**	**¥ 240,914**
North America	**105,727**	**17,319**	**28,384**	**127**	**151,556**
Asia	**61,775**	**15,341**	**4,507**	**1,426**	**83,050**
Others	**56,784**	**6,179**	**32,090**	**—**	**95,053**
Total	**¥ 399,202**	**¥ 98,525**	**¥ 65,096**	**¥ 7,750**	**¥ 570,572**

	Thousands of U.S. Dollars				
	Tires	MB	ATG	Others	Total
Areas					
Japan	**$ 1,690,009**	**$ 576,673**	**$ 1,114**	**$ 59,871**	**$ 2,327,667**
North America	**1,021,515**	**167,331**	**274,238**	**1,229**	**1,464,313**
Asia	**596,863**	**148,227**	**43,548**	**13,777**	**802,414**
Others	**548,635**	**59,700**	**310,047**	**—**	**918,382**
Total	**$ 3,857,022**	**$ 951,931**	**$ 628,947**	**$ 74,876**	**$ 5,512,776**

Note:
Revenues are classified based on the location of customers and exclude intersegment transactions.
North America mainly refers to the USA (¥142,879 million, $1,380,470 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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Cash and deposits	**¥ 23,796**	¥ 25,111	**$ 229,917**
Time deposits with maturities of three months or less	**6,963**	2,799	**67,278**
Total	**¥ 30,760**	¥ 27,909	**$ 297,195**

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Notes and accounts receivable-trade	**¥ 143,862**	¥ 154,090	**$ 1,389,966**
Others	**11,848**	14,168	**114,475**
Allowance for doubtful receivables	**(3,320)**	(2,997)	**(32,073)**
Total	**¥ 152,390**	¥ 165,261	**$ 1,472,368**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Merchandise and finished goods	**¥ 74,109**	¥ 85,514	**$ 716,024**
Work in progress	**6,194**	7,227	**59,841**
Raw materials and supplies	**32,270**	31,613	**311,785**
Total	**¥ 112,572**	¥ 124,355	**$ 1,087,651**

The valuation loss on inventories was ¥1,035 million and ¥2,378 million ($22,980 thousand) for the fiscal years ended December 31, 2019 and 2020, 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 ($2,625 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.

11. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Non-derivative financial assets measured at amortized cost			
Loans	**¥ 2,935**	¥ 3,247	**$ 28,358**
Others	**5,326**	4,392	**51,462**
Allowance for doubtful receivables	**(308)**	(356)	**(2,974)**
Non-derivative financial assets measured at fair value through profit or loss			
Others	**195**	250	**1,880**
Non-derivative financial assets measured at fair value through other comprehensive income			
Shares	**101,614**	100,363	**981,781**
Others	**894**	890	**8,635**
Derivative assets	**723**	1,319	**6,986**
Total	**¥ 111,379**	¥ 110,106	**$ 1,076,127**
Current assets	**2,690**	2,193	**25,994**
Non-current assets	**108,689**	107,913	**1,050,133**
Total	**¥ 111,379**	¥ 110,106	**$ 1,076,127**

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, 2019 (December 31, 2019)

Share issuer	Millions of Yen Amount
Zeon Corporation	¥ 30,984
TOYOTA MOTOR CORPORATION	26,708
Honda Motor Co., Ltd.	9,714
SUZUKI MOTOR CORPORATION	3,763
Yellow Hat Ltd.	2,136

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**

Share issuer	Thousands of U.S. Dollars Amount
Zeon Corporation	**$ 324,130**
TOYOTA MOTOR CORPORATION	**266,177**
Honda Motor Co., Ltd.	**87,148**
SUZUKI MOTOR CORPORATION	**38,071**
ADEKA Corporation	**19,152**

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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Fair value	**¥ 449**	¥ 260	**$ 4,336**
Accumulated gains (losses) recognized in other components of equity (Note)	**¥ 177**	¥ 158	**$ 1,707**

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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Investments derecognized during the year	**¥ 5**	¥ 4	**$ 45**
Investments held as of the end of the year	**2,328**	2,465	**22,491**
Total	**¥ 2,332**	¥ 2,469	**$ 22,536**

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, 2019	¥ 209,954	¥ 473,456	¥ 87,266	¥ 47,520	¥ 26,487	¥ 15,079	¥ 859,762
Cumulative effect of accounting change	—	—	—	—	—	21,206	21,206
Restated balance at January 1, 2019	209,954	473,456	87,266	47,520	26,487	36,285	880,967
Individual acquisition	752	3,487	3,208	—	43,217	11,217	61,881
Sale or disposal	(873)	(11,510)	(4,341)	(197)	(1)	(348)	(17,270)
Exchange differences on translating foreign operations	216	456	205	59	(1,601)	38	(627)
Transfer from construction in progress	5,771	25,861	5,037	254	(37,008)	85	—
Others	26	(560)	(83)	0	154	(1,348)	(1,811)
Balance at December 31, 2019	¥ 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

	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, 2019	$ 2,085,466	$ 4,745,801	$ 882,043	$ 460,253	$ 301,902	$ 443,764	$ 8,919,228
Individual acquisition	4,364	6,156	18,676	11,311	229,566	74,606	344,677
Sale or disposal	(17,667)	(48,891)	(49,748)	(6,448)	(1,116)	(4,091)	(127,961)
Exchange differences on translating foreign operations	(38,820)	(94,423)	(17,200)	(6,139)	(12,958)	(8,771)	(178,312)
Transfer from construction in progress	31,245	276,830	38,011	—	(346,167)	81	—
Others	(2,925)	(857)	(58)	(218)	(7,219)	(11,197)	(22,474)
Balance at December 31, 2020	$ 2,061,662	$ 4,884,615	$ 871,724	$ 458,758	$ 164,008	$ 494,392	$ 8,935,158

Accumulated depreciation and accumulated impairment losses	Millions of Yen						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at January 1, 2019	¥ (115,389)	¥ (374,094)	¥ (72,471)	¥ (668)	¥ (711)	¥ (9,409)	¥ (572,742)
Depreciation	(6,166)	(18,201)	(7,451)	—	—	(6,355)	(38,173)
Impairment losses	(74)	(130)	(9)	(9)	(5)	—	(228)
Sale or disposal	768	11,229	4,275	58	—	324	16,655
Exchange differences on translating foreign operations	(386)	(789)	(180)	5	11	(33)	(1,372)
Others	(23)	(681)	42	0	557	531	425
Balance at December 31, 2019	¥ (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)

Accumulated depreciation and accumulated impairment losses	Thousands of U.S. Dollars						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at December 31, 2019	$ (1,171,685)	$ (3,697,253)	$ (732,307)	$ (5,937)	$ (1,436)	$ (144,370)	$ (5,752,989)
Depreciation	(59,981)	(192,266)	(68,652)	—	—	(67,375)	(388,274)
Impairment losses	(5,107)	(79)	(10)	(1,408)	—	(241)	(6,844)
Sale or disposal	15,437	47,444	48,530	683	—	3,426	115,519
Exchange differences on translating foreign operations	15,899	63,199	12,863	190	50	1,777	93,978
Others	(209)	(290)	(784)	167	1,130	9,716	9,730
Balance at December 31, 2020	$ (1,205,646)	$ (3,779,245)	$ (740,360)	$ (6,305)	$ (256)	$ (197,067)	$ (5,928,880)

Carrying amount	Millions of Yen						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets (Note)	Total
Balance at January 1, 2019	¥ 94,565	¥ 99,362	¥ 14,795	¥ 46,852	¥ 25,776	¥ 5,670	¥ 287,020
Balance at December 31, 2019	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

Carrying amount	Thousands of U.S. Dollars						
	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Right-of-use assets (Note)	Total
Balance at December 31, 2020	$ 856,016	$ 1,105,370	$ 131,364	$ 452,453	$ 163,751	$ 297,324	$ 3,006,278

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

	Millions of Yen				
Right-of-use assets	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Total
Balance at January 1, 2019	¥ 1,275	¥ 2,622	¥ 237	¥ 1,535	¥ 5,670
Balance at December 31, 2019	22,738	2,853	866	4,531	30,987
Balance at December 31, 2020	22,219	2,811	910	4,832	30,773

	Thousands of U.S. Dollars				
Right-of-use assets	Buildings and structures	Machinery, equipment, and vehicles	Tools, furniture, and fixtures	Land	Total
Balance at December 31, 2020	$ 214,680	$ 27,160	$ 8,795	$ 46,690	$ 297,324

Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general, and administrative expenses” in the consolidated statement of profit or loss.

13. GOODWILL AND INTANGIBLE ASSETS

1. Changes

Changes in the cost, accumulated amortization, and accumulated impairment losses and carrying amounts of goodwill and intangible assets were as follows:

	Millions of Yen					
Cost	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2019	¥ 86,554	¥ 28,120	¥ 14,593	¥ 7,075	¥ 7,320	¥ 143,661
Individual acquisition	—	—	4	585	86	675
Sale or disposal	—	—	—	(360)	(6)	(367)
Exchange differences on translating foreign operations	(1,123)	(363)	(195)	4	(46)	(1,723)
Others	—	1	13	(386)	(28)	(400)
Balance at December 31, 2019	¥ 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

	Thousands of U.S. Dollars					
Cost	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2019	$ 825,422	$ 268,196	$ 139,286	$ 66,828	$ 70,776	$ 1,370,508
Individual acquisition	—	—	17	4,045	583	4,645
Sale or disposal	—	—	—	(1,049)	(1,146)	(2,194)
Exchange differences on translating foreign operations	(45,656)	(14,751)	(7,913)	(867)	(980)	(70,167)
Others	—	—	0	(2,775)	(21)	(2,797)
Balance at December 31, 2020	$ 779,766	$ 253,445	$ 131,390	$ 66,181	$ 69,213	$ 1,299,995

Accumulated amortization and accumulated impairment losses	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2019	¥ —	¥ (5,520)	¥ (216)	¥ (1,685)	¥ (3,132)	¥ (10,554)
Amortization	—	(2,135)	(75)	(1,284)	(714)	(4,209)
Impairment losses	—	(84)	—	—	(120)	(204)
Sale or disposal	—	—	—	36	6	42
Exchange differences on translating foreign operations	—	61	8	(1)	7	75
Others	—	—	(1)	544	2	546
Balance at December 31, 2019	¥ —	¥ (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)

Accumulated amortization and accumulated impairment losses	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2019	$ —	$ (74,184)	$ (2,744)	$ (23,094)	$ (38,177)	$ (138,199)
Amortization	—	(19,907)	(712)	(13,718)	(7,021)	(41,359)
Impairment losses	—	—	—	—	(127)	(127)
Sale or disposal	—	—	—	1,027	1	1,029
Exchange differences on translating foreign operations	—	4,637	390	522	452	6,001
Others	—	—	—	4,849	47	4,895
Balance at December 31, 2020	$ —	$ (89,455)	$ (3,066)	$ (30,414)	$ (44,826)	$ (167,760)

Carrying amount	Millions of Yen					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at January 1, 2019	¥ 86,554	¥ 22,599	¥ 14,377	¥ 5,389	¥ 4,187	¥ 133,108
Balance at December 31, 2019	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

Carrying amount	Thousands of U.S. Dollars					
	Goodwill	Customer related	Trademark right	Software	Others	Total
Balance at December 31, 2020	$ 779,766	$ 163,991	$ 128,325	$ 35,767	$ 24,387	$ 1,132,235

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, 2019 and 2020 were ¥13,949 million and ¥13,177 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, 2020 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, 2019 and 2020 was that in ATG, a CGU, whose carrying amounts were ¥85,431 million and ¥80,706 million ($779,766 thousand), respectively.

Significant intangible assets other than goodwill at the end of the fiscal years ended December 31, 2019 and 2020 were related to ATG customers, whose carrying amounts were ¥20,080 million and ¥16,973 million ($163,991 thousand), respectively. The remaining amortization period at the end of the fiscal year ended December 31, 2020 was nine years.

4. Research and Development Expenses

Research and development expenses recognized in the fiscal years ended December 31, 2019 and 2020 were ¥15,026 million and ¥14,125 million ($136,474 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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Depreciation of right-of-use assets by class of underlying asset			
Buildings and structures	**¥ 4,451**	¥ 4,155	**$ 43,007**
Machinery, equipment, and vehicles	**1,729**	1,502	**16,710**
Tools, furniture, and fixtures	**410**	303	**3,961**
Land	**403**	392	**3,896**
Other assets	**17**	2	**163**
Subtotal	**7,011**	6,355	**67,737**
Interest expenses on lease liabilities	**614**	585	**5,932**
Expense relating to short-term leases	**646**	743	**6,241**
Expense relating to leases of low-value assets (excluding short-term leases)	**20**	20	**195**
Variable lease payments	**557**	473	**5,382**
Income from subleasing right-of-use assets	**234**	224	**2,262**

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, 2019, a transaction was executed to sell the land of a tire warehouse in Ageo City, Saitama Prefecture, and lease it back. Gains arising from the sale and leaseback transaction were ¥5,571 million, and the payment of ¥5,675 million was received in the same period.

In the fiscal year ended December 31, 2020, there were no sale and leaseback transactions.

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, 2019 (From January 1, 2019 to December 31, 2019)

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, 2019.

			Millions of Yen
Usage	Segment	Type	Amount
Business assets	MB	Buildings and structures	**¥ 74**
		Machinery, equipment, and vehicles	**130**
		Tools, furniture, and fixtures	**9**
		Land	**9**
		Construction in progress	**5**
		Customer-related	**84**
		Other intangible assets	**120**

As a result of the Company's review of its business plans in the MB segment, the carrying amounts of relevant non-current assets were assessed as no longer recoverable, and therefore were reduced to recoverable amounts, with ¥432 million ($3,944 thousand) recorded as impairment losses in "Other expenses" in the consolidated statement of profit or loss. Of the recoverable amounts of the asset groups, those of buildings and structures as well as land are measured at fair value, while those of all other assets are measured at value in use, which is zero.

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.

			Millions of Yen	Thousands of U.S. Dollars
Usage	Segment	Type	Amount	Amount
Business assets	Tires	Land	**¥ 17**	**$ 168**
		Other intangible assets	**13**	**127**
		Total	**30**	**295**
Business assets	MB	Buildings and structures	**529**	**5,107**
		Machinery, equipment, and vehicles	**8**	**79**
		Tools, furniture, and fixtures	**1**	**10**
		Land	**128**	**1,240**
		Tangible leased assets	**25**	**241**
		Total	**691**	**6,676**

The details of major impairment losses recognized in the fiscal year ended December 31, 2020 are as follows:

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, 2019, 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 ($6,676 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.

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, 2020: 1.7% to 4.0%, Fiscal year ended December 31, 2019: 1.8% 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, 2020: 8.7%, Fiscal year ended December 31, 2019: 9.1%

Concerning the goodwill and intangible assets with indefinite useful lives, since 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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Current tax expense	**¥ 2,272**	¥ 14,272	**$ 21,955**
Deferred tax expense	**4,789**	565	**46,268**
Total	**¥ 7,061**	¥ 14,837	**$ 68,223**

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 ($13,048 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, 2019 and 2020.

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

	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)
Statutory effective tax rate	**30.3 %**	30.3 %
(Reconciliation)		
Difference between statutory effective tax rates of overseas consolidated subsidiaries	**(2.0)**	(2.9)
Permanently nondeductible expenses	**0.6**	0.6
Permanently nontaxable income	**(1.1)**	(0.7)
Tax deduction for research and development	**(2.6)**	(1.1)
Effect of recoverability assessment of deferred tax assets	**0.8**	0.1
Taxable temporary differences associated with investments in subsidiaries or associates	**(1.9)**	6.9
Decrease in deferred tax liabilities at year-end due to tax reform	**(4.0)**	(10.4)
Others	**0.7**	2.9
Average actual effective tax rate	**20.8 %**	25.7 %

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Deferred tax assets			
Liabilities for retirement benefits	**¥ 10,901**	¥ 11,220	**$ 105,321**
Unrealized gains	**2,746**	2,927	**26,533**
Accrued expenses	**1,671**	1,826	**16,145**
Accrued vacation payable	**1,509**	1,441	**14,580**
Valuation loss on inventories	**1,086**	1,074	**10,491**
Impairment losses	**2,966**	3,046	**28,657**
Others	**5,531**	5,668	**53,435**
Total deferred tax assets	**26,409**	27,202	**255,163**
Deferred tax liabilities			
Intangible assets identified as a result of business combinations	**(10,868)**	(12,391)	**(105,007)**
Liabilities for pension and severance payments	**(4,993)**	(4,993)	**(48,241)**
Gain on receipt of stock set by pension plan	**(1,581)**	(1,581)	**(15,275)**
Reserve for advanced depreciation of non-current assets	**(2,243)**	(3,090)	**(21,673)**
Retained earnings of overseas subsidiaries	**(4,148)**	(6,131)	**(40,074)**
Non-current assets	**(6,806)**	(6,049)	**(65,761)**
Unrealized gains on securities	**(18,977)**	(18,681)	**(183,355)**
Others	**(2,411)**	(4,626)	**(23,298)**
Total deferred tax liabilities	**(52,028)**	(57,541)	**(502,684)**
Net deferred tax assets (liabilities)	**¥ (25,618)**	¥ (30,340)	**$ (247,521)**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Deferred tax assets	**¥ 8,921**	¥ 8,065	**$ 86,197**
Deferred tax liabilities	**(34,540)**	(38,404)	**333,717**

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

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Beginning balance	**¥ (30,340)**	¥ (24,311)	**$ (293,135)**
Tax expense or income recognized through profit or loss (Note)	**4,789**	565	**46,275**
Amount recognized in other comprehensive income			
Cash flow hedges	**416**	71	**4,021**
Gains (losses) on financial assets measured at fair value through other comprehensive income	**(528)**	(5,620)	**(5,106)**
Remeasurements of defined benefit plans	**44**	(1,045)	**425**
Total	**(68)**	(6,593)	**(660)**
Ending balance	**¥ (25,618)**	¥ (30,340)	**$ (247,521)**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Deductible temporary differences	**¥ 7,029**	¥ 6,979	**$ 67,910**
Tax loss carryforwards and tax credit carryforwards	**2,036**	2,532	**19,670**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
First year	**¥ 140**	¥ 51	**$ 1,349**
Second year	**271**	273	**2,619**
Third year	**107**	312	**1,038**
Fourth year	**154**	114	**1,486**
Fifth year and after	**565**	626	**5,455**
Indefinite	**799**	1,156	**7,723**
Total	**¥ 2,036**	¥ 2,532	**$ 19,670**

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, 2019 and 2020 were ¥7,370 million and ¥7,023 million ($67,855 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, 2019 and 2020, 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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Accounts and notes payable-trade	**¥ 48,637**	¥ 62,149	**$ 469,921**
Others	**18,542**	12,868	**179,152**
Total	**¥ 67,179**	¥ 75,017	**$ 649,072**

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		
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)	Average interest rate	Repayment period
Short-term borrowings	**¥ 52,916**	¥ 55,188	**$ 511,262**	0.72 %	
Commercial paper	—	17,000	—		
Current portion of bonds (Note)	**10,000**	10,000	**96,618**		
Current portion of long-term borrowings	**29,113**	23,099	**281,290**	0.65	
Bonds (Note)	**30,909**	30,933	**298,640**		
Long-term borrowings	**84,887**	103,650	**820,162**	0.44	2022 - 2027
Total	**207,825**	239,870	**2,007,972**	—	—
Current liabilities	**92,029**	105,287	**889,170**		
Non-current liabilities	**115,796**	134,583	**1,118,802**		
Total	**¥ 207,825**	¥ 239,870	**$ 2,007,972**		

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, 2020.

The Company's borrowings at December 31, 2019 and 2020 include those under syndicated loan agreements (total agreement amount: $720 million and ¥54,240 million ($524,058 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, 2019 and 2020 include those under syndicated loan agreements (total agreement amount: ¥5,000 million ($48,309 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 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.

Note:

The summary of the terms for issuing bonds is as follows:

Company name	Trading name	Issuance date	Millions of Yen **2020** (December 31, 2020)	Millions of Yen 2019 (December 31, 2019)	Thousands of U.S. Dollars **2020** (December 31, 2020)	Interest rate	Collateral	Maturity date
The Company	Ninth series of unsecured bonds	October 31, 2013	**¥ —**	¥ 9,994	**$ —**	0.509%	Unsecured	October 30, 2020
The Company	Tenth series of unsecured bonds	October 31, 2014	**9,994**	9,987	**96,561**	0.355	Unsecured	October 29, 2021
The Company	Eleventh series of unsecured bonds	October 30, 2015	**11,985**	11,976	**115,794**	0.381	Unsecured	October 28, 2022
The Company	Thirteenth series of unsecured bonds	December 9, 2016	**8,982**	8,976	**86,785**	0.250	Unsecured	December 8, 2023
The Company	Fourteenth series of unsecured bonds	July 27, 2020	**9,948**	—	**96,119**	0.360	Unsecured	July 26, 2030
Total	—	—	**¥ 40,909**	¥ 40,933	**$ 395,259**	—	—	—

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

(1) Assets Pledged as Collateral

	Millions of Yen **2020** (December 31, 2020)	Millions of Yen 2019 (December 31, 2019)	Thousands of U.S. Dollars **2020** (December 31, 2020)
Cash and cash equivalents	**¥ 3,521**	¥ 2,331	**$ 34,022**
Trade and other receivables	**1,696**	2,200	**16,388**
Inventories	**2,299**	2,683	**22,214**
Other current assets	**1,339**	2,259	**12,937**
Property, plant and equipment	**455**	607	**4,400**
Other non-current assets	**—**	14	**—**
Total	**¥ 9,311**	¥ 10,095	**$ 89,961**

(2) Liabilities Corresponding to Assets Pledged as Collateral

	Millions of Yen **2020** (December 31, 2020)	Millions of Yen 2019 (December 31, 2019)	Thousands of U.S. Dollars **2020** (December 31, 2020)
Short-term borrowings	**¥ 150**	¥ 200	**$ 1,449**
Total	**¥ 150**	¥ 200	**$ 1,449**

19. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of Yen **2020** (December 31, 2020)	Millions of Yen 2019 (December 31, 2019)	Thousands of U.S. Dollars **2020** (December 31, 2020)
Non-derivative financial liabilities measured at amortized cost			
Lease liabilities	**¥ 32,515**	¥ 32,472	**$ 314,153**
Others	**16,541**	19,601	**159,820**
Derivative liabilities	**5,860**	2,093	**56,619**
Total	**54,916**	54,165	**530,591**
Current liabilities	**21,126**	23,218	**204,116**
Non-current liabilities	**33,790**	30,947	**326,475**
Total	**¥ 54,916**	¥ 54,165	**$ 530,591**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Defined benefit obligations	**¥ 69,763**	¥ 65,970	**$ 674,034**
Plan assets	**(52,930)**	(50,507)	**(511,402)**
Net liabilities (assets) for retirement benefits presented in the consolidated statement of financial position	**16,832**	15,463	**162,632**
Amounts presented in the consolidated statement of financial position			
Liabilities for retirement benefits	**17,260**	16,506	**166,767**
Assets for retirement benefits	**428**	1,043	**4,135**

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, 2019	¥ 53,662	¥ 6,150
Current service cost	2,812	110
Interest cost	932	241
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	(78)	69
Actuarial losses (gains) arising from changes in financial assumptions	3,703	816
Actuarial losses (gains) arising from other factors	322	(16)
Benefits paid	(2,226)	(349)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	(210)	31
At December 31, 2019	¥ 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

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2019	$ 569,251	$ 68,137
Current service cost	27,928	1,201
Interest cost	8,165	1,725
Changes through remeasurements		
Actuarial losses (gains) arising from changes in demographic assumptions	779	(367)
Actuarial losses (gains) arising from changes in financial assumptions	(1,062)	6,800
Actuarial losses (gains) arising from other factors	4,419	(358)
Benefits paid	(18,712)	(3,397)
Past service cost (gains)	—	—
Exchange differences on translating foreign operations, etc.	13,352	(3,827)
At December 31, 2020	$ 604,120	$ 69,914

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

	Years	
	2020 (December 31, 2020)	2019 (December 31, 2019)
Weighted-average duration	**12.4**	12.2

(3) Plan Assets

Changes in plan assets were as follows:

	Millions of Yen	
	Defined benefit plans	Post-retirement medical benefits
At January 1, 2019	¥ 42,557	¥ —
Interest income	880	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	7,554	—
Contributions from employer	632	—
Benefits paid	(917)	—
Exchange differences on translating foreign operations, etc.	(198)	—
At December 31, 2019	¥ 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	¥ —

	Thousands of U.S. Dollars	
	Defined benefit plans	Post-retirement medical benefits
At December 31, 2019	$ 487,984	$ —
Interest income	7,202	—
Changes through remeasurements		
Return on plan assets (excluding interest income)	36,663	—
Contributions from employer	6,485	—
Benefits paid	(11,681)	—
Exchange differences on translating foreign operations, etc.	(15,251)	—
At December 31, 2020	$ 511,402	$ —

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 ¥1,246 million ($12,039 thousand) to defined benefit plans in the fiscal year ending December 31, 2021.

(4) Major Components of Plan Assets

The major components of total plan assets are as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2020 (December 31, 2020)			2019 (December 31, 2019)			**2020** (December 31, 2020)		
	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	**¥ 2,035**	**¥ —**	**¥ 2,035**	¥ 4,767	¥ —	¥ 4,767	**$ 19,667**	**$ —**	**$ 19,667**
Equity financial instruments									
Domestic equity securities	**28,432**	**—**	**28,432**	24,598	—	24,598	**274,704**	**—**	**274,704**
Foreign equity securities	**3,200**	**—**	**3,200**	3,146	—	3,146	**30,922**	**—**	**30,922**
Debt instruments									
Foreign bonds	**17,464**	**—**	**17,464**	17,627	—	17,627	**168,737**	**—**	**168,737**
Others	**1,435**	**363**	**1,798**	6	362	368	**13,866**	**3,506**	**17,372**
Total	**¥ 52,567**	**¥ 363**	**¥ 52,930**	¥ 50,144	¥ 362	¥ 50,507	**$ 507,896**	**$ 3,506**	**$ 511,402**

(5) Items Related to Actuarial Assumptions

Major actuarial assumptions were as follows:

	2020 (December 31, 2020)	2019 (December 31, 2019)
Discount rate (weighted-average)	**1.2 %**	1.8 %

In addition to the above item, actuarial assumptions include expected salary increase rates, mortality rates, and expected retirement rates.

Note:

The sensitivity of defined benefit obligations for each fiscal year against changes in major assumptions is as follows. It assumes that the other variables are constant, but in reality, the assumptions do not always change independently. Negative figures represent decreases in defined benefit obligations, and positive figures represent increases in defined benefit obligations.

		Millions of Yen		Thousands of U.S. Dollars
	Changes in assumptions	**2020** (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Discount rate	0.5% increase	**¥ (3,973)**	¥ (3,704)	**$ (38,386)**
	0.5% decrease	**4,212**	4,038	**40,698**

3. Defined Contribution Pension Plans

Contributions to defined contribution pension plans for the fiscal years ended December 31, 2019 and 2020 were ¥1,578 million and ¥1,724 million ($16,654 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, 2019 and 2020 were ¥149,587 million and ¥138,397 million ($1,337,169 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, 2019 and 2020 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, 2019	169,549	¥ 38,909	¥ 31,118
Changes	—	—	(69)
2019 (December 31, 2019)	169,549	38,909	31,049
Changes	—	—	3
2020 (December 31, 2020)	169,549	¥ 38,909	¥ 31,052

	Thousands of Shares	Thousands of U.S. Dollars	
	Number of issued shares	Share capital	Share premium
2019 (December 31, 2019)	169,549	$ 375,934	$ 299,994
Changes	—	—	29
2020 (December 31, 2020)	169,549	$ 375,934	$ 300,023

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, 2019	9,150	¥ 12,041
Changes	(51)	(66)
2019 (December 31, 2019)	9,100	11,975
Changes	(108)	(141)
2020 (December 31, 2020)	8,992	¥ 11,834

	Thousands of Shares	Thousands of U.S. Dollars
	Number of shares	Amount
2019 (December 31, 2019)	9,100	$ 115,701
Changes	(108)	(1,365)
2020 (December 31, 2020)	8,992	$ 114,336

The number of treasury shares decreased in the fiscal years ended December 31, 2019 and 2020 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, 2019 (From January 1, 2019 to December 31, 2019)

Resolution	Class of stock	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 28, 2019 General Meeting of Shareholders	Common stock	¥ 4,972	¥ 31	December 31, 2018	March 29, 2019
August 8, 2019 Board of Directors meeting	Common stock	¥ 4,974	¥ 31	June 30, 2019	August 31, 2019

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

Resolution	Class of stock	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
March 27, 2020 General Meeting of Shareholders	Common stock	**$ 51,158**	**$ 0.32**	December 31, 2019	March 30, 2020
August 7, 2020 Board of Directors meeting	Common stock	**$ 49,641**	**$ 0.31**	June 30, 2020	August 31, 2020

2. Dividend Plans for Common Stock

Fiscal Year Ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

Resolution	Class of stock	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
March 27, 2020 General Meeting of Shareholders	Common stock	Retained earnings	**¥ 5,295**	**¥ 33**	December 31, 2019	March 30, 2020

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

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, 2021 General Meeting of Shareholders	Common stock	Retained earnings	**$ 49,641**	**$ 0.31**	December 31, 2020	March 31, 2021

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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Employee benefit expenses	**¥ 55,237**	¥ 58,356	**$ 533,696**
Freightage and warehousing expenses	**35,154**	39,281	**339,647**
Advertising and promotion expenses	**12,354**	19,383	**119,358**
Others	**40,616**	41,989	**392,422**
Total	**¥ 143,360**	¥ 159,009	**$ 1,385,123**

24. OTHER INCOME

The breakdown of other income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Gain on sales of non-current assets (Note)	**¥ 2,218**	¥ 6,741	**$ 21,428**
Others	**2,757**	5,066	**26,633**
Total	**¥ 4,974**	¥ 11,807	**$ 48,061**

Note:

"Gain on sales of non-current assets" for the fiscal year ended December 31, 2019 includes revenues from a sale and leaseback transaction. For details, please refer to 14. "LEASE TRANSACTIONS."

25. OTHER EXPENSES

The breakdown of other expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Loss on sales and retirement of non-current assets	**¥ 438**	¥ 868	**$ 4,229**
Impairment losses	**721**	432	**6,971**
Others (Note)	**4,205**	2,072	**40,629**
Total	**¥ 5,364**	¥ 3,372	**$ 51,829**

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 ($11,559 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 ($4,773 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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Interest income			
Financial assets measured at amortized cost	**¥ 295**	¥ 367	**$ 2,846**
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	**2,332**	2,469	**22,536**
Foreign exchange gains	**483**	373	**4,662**
Gain on valuation of derivatives	**—**	—	**—**
Others	**4**	14	**42**
Total	**¥ 3,114**	¥ 3,223	**$ 30,086**

2. The Breakdown of Finance Costs Is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Interest expenses			
Financial liabilities measured at amortized cost	**¥ 2,788**	¥ 2,728	**$ 26,941**
Foreign exchange losses	**—**	—	**—**
Loss on valuation of derivatives	**2,437**	744	**23,547**
Others	**385**	551	**3,720**
Total	**¥ 5,610**	¥ 4,022	**$ 54,207**

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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Exchange differences on translating foreign operations			
Amount recognized	**¥ (19,481)**	¥ (703)	**$ (188,219)**
Before tax effects	**(19,481)**	(703)	**(188,219)**
Exchange differences on translating foreign operations	**(19,481)**	(703)	**(188,219)**
Cash flow hedges			
Amount recognized	**(703)**	3,064	**(6,788)**
Amount reclassified	**(796)**	(3,593)	**(7,691)**
Before tax effects	**(1,499)**	(529)	**(14,479)**
Tax effects	**416**	71	**4,021**
Cash flow hedges	**(1,082)**	(458)	**(10,458)**
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Amount recognized	**1,744**	18,547	**16,849**
Before tax effects	**1,744**	18,547	**16,849**
Tax effects	**(528)**	(5,620)	**(5,106)**
Gains (losses) on financial assets measured at fair value through other comprehensive income	**1,215**	12,927	**11,743**
Remeasurements of defined benefit plans			
Amount recognized	**(328)**	2,738	**(3,173)**
Before tax effects	**(328)**	2,738	**(3,173)**
Tax effects	**44**	(1,045)	**425**
Remeasurements of defined benefit plans	**(284)**	1,693	**(2,748)**
Total			
Amount recognized	**(18,768)**	23,646	**(181,331)**
Amount reclassified	**(796)**	(3,593)	**(7,691)**
Before tax effects	**(19,564)**	20,053	**(189,022)**
Tax effects	**(68)**	(6,593)	**(660)**
Other comprehensive income	**(19,632)**	13,460	**(189,682)**

28. EARNINGS PER SHARE

	Millions of Yen (unless otherwise stated)		Thousands of U.S. Dollars (unless otherwise stated)
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
(1) Basic earnings per share (Yen)	**¥ 164.09**	¥ 261.61	**$ 1.59**
Basis of calculation			
Profit for the year attributable to owners of the parent (Millions of yen)	**26,312**	41,971	**254,221**
Weighted-average number of common stock (Thousands of shares)	**160,354**	160,430	**160,354**
(2) Diluted earnings per share (Yen)	**163.92**	—	**1.58**
Basis of calculation			
Profit for the year attributable to owners of the parent (Millions of yen)	**26,312**	—	**254,221**
Adjustment to profit for the year (Millions of yen)	—	—	—
Profit for the year used for calculation of diluted earnings per share (Millions of yen)	**26,312**	—	**254,221**
Weighted-average number of common stock (Thousands of shares)	**160,354**	—	**160,354**
Share-based payment (Thousands of Shares)	**161**	—	**161**
Weighted-average number of diluted common stock (Thousands of shares)	**160,516**	—	**160,516**

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)
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Grant date	**May 22, 2020**	May 24, 2019	**May 22, 2020**
Number of shares granted (Shares)	**108,623**	52,211	**108,623**
Fair value at grant date	**¥ 1,358**	¥ 2,107	**$ 13.12**

3. Expenses related to Share-based Payments

Expenses related to share-based payments were ¥123 million and ¥138 million ($1,335 thousand) for the fiscal years ended December 31, 2019 and 2020, respectively, which were included in "Selling, general, and administrative expenses" 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, 2019 (From January 1, 2019 to December 31, 2019)

	Millions of Yen						
				Non-cash changes			
	Balance at January 1, 2019	Cumulative effect of accounting change	Cash flows	Acquisition	New leases	Others	Balance at December 31, 2019
Short-term borrowings	¥ 30,841	¥ —	¥ 25,511	¥ —	¥ —	¥ (1,164)	¥ 55,188
Commercial paper	—	—	17,000	—	—	—	17,000
Long-term borrowings	179,654	—	(51,889)	—	—	(1,016)	126,749
Bonds	49,893	—	(9,000)	—	—	41	40,933
Lease liabilities	4,816	22,876	(6,392)	—	11,275	(103)	32,472
Financial liabilities	¥ 265,203	¥ 22,876	¥ (24,770)	¥ —	¥ 11,275	¥ (2,242)	¥ 272,342

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

	Millions of Yen						
				Non-cash changes			
	Balance at January 1, 2020	Cumulative effect of accounting change	Cash flows	Acquisition	New leases	Others	Balance at December 31, 2020
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

	Thousands of U.S. Dollars						
				Non-cash changes			
	Balance at January 1, 2020	Cumulative effect of accounting change	Cash flows	Acquisition	New leases	Others	Balance at December 31, 2020
Short-term borrowings	$ 533,218	$ —	$ 162	$ —	$ —	$ (22,118)	$ 511,262
Commercial paper	164,251	—	(164,251)	—	—	—	—
Long-term borrowings	1,224,624	—	(96,572)	—	—	(26,601)	1,101,451
Bonds	395,492	—	—	—	—	(233)	395,259
Lease liabilities	313,741	—	(68,334)	—	73,764	(5,018)	314,153
Financial liabilities	$ 2,631,326	$ —	$ (328,995)	$ —	$ 73,764	$ (53,970)	$ 2,322,125

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							
	2020 (From January 1, 2020 to December 31, 2020)				2019 (From January 1, 2019 to December 31, 2019)			
	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	**¥ —**	**¥ 1,523**	**¥ 643**	**¥ 1,188**	¥ —	¥ 1,365	¥ 710	¥ 1,158
Provision (Note)	**—**	**209**	**32**	**538**	—	444	36	34
Utilization through write-off	**—**	**(115)**	**—**	**(0)**	—	(52)	—	(0)
Reversal (Note)	**—**	**(5)**	**(73)**	**(57)**	—	(139)	(93)	(39)
Other	**—**	**(69)**	**9**	**(194)**	—	(97)	(10)	35
Ending balance	**¥ —**	**¥ 1,542**	**¥ 610**	**¥ 1,475**	¥ —	¥ 1,523	¥ 643	¥ 1,188

	Thousands of U.S. Dollars			
	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)
Beginning balance	**$ —**	**$ 14,710**	**$ 6,213**	**$ 11,475**
Provision (Note)	**—**	**2,016**	**308**	**5,197**
Utilization through write-off	**—**	**(1,113)**	**—**	**(2)**
Reversal (Note)	**—**	**(45)**	**(709)**	**(550)**
Other	**—**	**(670)**	**86**	**(1,870)**
Ending balance	**$ —**	**$ 14,899**	**$ 5,898**	**$ 14,251**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Financial instruments other than trade and other receivables (12-month expected credit loss)	**¥ 8,079**	¥ 7,389	**$ 78,060**
Trade and other receivables (Lifetime expected credit loss)	**153,703**	166,537	**1,485,049**
Financial instruments for which credit risk has increased significantly (Lifetime expected credit loss)	**714**	783	**6,901**
Credit-impaired financial instruments (Lifetime expected credit loss)	**1,475**	1,188	**14,251**

(5) Analysis of Credit Risk

Below is the aged analysis of trade and other receivables.

	Millions of Yen		Thousands of U.S. Dollars
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
30 days or less past due	**¥ 6,378**	¥ 9,059	**$ 61,624**
Over 30 days to 60 days or less past due	**1,313**	2,304	**12,689**
Over 60 days to 90 days or less past due	**949**	1,307	**9,165**
Over 90 days past due	**1,277**	2,989	**12,334**
Total	**¥ 9,917**	¥ 15,658	**$ 95,813**

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, 2019 (December 31, 2019)

	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	¥ 75,017	¥ 75,017	¥ 75,017	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	239,870	243,857	106,386	40,423	27,467	23,451	13,878	32,251
Lease liabilities	32,472	37,723	7,601	4,801	3,740	3,002	2,394	16,185
Subtotal	347,359	356,597	189,004	45,224	31,207	26,454	16,272	48,436
Derivative financial liabilities	2,093	2,093	572	282	248	248	248	495
Total	¥ 349,452	¥ 358,690	¥ 189,576	¥ 45,506	¥ 31,455	¥ 26,701	¥ 16,519	¥ 48,932

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**

	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	**$ 649,072**	**$ 649,072**	**$ 649,072**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds and borrowings	**2,007,972**	**2,029,029**	**895,668**	**306,150**	**220,727**	**138,885**	**138,984**	**328,616**
Lease liabilities	**314,153**	**361,836**	**73,303**	**46,787**	**36,787**	**29,387**	**22,883**	**152,688**
Subtotal	**2,971,197**	**3,039,937**	**1,618,044**	**352,937**	**257,515**	**168,272**	**161,866**	**481,304**
Derivative financial liabilities	**56,619**	**56,619**	**20,694**	**9,120**	**6,979**	**6,609**	**6,609**	**6,609**
Total	**$ 3,027,816**	**$ 3,096,556**	**$ 1,638,738**	**$ 362,057**	**$ 264,494**	**$ 174,881**	**$ 168,475**	**$ 487,912**

5. Foreign Exchange Risk

(1) Foreign Exchange Risk Management

The Group operates businesses globally and therefore is involved in foreign currency transactions. Foreign currency receivables and payables arising from those transactions are exposed to foreign exchange fluctuation risk.

The Group's foreign exchange risk arises mainly from the fluctuation of the U.S. Dollar and the Euro. The Company and its certain consolidated subsidiaries assess foreign exchange fluctuation risk of trade receivables and payables denominated in foreign currencies for each currency every month, and hedge part of the risk by using forward foreign exchange contracts.

(2) Foreign Exchange Sensitivity Analysis

For financial instruments held by the Group at the end of each fiscal year, the effects of a 1% increase in Japanese yen against the U.S. Dollar and the Euro on profit before tax are as follows. All other variables are assumed to be constant.

		Millions of Yen		Thousands of U.S. Dollars
	Currency	**2020** (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Effects on profit before tax	U.S. Dollar	**¥ (7)**	¥ (58)	**$ (71)**
	Euro	**(82)**	(77)	**(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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Effects on profit before tax	**¥ (591)**	¥ (555)	**$ (5,714)**

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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Effects on other comprehensive income (before tax)	**¥ (939)**	¥ (932)	**$ (9,077)**

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	
	2020 (December 31, 2020)		2019 (December 31, 2019)		**2020** (December 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	**¥ 114,000**	**¥ 114,328**	¥ 126,749	¥ 127,095	**$ 1,101,451**	**$ 1,104,621**
Bonds (Note)	**40,909**	**40,911**	40,933	41,012	**395,259**	**395,273**

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, 2019 and 2020.

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

Fiscal Year Ended December 31, 2019 (December 31, 2019)

	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	¥	¥ 250	¥	¥ 250
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	93,248	—	7,115	100,363
Other	—	—	890	890
Derivative assets	257	1,062	—	1,319
Total	¥ 93,505	¥ 1,312	¥ 8,006	¥ 102,823
Financial liabilities				
Derivative liabilities	—	2,093	—	2,093
Total	¥ —	¥ 2,093	¥ —	¥ 2,093

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

	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	$	$ 1,880	$	$ 1,880
Non-derivative financial assets measured at fair value through other comprehensive income				
Shares	907,688	—	74,093	981,781
Other	—	—	8,635	8,635
Derivative assets	—	6,986	—	6,986
Total	$ 907,688	$ 8,866	$ 82,727	$ 999,282
Financial liabilities				
Derivative liabilities	—	56,619	—	56,619
Total	$ —	$ 56,619	$ —	$ 56,619

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, 2019	¥ 4,382
Total gains and losses	
Other comprehensive income (Note)	4,082
Purchase	0
Sale	(8)
Other	(450)
Balance at December 31, 2019	¥ 8,006
Total gains and losses	
Other comprehensive income (Note)	490
Purchase	69
Sale	(6)
Other	3
Balance at December 31, 2020	¥ 8,562

	Thousands of U.S. Dollars
	Financial assets
Balance at December 31, 2019	$ 77,351
Total gains and losses	
Other comprehensive income (Note)	4,730
Purchase	671
Sale	(55)
Other	30
Balance at December 31, 2020	$ 82,727

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 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 and commodity swaps 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, 2019 and 2020.

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, 2019 and 2020.

(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	
	2020 (December 31, 2020)		2019 (December 31, 2019)		**2020** (December 31, 2020)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges						
Interest rate swaps	**¥ 154**	**¥ 3**	¥ 459	¥ 20	**$ 1,484**	**$ 30**
Forward foreign exchange contracts	**569**	**1,672**	683	196	**5,502**	**16,156**
Commodity future contracts	**—**	**—**	88	—	—	**—**
Commodity swaps	**—**	**—**	47	—	—	**—**
Subtotal	**723**	**1,675**	1,278	216	**6,986**	**16,186**
Total	**¥ 723**	**¥ 1,675**	¥ 1,278	¥ 216	**$ 6,986**	**$ 16,186**

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:

				Millions of Yen				Thousands of U.S. Dollars	
Type of risk	Type of hedge	Hedging instrument	Notional amount and average price	**2020** (December 31, 2020)		2019 (December 31, 2019)		**2020** (December 31, 2020)	
				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	**¥ 12,452**	**¥ 37,260**	¥ 9,888	¥ 52,330	**$ 120,309**	**$ 360,000**
Foreign exchange risk	Cash flow hedge	Short EUR Forward foreign exchange contracts	Notional amount	**26,206**	**13,562**	25,795	6,793	**253,197**	**131,038**
			Average price (USD/EUR)	**1.2**	**1.2**	1.1	1.2	**0.01**	**0.01**
		Long USD Forward foreign exchange contracts	Notional amount	**—**	**—**	1,181	—	**—**	**—**
			Average price (JPY/USD)	**—**	**—**	112.1	—	**—**	**—**
		Long INR Forward foreign exchange contracts	Notional amount	**6,981**	**2,993**	6,709	1,179	**67,454**	**28,918**
			Average price (USD/INR)	**78.5**	**83.9**	74.6	82.0	**0.76**	**0.81**
		Long THB Forward foreign exchange contracts	Notional amount	**11,180**	**—**	12,161	—	**108,019**	**—**
			Average price (JPY/THB)	**3.5**	**—**	3.6	—	**0.03**	**—**
Commodity price risk	Cash flow hedge	Long Natural rubber Commodity future contract	Notional amount	**—**	**—**	615	—	**—**	**—**
			Average price (USD/ton)	**—**	**—**	1,292.0	—	**—**	**—**
		Long Natural rubber Commodity swaps	Notional amount	**—**	**—**	380	—	**—**	**—**
			Average price (USD/ton)	**—**	**—**	1,293.8	—	**—**	**—**

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%.

(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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Beginning of the year	**¥ (21)**	¥ (113)	**$ (203)**
Amount recognized	**988**	1,839	**9,550**
Amount reclassified to profit for the year (Note)	**(945)**	(1,747)	**(9,127)**
End of the year	**23**	(21)	**219**

Note:

The amounts before tax effects are ¥(1,694) million and ¥(838) million ($(8,099) thousand) for the fiscal years ended December 31, 2019 and 2020, 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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Beginning of the year	**¥ 180**	¥ 877	**$ 1,738**
Amount recognized	**(820)**	555	**(7,920)**
Amount reclassified to profit for the year (Note)	**(178)**	(1,252)	**(1,717)**
End of the year	**(818)**	180	**(7,899)**

Note:

The amounts before tax effects are ¥(1,758) million and ¥(216) million ($(2,083) thousand) for the fiscal years ended December 31, 2019 and 2020, 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
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Beginning of the year	**¥ 182**	¥ 35	**$ 1,761**
Amount recognized	**(343)**	247	**(3,310)**
Amount reclassified to profit for the year (Note)	**214**	(99)	**2,066**
End of the year	**54**	182	**517**

Note:

The amounts before tax effects are ¥(142) million and ¥258 million ($2,491 thousand) for the fiscal years ended December 31, 2019 and 2020, respectively, and are included in “Cost of sales” in the consolidated statement of profit or loss.

32. BUSINESS COMBINATIONS

Fiscal Year Ended December 31, 2019 (From January 1, 2019 to December 31, 2019)
Not applicable.

Fiscal Year Ended December 31, 2020 (From January 1, 2020 to December 31, 2020)
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
Yokohama Industrial Products Japan Co., Ltd.	Tokyo, Japan	100.0
Yokohama Tire Corporation	California, United States of America	100.0
Yokohama Tire (Canada) Inc.	British Columbia, Canada	100.0
Yokohama Tyre Australia Pty., Ltd.	New South Wales, Australia	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 Reifen GmbH	Düsseldorf, Germany	100.0
Yokohama Europe GmbH	Düsseldorf, Germany	100.0
Yokohama Suisse SA	Payerne, Switzerland	100.0
Yokohama Scandinavia AB	Stockholm, Sweden	95.0
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	96.6
Yokohama Iberia, S.A.	Madrid, Spain	100.0
Yokohama Tire Sales Philippines, Inc.	Makati City, Philippines	100.0
Yokohama Tire Sales (Thailand) Co., Ltd.	Bangkok, Thailand	100.0
Yokohama Tire Philippines, Inc.	Clark Freeport Zone, Philippines	100.0
Yokohama Tire Taiwan Co., Ltd.	Taipei, Taiwan	70.0
Hangzhou Yokohama Tire Co., Ltd.	Zhejiang, China	100.0
Suzhou Yokohama Tire Co., Ltd.	Jiangsu, China	100.0
Yokohama Tire Manufacturing (Thailand) Co., Ltd.	Rayong, Thailand	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 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 France S.A.S	Lyon, France	66.0
Yokohama Tire Korea Co., Ltd.	Seoul, South Korea	100.0
Alliance Tire Group K.K.	Tokyo, Japan	100.0
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
Alliance Tire Americas Inc.	Massachusetts, United States of America	100.0
Yokohama Industries Americas Ohio Inc.	Ohio, United States of America	100.0
Yokohama Industries Americas Inc.	Kentucky, United States of America	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

Name	Location	Ownership percentage of voting rights
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 Industries Americas Mexico S. de R.L de C.V.	Aguascalientes, Mexico	100.0
Yokohama Rubber Marine & Aerospace Co., Ltd.	Tokyo, Japan	100.0
HAMAGOMU AICOM INC.	Yokohama, Japan	100.0
Hamagomu Engineering Co., Ltd.	Hiratsuka, Japan	100.0
PRGR Co., Ltd.	Tokyo, Japan	100.0
Yokohamagomu Finance Co., Ltd.	Tokyo, Japan	100.0
Hamagomu Logistics Co., Ltd.	Tokyo, Japan	100.0
Y.T. Rubber Co., Ltd.	Suratthani, Thailand	90.0
Yokohama Mold Co., Ltd.	Omitama, Japan	100.0
Yokohama Rubber Singapore Pte. Ltd.	Singapore	100.0

2. Subsidiaries with Material Non-controlling Interests

The Group has no subsidiaries with material non-controlling interests or individually material associates.

34. RELATED PARTIES

Remunerations for major executives

Remunerations for major executives of the Group were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020 (From January 1, 2020 to December 31, 2020)	2019 (From January 1, 2019 to December 31, 2019)	**2020** (From January 1, 2020 to December 31, 2020)
Remunerations and bonuses	**¥ 347**	¥ 367	**$ 3,348**
Retirement benefits	**—**	121	**—**
Share-based payment	**110**	110	**1,063**
Total	**¥ 457**	¥ 599	**$ 4,411**

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
	2020 (December 31, 2020)	2019 (December 31, 2019)	**2020** (December 31, 2020)
Agreements on the acquisition of property, plant and equipment and intangible assets	**¥ 6,664**	¥ 7,222	**$ 64,385**

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 a disputes in Japan or in overseas jurisdictions.

At December 31, 2020, 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. However, given the progress of such investigations, litigation and other developments, currently it is very difficult to predict their outcome and financial impact.

37. SIGNIFICANT SUBSEQUENT EVENTS

The Company resolved to transfer some non-current assets at the Board of Directors meeting held on February 26, 2021. Accordingly, the Company will record other income in the fiscal year ending December 31, 2021. The details are as follows:

1. Reasons for the Transfer

The Company decided to transfer some of its non-current assets to further integrate production, sales and R&D staff through merging sites, effectively use management resources, and secure financial flexibility, and as a result of reviewing the traditional workstyle which assumes working at the office.

2. Details of the Transferred Assets

Name of the assets	Site of the Yokohama Rubber Building
Location	36-11, Shimbashi 5-chome, Minato-ku, Tokyo
Land area	1,759.96 m^2
Gain on transfer	¥20.8 billion ($200,882 thousand)
Current status	The Company's head office and other

Note:

The gain on transfer is an estimate obtained by deducting the carrying amount, transfer-related costs, right-of-use assets, and lease obligations from the transfer price.

3. Outline of the Transferee and Transfer Price

The transfer has been resolved at the Board of Directors meeting after the sufficient discussions by the Board of Directors and other meetings based on objective opinions of independent directors. Moreover, the transferee and transfer price were determined by closely examining the value of the property through obtaining advice from third parties, such as real estate consulting firms. After seeking potential bidders via an appropriate real estate agency and conducting due diligence of applicants, a competitive bid was held with several applicants screened by the Company, granting first refusal rights to the bidder with the most favorable terms including the price and leaseback conditions. After granting preferential negotiation rights to applicants who offer the most favorable terms and conditions, the detailed terms and conditions were negotiated and determined.

Details are not disclosed based on a non-disclosure agreement with the transferee. There are no capital, personal or business relationships between the transferee and the Company, or matters to be noted as a related party.

4. Post-Transfer Arrangements and Future Outlook

The Company will consider using funds obtained by selling the non-current assets mainly for investments aimed at business growth. Going forward, the Company will secure its office space by leasing back the property from the transferee for a certain period.

A gain on transfer of non-current assets is expected of ¥20.8 billion ($200,882 thousand), which will be recorded in the first quarter of the fiscal year ending December 31, 2021.

5. Transfer Schedule

Resolution at the Board of Directors meeting	February 26, 2021
Conclusion of the agreement	February 26, 2021
Transfer of the property	March 29, 2021

(2) Other

Quarterly information for the fiscal year ended December 31, 2020

	Millions of Yen			
	First three months	First six months	First nine months	Full year
Revenue	¥ 129,128	¥ 247,118	¥ 390,366	¥ 570,572
Profit (loss) before tax	(1,911)	333	5,416	33,913
Profit (loss) attributable to owners of parent	(258)	1,257	4,330	26,312
Basic earnings (loss) per share (Yen)	(1.61)	7.84	27.00	164.09

	Thousands of U.S. Dollars			
	First three months	First six months	First nine months	Full year
Revenue	$ 1,247,610	$ 2,387,609	$ 3,771,652	$ 5,512,776
Profit (loss) before tax	(18,468)	3,213	52,325	327,659
Profit (loss) attributable to owners of parent	(2,493)	12,144	41,832	254,221
Basic earnings (loss) per share (U.S. Dollars)	(0.02)	0.08	0.26	1.59

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	¥ (1.61)	¥ 9.45	¥ 19.16	¥ 137.09

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (U.S. Dollars)	$ (0.02)	$ 0.09	$ 0.19	$ 1.32

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Independent Auditor's Report

The Board of Directors
The Yokohama Rubber Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of profit or loss , comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 30, 2021

阪中 修

Osamu Sakanaka
Designated Engagement Partner
Certified Public Accountant

中村 昌之

Masayuki Nakamura
Designated Engagement Partner
Certified Public Accountant

松本 雄一

Yuichi Matsumoto
Designated Engagement Partner
Certified Public Accountant

INVESTOR INFORMATION

As of December 31, 2020

Company Name:
The Yokohama Rubber Co., Ltd.

Head Office:
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan

Established:
October 13, 1917

Paid-in Capital:
¥38,909 million

Fiscal Year-End:
December 31 (changed in 2011 from March 31)

General Meeting of Shareholders:
March (changed in 2012 from June)

Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Stock Exchange Listing:
Tokyo

Contact Point for Investors:
Corporate Communications Section, Corporate Planning Department
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
Phone: 81-(0)3-5400-4531 Facsimile: 81-(0)3-5400-4570

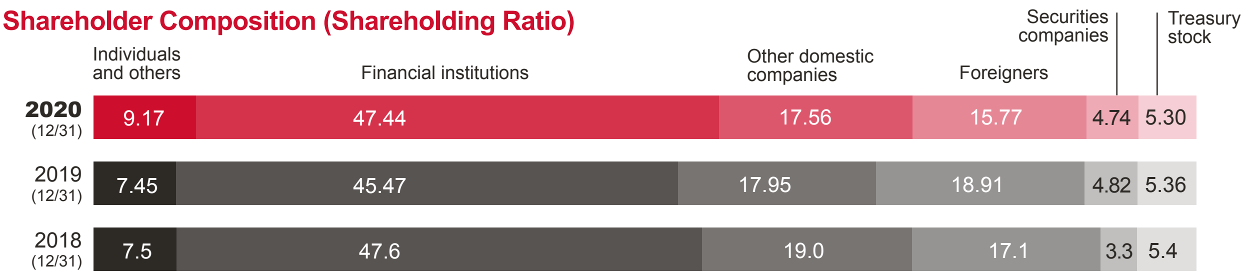
Investor Relations Website:
https://www.y-yokohama.com/global/ir/

STOCK INFORMATION

As of December 31, 2020

Authorized number of shares:	400,000,000
Number of shares issued and outstanding:	169,549,081
Number of shareholders:	16,577 (up 4,455 from December 31, 2019)

Shareholder Composition (Shareholding Ratio)



Major Shareholders

Name	Number of shares (hundreds)	Percentage of total shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	174,595	10.87
ZEON CORPORATION	162,700	10.13
Custody Bank of Japan, Ltd. (trust account)	112,405	7.00
ASAHI MUTUAL LIFE INSURANCE COMPANY	109,055	6.79
Mizuho Bank, Ltd.	61,300	3.81

Note: Largest shareholders' holdings as a percentage of total shares is calculated based on total shares outstanding excluding treasury stock.

Common Stock Price Trends

	2020	2019	2018	2017	2016
Stock Price (Yen): High	¥ 2,117	¥ 2,529	¥ 2,899	¥ 2,834	¥ 2,233
Low	¥ 1,112	¥ 1,795	¥ 1,906	¥ 1,939	¥ 1,170
Fiscal Year-End	¥ 1,534	¥ 2,131	¥ 2,065	¥ 2,763	¥ 2,096
Shares of Common Stock Issued and Outstanding	169,549,081	169,549,081	169,549,081	169,549,081	169,549,081