

Yokohama Danmark A/S

Hammerholmen 12, 2650 Hvidovre

CVR no. 14 68 08 37

Annual report 2019

Approved at the Company's annual general meeting on 14 May 2020

Chairman:





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes to the financial statements	11

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Yokohama Danmark A/S for the financial year 1 January - 31 December 2019.

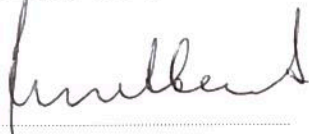
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Hvidovre, 14 May 2020
Executive Board:



Kenneth Fritjof Saust

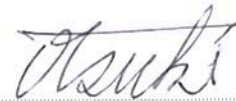
Board of Directors:



Keishi Hashimoto
Chairman



Kenneth Fritjof Saust



Shunsuke Otsuki

Independent auditor's report

To the shareholder of Yokohama Danmark A/S

Opinion

We have audited the financial statements of Yokohama Danmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 14 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Bo Leinum
State Authorised Public Accountant
mne10087



Management's review

Company details

Name	Yokohama Danmark A/S
Address, Postal code, City	Hammerholmen 12, 2650 Hvidovre
CVR no.	14 68 08 37
Established	27 August 1990
Registered office	Hvidovre
Financial year	1 January - 31 December
Website	www.yokohama.dk
E-mail	info@yokohama.dk
Telephone	+45 36 45 00 46
Telefax	+45 36 45 00 49
Board of Directors	Keishi Hashimoto, Chairman Kenneth Fritjof Saust Shunsuke Otsuki
Executive Board	Kenneth Fritjof Saust
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

The Company's principal activity is import and sale of tyres, etc.

Financial review

The income statement for 2019 shows a profit of DKK 6 thousand against a loss of DKK 2,653 thousand last year, and the balance sheet at 31 December 2019 shows a negative equity of DKK 1,336 thousand.

The business during the winter season was negatively impacted by the unusual warm winter, as consumer demand for winter tyres was consequently reduced due to this.

Management are following closely the situation caused by the Corona virus, which potentially can influence the business in some part of 2020. The supply situation has not yet been impacted, but demand from both the business and the consumers may be negatively impacted depending on the duration of government restrictions.

The parent company, Yokohama Europe GmbH, being the majority beneficial shareholder has confirmed that they will continue to provide the Company, if required, with financial support as and when it may be required to meet the liabilities of the Company until 31 May 2021.

As stated, the equity is negative with DKK 1,336 thousand. It is Management's expectation that the Company in the long term can reestablish the share capital by future earnings.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	11,689	8,642
2	Staff costs	-7,658	-7,206
3	Depreciation of property, plant and equipment	-34	-36
	Other operating expenses	-3,759	-3,911
	Profit/loss before net financials	238	-2,511
4	Financial expenses	-232	-142
	Profit/loss for the year	<u>6</u>	<u>-2,653</u>
	Recommended appropriation of profit/loss	6	-2,653
	Retained earnings/accumulated loss	<u>6</u>	<u>-2,653</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	101	135
		101	135
	Investments		
	Other receivables	516	511
		516	511
	Total fixed assets	617	646
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	20,256	16,914
		20,256	16,914
	Receivables		
	Trade receivables	16,293	14,755
	Receivables from group entities	1,065	539
	Deferred tax assets	345	345
	Other receivables	79	83
	Prepayments	183	327
		17,965	16,049
	Cash	8,694	2,681
	Total non-fixed assets	46,915	35,644
	TOTAL ASSETS	47,532	36,290

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	1,000	1,000
	Retained earnings	-2,336	-2,342
	Total equity	-1,336	-1,342
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	191	0
		191	0
	Current liabilities other than provisions		
	Intercompany debt	21,403	15,722
	Trade payables	22,983	18,377
	Payables to group entities	2,392	2,165
	Other payables	1,899	1,368
		48,677	37,632
	Total liabilities other than provisions	48,868	37,632
	TOTAL EQUITY AND LIABILITIES	47,532	36,290

- 1 Accounting policies
- 7 Contractual obligations and contingencies, etc.
- 8 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2018	1,000	311	1,311
Transfer through appropriation of loss	0	-2,653	-2,653
Equity at 1 January 2019	1,000	-2,342	-1,342
Transfer through appropriation of profit	0	6	6
Equity at 31 December 2019	1,000	-2,336	-1,336

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Yokohama Danmark A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies applied by the company are consistent with those of last year.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report which confirm or invalidate matters existing at the balance sheet date are taken into account.

Income is recognised in the statement as earned. Expenses incurred to generate the year's earnings are recognised as well, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Income from the sale of tyres is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Other operating income and operating expenses

Other operating income and operating expenses comprise expenses relating to administration, premises, bad debts, operating leases, etc.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activity, including expenses relating to distribution, sale, advertising, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc., made to the entity's employees. The item is net of refunds made by public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	2-5 years
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Financial expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, and realised and unrealised exchange gains and losses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments

Other receivables relates to deposits regarding the Company's lease. No depreciation is made on deposits as these are expected to be repaid at the expiry or at the termination of leases.

Impairment of fixed assets

Every year, property, plant and equipment are reviewed for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Inventories

Inventories are measured at the lower of cost, measured by reference to weighted average methods, and net realisable value.

Cost is measured plus delivery costs as well as other costs directly attributable to the acquisition.

The net realisable value of inventories is calculated as the sales amount less costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable is impaired. Write-downs are made to the lower of the net realisable value and the carrying amount.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the balance sheet liability method, of all temporary differences between carrying amounts and tax values.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised.

Liabilities

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
2 Staff costs		
Wages/salaries	6,576	6,334
Pensions	679	672
Other social security costs	119	92
Other staff costs	284	108
	<u>7,658</u>	<u>7,206</u>
Average number of full-time employees	<u>15</u>	<u>14</u>

In accordance with section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to members of Management is not disclosed.

DKK'000	2019	2018
3 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	34	36
	<u>34</u>	<u>36</u>
4 Financial expenses		
Interest expenses, group entities	67	58
Exchange losses	131	55
Other financial expenses	34	29
	<u>232</u>	<u>142</u>

5 Property, plant and equipment		Other fixtures and fittings, tools and equipment
DKK'000		
Cost at 1 January 2019		<u>1,296</u>
Cost at 31 December 2019		<u>1,296</u>
Impairment losses and depreciation at 1 January 2019		1,161
Amortisation/depreciation in the year		<u>34</u>
Impairment losses and depreciation at 31 December 2019		<u>1,195</u>
Carrying amount at 31 December 2019		<u>101</u>

6 Share capital

The Company's share capital has remained DKK 1,000 thousand over the past 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

7 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	2,831	2,754

Rent liabilities include a rent obligation, totalling DKK 1,601 thousand (2018: DKK 1,539 thousand), for the non-cancellable rent period, which is 1 year. Furthermore, the Company has liabilities under operating leases for cars, totalling DKK 1,230 thousand (2018: DKK 1,215 thousand), with a remaining term of 1-5 years.

8 Related parties

Information about consolidated financial statements

Parent	Domicile
Yokohama Rubber	Tokyo, Japan
Yokohama Europe GmbH	Düsseldorf, Germany

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Yokohama Europe GmbH	Monschauer Str. 12, 40549 Düsseldorf, Germany
Yokohama Reifen GmbH	Monschauer Str. 12, 40549 Düsseldorf, Germany