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February 16, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [IFRS]



Company name: The Yokohama Rubber Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 5101
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Scheduled date of ordinary general meeting of shareholders: March 28, 2024
 Scheduled date to commence dividend payments: March 29, 2024
 Scheduled date of submission of annual securities report: March 28, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded to the nearest million yen.)

1. Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2023	985,333	14.5	99,127	41.4	100,351	45.8	67,234	46.4	137,432	35.9
Fiscal year ended December 31, 2022	860,477	28.3	70,089	12.8	68,851	(17.7)	45,918	(29.9)	101,104	(16.8)

Note: Business profit is calculated by deducting cost of sales and selling, general, and administrative expenses from sales revenue.

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Return on asset	Business profit margin
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2023	419.32	418.31	9.9	7.2	10.1
Fiscal year ended December 31, 2022	286.38	285.80	8.1	6.6	8.1

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	1,600,458	748,795	739,565	46.2	4,600.78
As of December 31, 2022	1,151,076	623,121	614,424	53.4	3,823.47

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2023	159,741	(344,015)	205,760	97,613
Fiscal year ended December 31, 2022	39,231	(46,357)	35,172	75,572

2. Dividends

	Dividends per share					Total dividends paid	Payout ratio (consolidated)	Dividend on equity (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2022	–	33.00	–	33.00	66.00	10,606	23.0	1.9
Fiscal year ended December 31, 2023	–	34.00	–	50.00	84.00	13,503	20.0	2.0
Fiscal year ending December 31, 2024 (forecast)	–	42.00	–	51.00	93.00		20.0	

3. Consolidated financial results forecast for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Sales revenue		Business profit		Operating profit		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (cumulative)	500,000	12.8	42,000	64.3	43,000	52.6	25,500	(7.9)	158.63
Full year	1,060,000	7.6	115,000	16.0	115,500	15.1	74,500	10.8	463.46

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

Newly included: 5 companies (Yokohama TWS Holding AB, Yokohama TWS North America, Inc., Yokohama TWS Czech Republic a.s., Yokohama TWS Australia Pty Ltd, Yokohama TWS Brazil Ltda.)

Excluded: – companies

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	169,549,081 shares
As of December 31, 2022	169,549,081 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023	8,801,310 shares
As of December 31, 2022	8,851,231 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023	160,340,105 shares
Fiscal year ended December 31, 2022	160,338,899 shares

[Reference] Non-consolidated Results

Non-consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2023	417,875	7.5	54,245	320.8	84,716	96.2	79,052	90.4
Fiscal year ended December 31, 2022	388,816	23.6	12,890	(13.6)	43,189	64.7	41,514	3.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2023	493.03	491.84
Fiscal year ended December 31, 2022	258.92	258.39

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	1,089,053	445,843	40.9	2,773.56
As of December 31, 2022	725,594	378,998	52.2	2,358.45

Reference: Shareholders' equity:

As of December 31, 2023: ¥445,843 million

As of December 31, 2022: ¥378,998 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

(Cautionary statements with respect to forward-looking statements and other information)

The earnings forecasts herein are prepared by the Company based on information available to the Company as of the announcement of this document. Actual results may differ from these forecasts due to a wide range of factors.

For the assumptions underlying the earnings forecasts and precautions regarding their use, please refer to "1. Operating Results, (1) Analysis of Operating Results," on pages 2 to 3 of the accompanying material.

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1. Operating Results

(1) Analysis of Operating Results

① Operating results for FY2023

	FY2022	FY2023	YoY change
	¥ million	¥ million	%
Sales revenue	860,477	985,333	+14.5
Tires	754,309	874,863	+16.0
MB	96,248	101,885	+5.9
Others	9,919	8,585	(13.4)
Business profit	70,089	99,127	+41.4
Tires	66,843	92,026	+37.7
MB	3,965	7,155	+80.5
Others	(758)	(76)	–
Adjustments	40	22	–
Operating profit	68,851	100,351	+45.8
Profit before tax	71,622	105,975	+48.0
Profit attributable to owners of the parent	45,918	67,234	+46.4

Note: Business profit is calculated by deducting cost of sales and selling, general, and administrative expenses from revenues.

Regarding the operating environment for the Yokohama Rubber Group in fiscal 2023 (January 1, 2023 – December 31, 2023), the Japanese economy remained on a recovery trend, with capital investment gradually rebounding and improving business sentiment observed in a wide range of industries, especially the automotive industry, where unit sales of automobiles were solid. In addition, the recovery in inbound demand supported continued rebounds in the accommodation and food & beverage service industries. Progress in passing on cost increases to product prices also supported recovery trend.

In overseas markets, solid personal consumption in the United States was strong, supported by solid employment and income environments. While U.S. nonmanufacturers fared well, manufacturing sectors other than high tech remained in a prolonged adjustment phase with output declining. China's economy entered a slowdown in spring, with the sharp decline in investment in property development reducing overall investment in the economy as a whole. In Europe, where the situation in Ukraine shows no signs of improving, sluggish demand continues to make it difficult for the manufacturing and service industries to pass on cost increases to prices.

In the above operating environment, the Yokohama Rubber Group continued to implement its Yokohama Transformation 2023 (YX2023) medium-term management plan focused on simultaneously promoting the “exploitation” of the strengths of its existing businesses and the “exploration” of new value that will meet the needs of customers and society in an era of great change, as the Group strives for “transformation” that will drive growth over the next generation. As a result, consolidated results for fiscal 2023 included sales revenue of ¥985,333 million (+14.5% YoY), business profit of ¥99,127 million (+41.4% YoY), operating profit of ¥100,351 million (+45.8% YoY), and profit attributable to owners of the parent totaling ¥67,234 million (+46.4% YoY).

② Segment results

Tires

Sales revenue totaled ¥874,863 million (+16.0% YoY), accounting for 88.8% of the Yokohama Rubber Group's consolidated sales revenue. Segment business profit was ¥92,026 million (+37.7% YoY).

The Company's business in original equipment tires expanded as sales of vehicle models factory-fitted with Yokohama Rubber tires grew in Japan and in North America and as the Company won new fitments on vehicle models. Those factors more than offset the continuing weakness in Japanese automakers' sales in China.

Yokohama Rubber also posted sales growth over the previous year in replacement tires. Its Japanese business in replacement summer tires was robust, and the Company replacement tire business expanded, too, in China, in India, and in other Asian markets outside Japan.

Sales declined in the legacy business of YOHT (Yokohama Off-Highway Tires), which the Company handled as the ATG (Alliance Tire Group) segment prior to 2022. That decline occurred on account of continuing adverse conditions in the European and North American markets. The overall sales increase in off-highway tires reflected the acquisition, completed in May 2023, of the Swedish company Trelleborg Wheel Systems Holding AB. That company has operated since the acquisition as Y-TWS (Yokohama-TWS).

MB (Multiple Businesses)

Sales revenue totaled ¥101,885 million (+5.9% YoY), accounting for 10.3% of Group consolidated sales revenue. Segment business profit was ¥7,155 million (+80.5% YoY).

Business volume in hose & couplings was basically unchanged from the previous year. Weak sales of hydraulic hoses for construction equipment and other applications, undermined by sluggish demand, offset North American sales growth in automotive hoses. Sales increased strongly in industrial products, as Yokohama Rubber posted robust growth in Japanese business in conveyor belts and as business expanded in marine products and in replacement fixtures and components for commercial aircraft.

③ Consolidated Earnings Forecast for Fiscal 2024

In fiscal 2024, Japan's economy is expected to remain in a moderate recovery phase. However, the business environment remains clouded by uncertainties that could suppress domestic economic growth, such as a slowdown in demand in overseas manufacturing industries.

Under its new medium-term management plan, Yokohama Transformation 2026 (YX2026), Yokohama Rubber will further advance the strategies promoted under its previous plan, YX 2023, and continue to strengthen its management foundation.

As of the preparation of this document, the Company's forecasts for fiscal 2024 are as shown below. These forecasts assume the following foreign currency exchange rates: USDJPY 137 and EURJPY 150.

<Full year>

Sales revenue	¥1,060.0 billion
Business profit	¥115.0 billion
Operating profit	¥115.5 billion
Profit attributable to owners of parent	¥74.5 billion

<First half>

Sales revenue	¥500.0 billion
Business profit	¥42.0 billion
Operating profit	¥43.0 billion
Profit attributable to owners of parent	¥25.5 billion

(2) Analysis of Consolidated Financial Position

① Analysis of Assets, Liabilities, and Equity

Total assets as of December 31, 2023, were ¥1,600,458 million, an increase of ¥449,382 million from the end of the previous consolidated fiscal year (December 31, 2022). The increase primarily reflects increases in inventories, property, plant and equipment, and goodwill due to the acquisition of a new subsidiary.

Total liabilities as of December 31, 2023, were ¥851,663 million, an increase of ¥323,708 million from the end of the previous consolidated fiscal year. The increase in liabilities primarily reflects an increase in interest-bearing debt.

Total equity as of December 31, 2023, was ¥748,795 million, an increase of ¥125,674 million from the end of the previous consolidated fiscal year. The increase primarily reflects an increase in other components of equity.

② Analysis of Cash Flows

Cash and cash equivalents (hereinafter, “cash”) as of December 31, 2023, totaled ¥97,613 million, an increase of ¥22,041 million compared with the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥159,741 million.

The main contributors were profit before tax of ¥105,975 million and ¥31,643 million in cash generated by a decrease in inventories.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥344,015 million.

The main cash outflows were ¥321,928 million in payments for the acquisition of a subsidiary and ¥58,253 million for purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥205,760 million.

Net cash provided mainly reflects ¥314,700 million in proceeds from long-term borrowings, which was partially offset by ¥29,894 million in cash used for repayments of long-term borrowings and a ¥41,646 million decrease in short-term borrowings.

Trends in cash flow indicators

	FY2021	FY2022	FY2023
Ratio of equity attributable to owners of parent	53.3%	53.4%	46.2%
Ratio of equity attributable to owners of parent on a market value basis	30.0%	28.7%	32.5%
Debt redemption period	2.6 yrs	6.1 yrs	2.9 yrs
Interest coverage ratio	31.7x	13.6x	26.0x

(Calculation methods)

Ratio of equity attributable to owners of parent: Total equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent on a market value basis: Market capitalization / Total assets

Debt redemption period: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

Notes:

- 1) All indicators are calculated using consolidated financial figures
- 2) Market capitalization is calculated as closing share price at period end × total number of issued shares at period end (excluding treasury stock)
- 3) Interest-bearing debt is the sum of all liabilities in the consolidated statement of financial position for which interest is paid.
- 4) Operating cash flow is the same as net cash provided by operating activities in the consolidated statement of cash flows
- 5) Interest payments is the same as interest paid under “Cash flows from operating activities” in the consolidated statement of cash flows

(3) Basic Policy for the Appropriation of Profits and Dividends for FY2023 and FY2024

The Company’s basic policy is to maintain stable dividends while securing sufficient internal reserves to support future business development and fortify its management structure.

In addition, dividends paid from surplus funds are basically distributed twice a year in the form of an interim dividend and a year-end dividend.

In accordance with the above basic policy, the dividend for fiscal 2023 includes the previously distributed interim dividend of ¥34 per share and a proposed year-end dividend of ¥50 per share to be distributed following the approval of shareholders at the 148th Ordinary General Meeting of Shareholders scheduled to be held in March 2024.

If approved, the annual dividend for fiscal 2023 will be ¥84 per share.

For fiscal 2024, the Company plans to pay an annual dividend of ¥93 per share, comprising an interim dividend of ¥42 per share and a year-end dividend of ¥51 per share.

(4) Risks

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, 2023.

①Economic 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.

②Exchange 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.

③Seasonal 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.

④ Raw Material Prices

Yokohama Rubber'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.

⑤ 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.

⑥ Interest Rates

As of December 31, 2023, the Company's interest-bearing debt was equivalent to 29.3% 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.

⑦ 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.

⑧ 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.

⑨ 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.

On May 2, 2023, the Company completed the acquisition of all outstanding shares of Trelleborg Wheel Systems Holding AB, turning the company engaged in the manufacture and sale of off-highway tires (OHT) for agricultural and industrial machinery on a global basis into a subsidiary.

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.

⑩ 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.

⑪ 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. Also, 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.

⑪-2 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.

⑪-3 Geopolitical Risks Posed by Situations in Ukraine and Middle East

Given the impact from the situation in Ukraine, decisions about production at the Company's passenger car tire manufacturing subsidiary in Russia are being made while closely monitoring the situation. Future developments and the Company's response could adversely affect the Company's business performance and financial position.

In addition, further deterioration of situation in the Middle East could hamper corporate activities and logistics in countries in the region where the Company has operations. Such a development could adversely affect the Company's business performance and financial position.

⑫ 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.

⑬ 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.

⑭Laws, 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.

2. Management Policies

(1) Yokohama Rubber's Basic Management Policies

By applying the basic management policies listed below, the Company aims to realize its fundamental corporate philosophy—"To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products."

- Take on the challenge of new technologies to create 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.

(2) Key Management Performance Indicators Established as Targets in the Company's Current Medium-term Management Plan

The Company will implement measures to achieve the following financial targets set forth in its medium-term management plan to be implemented from fiscal 2024 to fiscal 2026.

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

(3) Company's Medium-to-Long-term Management Strategies and Issues to be Addressed

Yokohama Rubber Group announced its new medium-term management plan, Yokohama Transformation 2026 (YX2026). The new plan will be implemented over the next three years, 2024–2026, as the successor to Yokohama Transformation 2023 (YX2023), which guided the Company over the past three years, 2021–2023.

Under YX2026, Yokohama Rubber will further advance the "exploitation" of the strengths of its existing businesses and the "exploration" of new value and complete the transformation begun under YX2023 while being mindful to not leave any negative legacies for the next generation. Under this guiding philosophy, management will resolutely implement the growth strategies established in each business as it aims to achieve "Hockey Stick Growth" during YX2026 to fiscal 2027. Management's targets for fiscal 2026, the final year of YX2026, are sales revenue of ¥1,150 billion, business profit of ¥130 billion, a business profit margin of 11%, and ROE of more than 10%.

Strategies for each business and management domain are as follows:

■ Consumer Tires

In the consumer tire market, recent years have seen low-cost, low-price emerging tire makers expand their production capacity and increase their market share. In response, during YX2026 Yokohama Rubber will accelerate its efforts to maximize the sales ratio of its high-value-added tires as it aims to increase the profitability of its consumer tire business. In addition, the consumer tire business has initiated the “1-year plant” challenge, which aims to bring new plants on line within one year and achieve the low cost and high efficiency needed to compete with the cost-competitiveness of emerging tire makers and achieve “Hockey Stick Growth”. As part of its effort to maximize the sales ratio of high-value-added tires and enhance brand value, the consumer tire business will promote its tires as original equipment (OE) for premium cars and continue its participation in motorsports events around the world. It also will continue its “Product and Regional Strategies” focused on strengthening the development, supply, and sales of tires that respond to specific trends in each regional market.

■ Commercial Tires

OHT business

Current OHT global market size is about ¥4 trillion and is expected to grow 6% a year, considerably higher than the projected 2% annual growth for the consumer tire market. Agriculture and forestry machinery is estimated to account for about 40% of the global OHT market. The Yokohama Rubber Group has the top share in this market segment and plans to strengthen its market position by implementing a multi-brand strategy that will leverage its production, sales, and technology strengths in all three tiers of this market segment. The Yokohama Rubber Group currently has the second largest share of the global market for industrial and port-use machinery, which is estimated to account for about 25% of the OHT market. During YX2026, the Group will further expand the global operation of its Interfit tire maintenance service provided by highly specialized staff into new countries. As part of its effort to realize “Hockey Stick Growth,” Yokohama Rubber will consider programmatic M&A as a measure to boost its as yet rather small shares in the global markets for construction and mining machinery and further strengthen its OHT business. In addition to further increasing OHT production capacity, the entire Yokohama Rubber Group will strengthen efforts to generate synergies made possible by the May 2023 acquisition of Trelleborg Wheel Systems (currently Yokohama-TWS=Y-TWS).

TBR business

Truck and bus tires are another area where emerging tire makers are expanding production capacity and seek to increase their supply in markets around the world. However, this effort is being met by antidumping and countervailing duties in Europe and the United States. Yokohama Rubber will aim for profitable growth by strengthening sales in countries and regions where these measures are supporting the maintenance of appropriate pricing.

■ MB Business

During YX2023, the MB Business implemented business restructuring and profit-improvement measures that have established a new business platform that will generate strong revenues during YX2026. The hose & couplings business is positioned as a growth driver during YX2026 and will restructure its value chain and North American production network in order to fulfill that role. The industrial products business will solidify its leading share in Japan’s conveyor belt market and undertake internal reforms to establish a more stable high-profit structure in its marine hose operations. The MB Business as a whole aims to achieve a 10% business profit margin in fiscal 2026 and elevate its presence within the Yokohama Rubber Group.

■Technology & Production

During YX2026, Yokohama Rubber will implement technology and production strategies based on a motto of “Low cost, speedy development of quality products” that will strengthen the entire Yokohama Rubber Group. “Quality products” refers to strengthening development of OE tires suitable for the next-generation of premium cars. “Low cost” refers to efforts to drastically reduced costs that can’t be beat by other companies, and “Speedy” refers to the “1-year plant” challenge that is the centerpiece of the consumer tire strategy aimed at achieving “Hockey Stick Growth” and its efforts to speed up tire development.

■Sustainability

Yokohama Rubber considers sustainability activities an important corporate activity that should contribute to the Company’s growth. For that reason, management will give serious consideration to environment-related investments that also contribute to corporate earnings. One example is the new plan under YX2026 to reduce the Group’s 2019-level Scope 1 & 2 emissions of greenhouse gases by 30% by 2026 and 40% by 2030 while also reducing costs. Also, to reduce Scope 3 emissions, Yokohama Rubber will promote greater use of sustainable materials and has targeted increasing its sustainable materials ratio to 28% in 2026 and 30% in 2030. However, during YX2026 it will consider raising the 2030 target to 40% without incurring any cost increases.

■Financial Strategy

During YX2026, Yokohama Rubber will continue to aggressively pursue strategic investments aimed at realizing “Hockey Stick Growth” and enhancing corporate value. The Company also will continue unwinding cross-shareholdings as a measure to improve asset efficiency and will implement measures to create a capital structure with an optimal balance of debt and equity that fits its business structure (aiming for an equity ratio of 50%). To raise PER, management will conduct more IR events and endeavor to reduce the cost of capital and raise expected growth rate by increasing information disclosures and deepening dialogue with investors. Regarding capital allocation during YX2026, the plan is to allocate about ¥320 billion of the estimated three-year ¥450 billion increase in cash to strategic investments and investments in ongoing operations. Lastly, regarding shareholder returns, Yokohama Rubber aims to stably and steadily raise its dividend in accordance with its basic policy of maintaining stable dividends while securing sufficient internal reserves to support its business development and fortify its financial position while continuing to actively invest in sustainable profit growth.

3. Basic Policy on the Selection of Accounting Standard

To establish unified financial reporting using standardized financial information among its Group companies around the world and to enhance the international comparability of its financial information presented to the capital markets, the Company has applied the International Financial Reporting Standards (IFRS) in its consolidated financial statements since the issuance of its annual securities report (*yukashoken hokokusho*) for the fiscal year ended December 2017.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	75,572	97,613
Trade and other receivables	193,749	243,393
Other financial assets	3,594	6,217
Inventories	216,392	249,721
Other current assets	14,673	21,160
Total current assets	503,980	618,105
Non-current assets		
Property, plant and equipment	372,933	492,796
Goodwill	104,244	275,830
Intangible assets	37,168	73,013
Other financial assets	112,804	104,812
Deferred tax assets	8,140	9,141
Other non-current assets	11,808	26,761
Total non-current assets	647,097	982,353
Total assets	1,151,076	1,600,458

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	78,131	105,239
Bonds and borrowings	117,480	96,135
Other financial liabilities	24,470	28,989
Income taxes payable	8,581	38,085
Other current liabilities	65,846	79,441
Total current liabilities	294,508	347,889
Non-current liabilities		
Bonds and borrowings	121,221	373,221
Other financial liabilities	36,901	41,497
Liabilities for retirement benefits	15,584	17,707
Deferred tax liabilities	48,702	58,856
Other non-current liabilities	11,038	12,494
Total non-current liabilities	233,447	503,774
Total liabilities	527,955	851,663
Equity		
Share capital	38,909	38,909
Share premium	31,308	31,255
Retained earnings	432,224	510,004
Treasury shares	(11,650)	(11,587)
Other components of equity	123,633	170,983
Total equity attributable to owners of the parent	614,424	739,565
Non-controlling interests	8,698	9,231
Total equity	623,121	748,795
Total liabilities and equity	1,151,076	1,600,458

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
 Consolidated Statement of Profit or Loss

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Sales revenue	860,477	985,333
Cost of sales	(572,803)	(659,442)
Gross profit	287,674	325,891
Selling, general, and administrative expenses	(217,585)	(226,764)
Business profit	70,089	99,127
Other income	2,266	7,559
Other expenses	(3,504)	(6,335)
Operating profit	68,851	100,351
Finance income	10,341	12,764
Finance costs	(7,571)	(7,140)
Profit before tax	71,622	105,975
Income taxes	(24,473)	(37,545)
Profit	47,149	68,430
Profit attributable to:		
Owners of the parent	45,918	67,234
Non-controlling interests	1,231	1,197
Profit	47,149	68,430
Basic earnings per share (yen)	286.38	419.32
Diluted earnings per share (yen)	285.80	418.31

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	47,149	68,430
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	(2,281)	14,469
Remeasurements of defined benefit plans	1,131	6,794
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(1,253)	(1,388)
Exchange differences on translating foreign operations	56,358	49,128
Total other comprehensive income, net of tax	53,955	69,002
Comprehensive income	101,104	137,432
Comprehensive income attributable to:		
Owners of the parent	99,561	135,926
Non-controlling interests	1,542	1,507
Comprehensive income	101,104	137,432

(3) Consolidated Statement of Changes in Equity

Fiscal Year Ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translating foreign operations	Cash flow hedges
Balance, January 1, 2022	38,909	31,261	391,949	(11,758)	16,790	2,336
Profit			45,918			
Other comprehensive income					56,063	(1,253)
Comprehensive income	–	–	45,918	–	56,063	(1,253)
Purchase of treasury shares				(2)		
Disposal of treasury shares		0		0		
Share-based payment transactions		27		110		
Dividends from surplus			(10,603)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		20				
Transfer to retained earnings			4,962			
Others			(1)			
Total transactions with owners	–	47	(5,643)	108	–	–
Balance, December 31, 2022	38,909	31,308	432,224	(11,650)	72,854	1,083

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance, January 1, 2022	55,825	–	74,952	525,312	7,646	532,958
Profit			–	45,918	1,231	47,149
Other comprehensive income	(2,283)	1,115	53,643	53,643	312	53,955
Comprehensive income	(2,283)	1,115	53,643	99,561	1,542	101,104
Purchase of treasury shares			–	(2)		(2)
Disposal of treasury shares			–	0		0
Share-based payment transactions			–	137		137
Dividends from surplus			–	(10,603)	(573)	(11,177)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			–	20	(55)	(35)
Transfer to retained earnings	(3,847)	(1,115)	(4,962)	–		–
Others			–	(1)	138	137
Total transactions with owners	(3,847)	(1,115)	(4,962)	(10,450)	(490)	(10,940)
Balance, December 31, 2022	49,695	–	123,633	614,424	8,698	623,121

Fiscal Year Ended December 31, 2023

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translating foreign operations	Cash flow hedges
Balance, January 1, 2023	38,909	31,308	432,224	(11,650)	72,854	1,083
Profit			67,234			
Other comprehensive income					48,821	(1,388)
Comprehensive income	–	–	67,234	–	48,821	(1,388)
Purchase of treasury shares				(4)		
Disposal of treasury shares		1				
Share-based payment transactions		79		68		
Dividends from surplus			(10,768)			
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		(133)				
Transfer to retained earnings			21,342			
Others			(28)			
Total transactions with owners	–	(52)	10,546	63	–	–
Balance, December 31, 2023	38,909	31,255	510,004	(11,587)	121,674	(305)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance, January 1, 2023	49,695	–	123,633	614,424	8,698	623,121
Profit			–	67,234	1,197	68,430
Other comprehensive income	14,461	6,799	68,692	68,692	310	69,002
Comprehensive income	14,461	6,799	68,692	135,926	1,507	137,432
Purchase of treasury shares			–	(4)		(4)
Disposal of treasury shares			–	1		1
Share-based payment transactions			–	147		147
Dividends from surplus			–	(10,768)	(961)	(11,730)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			–	(133)	(13)	(145)
Transfer to retained earnings	(14,542)	(6,799)	(21,342)	–		–
Others			–	(28)		(28)
Total transactions with owners	(14,542)	(6,799)	(21,342)	(10,785)	(974)	(11,759)
Balance, December 31, 2023	49,614	–	170,983	739,565	9,231	748,795

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before tax	71,622	105,975
Depreciation and amortization	49,914	59,494
Impairment losses	285	2,296
Increase (decrease) in liabilities for retirement benefits	(267)	(322)
Interest and dividend income	(5,021)	(5,244)
Interest expenses	2,939	6,300
Loss (gain) on sale and retirement of non-current assets	78	12
Decrease (increase) in trade receivables	(11,733)	(1,172)
Increase (decrease) in trade payables	5,983	(6,194)
Decrease (increase) in inventories	(47,682)	31,643
Gain on sale of businesses	–	(3,316)
Other	(571)	(4,530)
Subtotal	65,547	184,944
Interests and dividends received	5,017	5,236
Interests paid	(2,890)	(6,155)
Income taxes (paid) refund	(28,444)	(24,284)
Net cash provided by operating activities	39,231	159,741
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	2,283	5,868
Payments into time deposits	–	(8,944)
Purchases of property, plant and equipment	(54,378)	(58,253)
Proceeds from sale of property, plant and equipment	2,072	2,969
Purchases of intangible assets	(514)	(473)
Purchases of investment securities	(326)	(612)
Proceeds from sale of investment securities	7,340	29,863
Proceeds from sale of businesses	–	5,386
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	–	(321,928)
Other	(2,834)	2,108
Net cash used in investing activities	(46,357)	(344,015)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	34,460	(41,646)
Net increase (decrease) in commercial paper	7,000	(7,000)
Proceeds from long-term borrowings	13,524	314,700
Repayments of long-term borrowings	(19,494)	(29,894)
Proceeds from issuance of bonds	30,000	–
Redemption of bonds	(12,000)	(9,000)
Purchases of treasury shares	108	(4)
Proceeds from sale of treasury shares	27	148
Cash dividends paid	(10,603)	(10,767)
Other	(7,849)	(10,777)
Net cash provided by (used in) financing activities	35,172	205,760
Effect of exchange rate changes on cash and cash equivalents	5,003	555
Net increase in cash and cash equivalents	33,049	22,041
Cash and cash equivalents at the beginning of period	42,523	75,572
Cash and cash equivalents at the end of period	75,572	97,613

(5) Notes Concerning Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

(1) Outline of Reportable Segments

The Group's business segments are organizational units for which the Group is able to obtain discrete financial information in order for the Company's Board of Directors to regularly review performance to determine the distribution of management resources and evaluate business results.

The Group classifies organizational units by product and service. Each organizational unit plans domestic or overseas general strategies for its products and services and operates its business.

Major products in each reportable segment

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

(2) Information on Segment Revenues and Results

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

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Tires	MB				
Sales revenue						
Sales revenue from external customers	754,309	96,248	9,919	860,477	–	860,477
Intersegment revenue	1,212	146	10,465	11,823	(11,823)	–
Total	755,521	96,394	20,384	872,300	(11,823)	860,477
Segment profit (business profit) (Note 2)	66,843	3,965	(758)	70,050	40	70,089
Other income and expenses						(1,238)
Operating profit						68,851
(Other significant items)						
Depreciation and amortization	37,777	2,964	101	40,841	1,042	41,883
Impairment losses	247	38	–	285	–	285
Capital expenditures	48,678	3,895	332	52,904	2,038	54,942

Notes: 1. “Others” includes the sports business.

2. Segment profit (business profit) is calculated by deducting cost of sales and selling, general, and administrative expenses from sales revenues.

3. Segment profit adjustments include the elimination of intersegment transactions.

4. Depreciation and capital expenditures for right-of-use assets are not included.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Tires	MB				
Sales revenue						
Sales revenue from external customers	874,863	101,885	8,585	985,333	–	985,333
Intersegment revenue	1,196	103	12,395	13,694	(13,694)	–
Total	876,059	101,988	20,980	999,026	(13,694)	985,333
Segment profit (business profit) (Note 2)	92,026	7,155	(76)	99,105	22	99,127
Other income and expenses						1,224
Operating profit						100,351
(Other significant items) (Note 4)						
Depreciation and amortization	45,871	3,020	119	49,010	838	49,848
Impairment losses	6	2,290	–	2,296	–	2,296
Capital expenditures	55,145	5,383	292	60,821	1,592	62,412

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 sales 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

Non-current assets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Japan	151,277	167,475
United States of America (“USA”)	57,925	73,552
India	184,280	208,985
China	32,432	37,452
Philippines	29,944	28,372
Europe	19,743	266,086
Others	44,954	70,377
Total	520,555	852,299

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.

(Earnings per share)

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit attributable to owners of the parent	45,918	67,234

(Thousands of shares)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Weighted-average number of common stock	160,339	160,340
Share-based payment	327	388
Weighted-average number of diluted common stock	160,666	160,728

(Yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Basic earnings per share	286.38	419.32
Diluted earnings per share	285.80	418.31

(Significant subsequent events)

Not applicable.