

Yokohama Rubber to Acquire Trelleborg Wheel Systems Holding AB—Synergy Creation and Financial Improvement Will Be Closely Watched

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by The Yokohama Rubber Company, Limited (security code: 5101) regarding its resolution to acquire the shares of Trelleborg Wheel Systems Holding AB to make the latter a subsidiary.

- (1) The Yokohama Rubber Company, Limited (the "Company") announced on March 25 that its board of directors has resolved to acquire the shares of Trelleborg Wheel Systems Holding AB ("TWS"), which manufactures and sells off-highway tires for agricultural and industrial machinery, to make TWS a subsidiary. The acquisition is valued at around 267.2 billion yen (estimate) and is scheduled to be completed in the latter half of 2022.
- (2) The acquisition will help expand the commercial tire business as per the medium-term management plan and is expected to contribute to enhancing the product lineup and cost competitiveness of the commercial tire business, too, driven also by the Alliance Tire Group acquired in 2016. Moreover, as profitability appears to be high for TWS, it can be expected to improve for the entire tire business. On the other hand, the large acquisition price relative to the Company's business size makes the temporary deterioration of the financial structure inevitable, but, given the Company's financial position, which has been strengthened in recent years, and current cash flow generation capacity, JCR assumes that the Company can improve the financial structure to a decent level in the medium run. Therefore, JCR considers it not necessary to immediately change the Company's rating at this point but will nevertheless pay close attention to any impacts on the financial position, synergy creation and medium-term profit growth, as well as to progress in the consequent improvement of the financial structure.

Mikiya Kubota, Akio Kamimura

<Reference>

Issuer: The Yokohama Rubber Company, Limited

Long-term Issuer Rating: A+ Outlook: Stable

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