25th March 2022

**YOKOHAMA to Acquire Trelleborg AB’s Wheel Systems business specializing in tyres for agricultural and industrial machinery**

YOKOHAMA announces that today it has entered into a share purchase agreement with the Swedish-based Trelleborg AB to acquire all outstanding shares of Trelleborg Wheel Systems Holding AB (hereafter, TWS), a company engaged in the manufacture and sale of off-highway tyres (OHT) for agricultural and industrial machinery. TWS’s enterprise value is €2,040 million

(about ¥265.2 billion, at ¥130/€1; the acquisition agreement also includes a performance-linked earn-out\*1). YOKOHAMA estimates that the acquired business’ EBITDA multiple will be about 9x\*2. The acquisition is scheduled to be completed in the latter half of 2022, after completion of necessary procedures required by the competition laws of the European Union and other countries. The acquisition’s impact on YOKOHAMA’s consolidated financial results is currently under examination.

\*1 The performance-linked earn-out could increase the acquisition price by up to €60 million depending on the fiscal

2022 financial results of the acquired business.

\*2 Assumes TWS’ fiscal 2022 EBITDA of €230 million (Yokohama Rubber estimate)

YOKOHAMA is currently implementing its Yokohama Transformation 2023 (YX2023) medium-

term management plan for fiscal years 2021–2023. The “YX” in YX2023 is a combination of “Y” for YOKOHAMA and “X” for transformation. During YX2023, YOKOHAMA simultaneously is promoting the “Exploitation” of the strengths of its existing businesses and the “Exploration” of new value that will meet the needs of customers during the once-in-a-hundred years transformation now taking place in the global tyre market. Through this two-pronged effort, YOKOHAMA aims to achieve record results in fiscal 2023.

**YOKOHAMA’s tyre business strategy under YX2023**

The global tyre market can be broadly divided into two sub-markets-consumer tyres, which includes passenger car tyres, and commercial tyres, which covers tyres used on trucks and buses, agricultural and construction machinery, and other special-purpose vehicles. These two sub-markets currently are similar in scale. However, YOKOHAMA expect the trends toward CASE, MaaS, and digital transformation (DX) to greatly change the tyre market landscape. Specifically, the Company expects individual ownership of cars to decrease and infrastructure-related vehicles devoted to moving people and goods to increase, leading to consumer tyres becoming commercial tyres. In response to this changing tyre market, YOKOHAMA is promoting a strategy with a two-pronged approach consisting of “Exploitation” and “Exploration”. In the consumer tyre business, this strategy aims to raise the sales ratio of high value-added tyres by increasing sales of the Company’s global flagship ADVAN brand, its GEOLANDAR brand of tyres for SUVs and pick-up trucks, and winter tyres. The Company’s commercial tyre business is exploring opportunities created by market changes, with a focus on four themes-cost, service, DX, and expanding its product line-up.

**Acquisition’s purpose: Current situation and challenges for YOKOHAMA’s tyre business**

The TWS acquisition will contribute to the expansion of YOKOHAMA’s OHT business, which

YX2023 has positioned as a future growth driver for the Company’s commercial tyre business. The ratio of consumer tyres to commercial tyres in today’s global tyre market is 1:1, but YOKOHAMA’s tyre business sales are more heavily weighted toward consumer tyres, with a 2:1 ratio versus commercial tyres. To bring the sales composition of its tyre business more in line with the overall market and secure the business’ stability and earnings growth, one of the key challenges facing YOKOHAMA’s commercial tyre business is the growth of an OHT business capable of securing stably high earnings. The TWS acquisition will not only help YOKOHAMA’s tyre business achieve a more optimal sales composition, but it will also strengthen the Company’s commercial tyre business in each of the four thematic areas set forth in YX2023-product line-up, cost, service, and DX. Meanwhile, the consumer tyre business will continue its effort improve its profitability by expanding sales of its ADVAN, GEOLANDAR, and winter tyres.

**TWS strengths**

TWS sales in fiscal 2021 totalled SEK10,076 million (about ¥129.0 billion), accounting for about 30% of Trelleborg AB’s consolidated sales. Over the past 10 years, TWS has expanded its sales by 2.6 times and more than tripled EBIT (earnings before interest and taxes). While expanding sales it has sustained stably high profitability, with its EBIT ratio continuously above 10%.

Of tyres manufactured and sold by TWS, agricultural tyres account for about 60% and industrial tyres about 20%, with the remainder being tyres for construction machinery and motorcycles. In the global markets for agricultural and industrial tyres, TWS boasts world-class products, brand power, technological capabilities, and after-service. In addition, it has a line-up of tyres in each product category that supports all types of vehicles and vehicle sizes, from the smallest to the largest.

TWS has 14 manufacturing plants in nine countries-7 in Europe (Italy, Latvia, Serbia, Slovenia, and 3 in the Czech Republic), 2 in the United States, 1 in Brazil, and 4 in Asia (2 in China and 2 in Sri Lanka). About 70% of its sales are in Europe. TWS also is actively promoting ESG activities, including setting high targets for its shift to renewable raw materials. Over the next five years, it plans to increase the ratios of biomaterials used in its products by 10 percentage points.

**Acquisition strategy and its compatibility with YX2023**

YOKOHAMA believes the TWS acquisition will provide it with a more complete product brand

structure, strengthen its service network, contribute to DX, broaden its regional sales network, and boost its sales of OE tyres.

In terms of a complete product brand structure, the acquisition will give YOKOHAMA a complete brand line-up of tyres for agricultural and construction machinery that will cover all brand categories, from basic to standard and premium brands. YOKOHAMA’s service network will be strengthened by TWS’ proprietary tyre maintenance service that provides after-sales service for industrial-use tyres at 82 locations in 21 countries, and YOKOHAMA plans to expand that service to agricultural tyres. In the DX area, TWS is developing a remote system for monitoring tyre air pressure and temperature. YOKOHAMA has been developing a similar system, and the two companies will collaborate to develop a more convenient and efficient remote monitoring service.

The addition of TWS strong sales network in Europe will complement YOKOHAMA’s strengths

in Japan, North America and Asia, creating a global network covering all major markets that is

expected to propel further growth of the YOKOHAMA Group’s OHT business. TWS’s addition will also open the door to new customers for YOKOHAMA’s OE tyres, as about 30 of the 60-some OEMs supplied by TWS would be new customers for YOKOHAMA.

This acquisition will lead to further growth of YOKOHAMA’s OHT business through synergies

generated by the combined strengths of both companies in all areas, from the development of new products and services to manufacturing, sales, quality control, and ESG.

**<Overview of Trelleborg Wheel Systems Holding AB>**

Head office: Trelleborg, Sweden

Main business: Manufacture & sale of tyres for agricultural and industrial machinery

Net sales: 10,076 million Swedish krona (approx. ¥129 billion) (FY2021)

Production sites: 14 (1 each in Italy, Latvia, Serbia, Slovenia, 3 in the Czech Republic, 2 in Sri Lanka, 2 in China, 2 in the U.S., and 1 in Brazil)

Sales offices: 40

Key brands: TRELLEBORG, Mitas

Employees: 6,750 (as of end-December 2021)

**<Overview of Trelleborg AB>**

Established: 1905

Head Office: Trelleborg, Sweden

Share Capital: 2,620 million Swedish krona (approx. ¥33.6 billion)

Main business: Manufacture & sale of polymer-based rubber products for industry

Net sales: 33.864 billion Swedish krona (approx. ¥433.8 billion) (FY2021)

Employees: 21,230 (as of end-December 2021)