YOKOHAMA

ANNUAL REPORT 2015

The Yokohama Rubber Co., Ltd. Year ended December 31, 2014

All for Growth

Focusing Our Energy on Growth

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

Contents

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.

TO OUR STAKEHOLDERS

We posted a third consecutive year of record highs for net sales, operating income, and net income in 2014. Net income increased 15.7% over the previous year, to ¥40.5 billion, on a 4.3% increase in operating income, to ¥59.1 billion, and a 3.9% increase in net sales, to ¥625.2 billion. We shared our strong earnings with Yokohama stockholders with a ¥4 increase in our annual dividend, to ¥26.

Our fiscal performance in 2014 benefited from modest economic recovery in Japan, where the employment picture and corporate earnings improved. We also benefited from continuing progress toward economic recovery in Europe and from solid consumer spending in the United States. Those positive trends more than offset slowing economic growth in China and in several emerging economies.

Japan's tire industry benefited in 2014 from the weakening of the yen and from a downward trend in raw material prices. We contended, however, with escalating price competition worldwide.

At Yokohama, we are working to fulfill the goals of our medium-term management plan, Grand Design 100, which we adopted in 2006. Grand Design 100 comprises four three-year phases, and we have just entered the culminating Phase IV. Our original targets as established in 2006 were to achieve annual net sales of ¥1 trillion and operating income of ¥100 billion by 2017 and thus achieve an operating profit margin of 10% by that year.

In Phase IV, we will work in the spirit of All for Growth—Focusing Our Energy on Growth to consolidate our momentum and our potential. That will include working to resolve issues that arose during the first three phases, to culminate Grand Design 100 on a positive note, and to set the stage for progress in our company's second century. Our chief financial targets in Phase IV are to achieve annual net sales of ¥770.0 billion and annual operating income of ¥80.0 billion by 2017 and to thereby attain an operating profit margin of at least 10.4%.

Our fiscal projections for 2015 call for a 7.6% increase in net sales, to ¥673.0 billion; an 8.4% increase in operating income, to ¥64.0 billion; and an 11.1% decline in net income, to ¥36.0 billion. Those projections reflect our expectation that economic recovery will gain momentum in Japan and our realization that any of several possible events could affect the business environment greatly; for example, sudden shifts in currency exchange rates or in crude oil prices, worsening strife in Ukraine, a recurrence of the debt crisis in Europe, and a rise in US interest rates.

We at Yokohama are committed to achieving the targets of Grand Design 100, and we are tackling a comprehensive range of operational strategies and related measures for that purpose. Our progress in fulfilling Grand Design 100 will ensure that Yokohama continues to grow and develop as a global corporation. And we thank you, our stakeholders, for your attention to our efforts and for your continuing goodwill.

May 2015

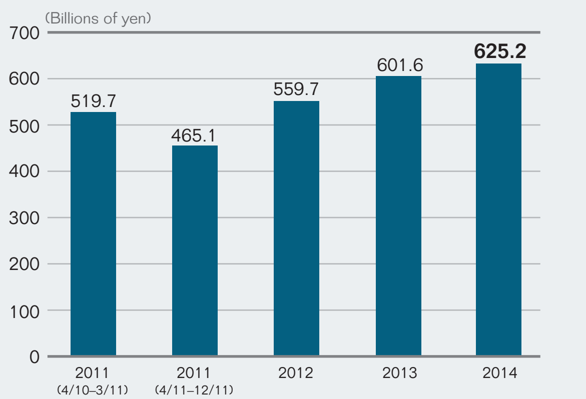
Tadanobu Nagumo (*right*)
Chairman and CEO and Representative Director

Hikomitsu Noji
President and Representative Director

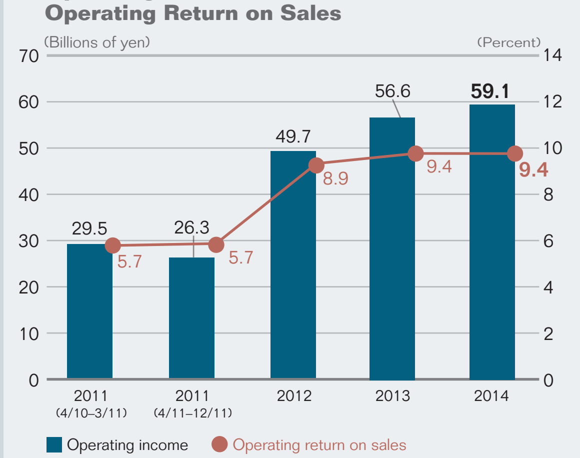
FINANCIAL HIGHLIGHTS

For the years ended December 31, 2014, 2013 and 2012, the nine months ended December 31, 2011, and the years ended March 31, 2011.
Yokohama shifted in 2011 to calendar-year fiscal accounting, from April-to-March fiscal accounting. That resulted in a one-time-only nine-month fiscal period ended December 31, 2011.

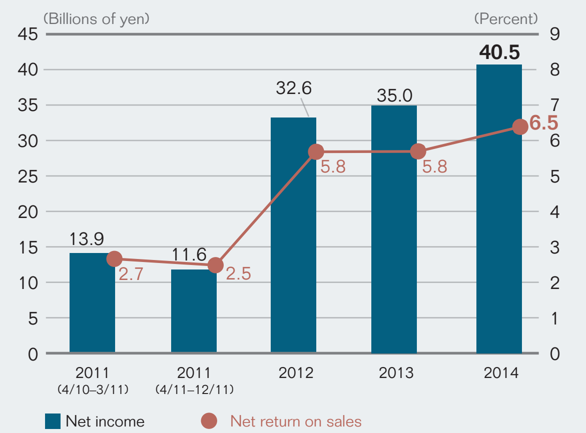
Net Sales



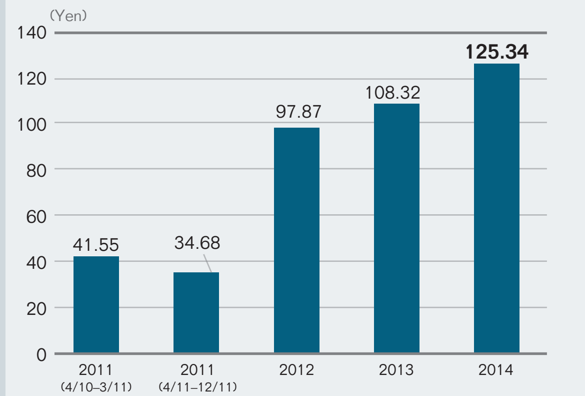
Operating Income and Operating Return on Sales



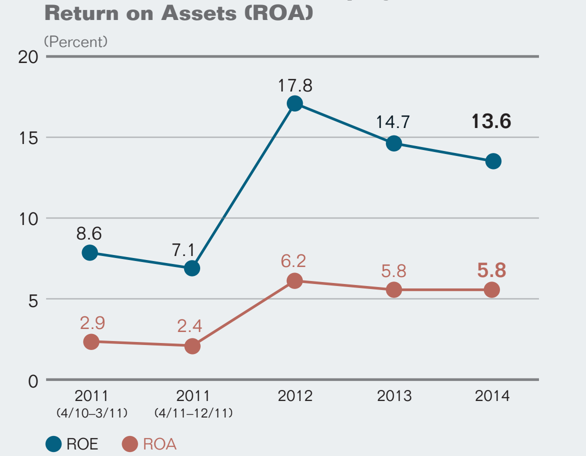
Net Income and Net Return on Sales



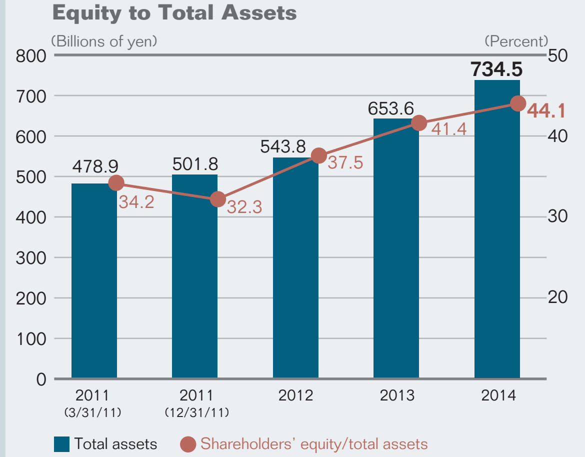
Net Income per Share



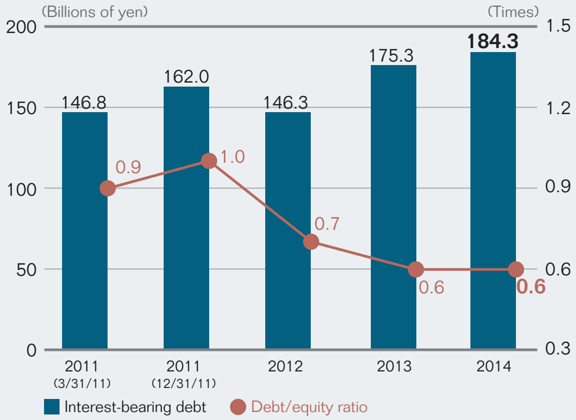
Return on Shareholders' Equity (ROE) and Return on Assets (ROA)



Total Assets and Ratio of Shareholders' Equity to Total Assets

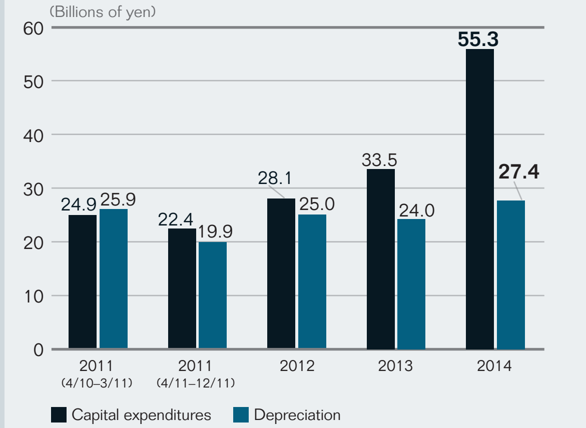


Interest-Bearing Debt and Debt/Equity Ratio*

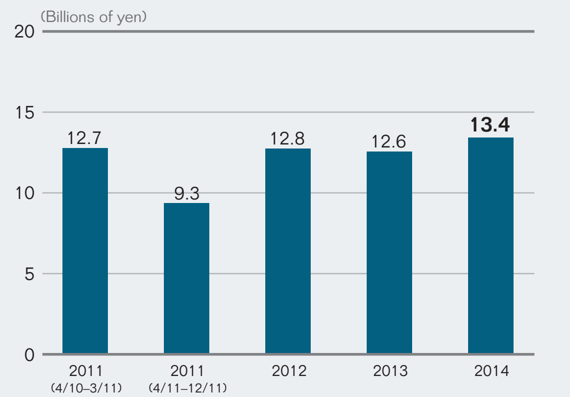


*Interest-bearing debt divided by net assets less minority interests

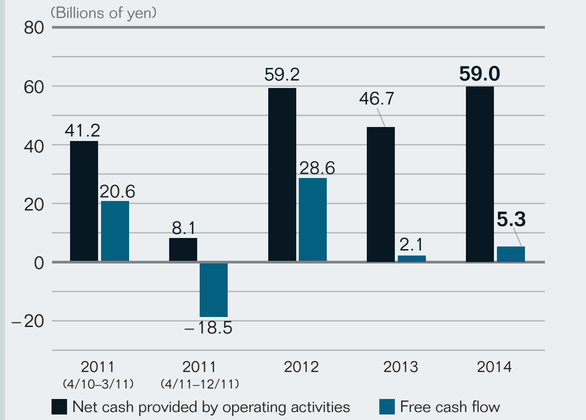
Capital Expenditures and Depreciation



R&D Expenditures

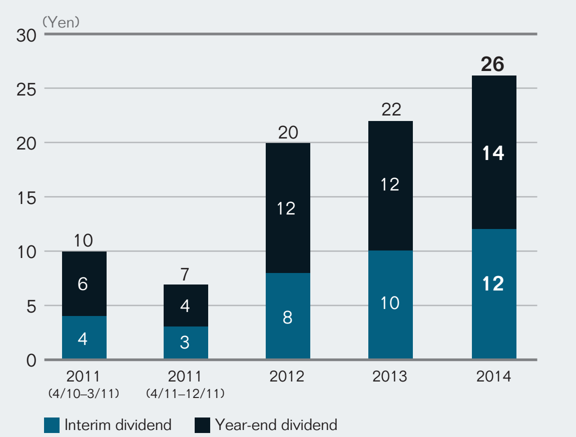


Net Cash Provided by Operating Activities and Free Cash Flow*

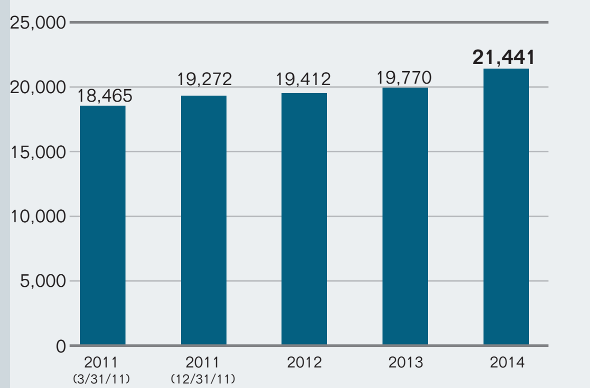


*Net cash provided by operating activities less net cash used in investing activities

Cash Dividends per Share



Employees



Becoming a Company That Earns and Retains Customer Loyalty

Hikomitsu Noji, President and Representative Director

We have entered the culminating three years—Phase IV—of our Grand Design 100 medium-term management plan in 2015. President Hikomitsu Noji discusses our strategic emphases in working to fulfill the aims of Phase IV and thereby complete Grand Design 100 successfully.

Our financial targets and attainment in Phase III

We exceeded our aggregate, three-year targets in Phase III (2012–2014) for operating income, which totaled ¥165.4 billion, and for operating profit margin, which reached 9.3%. Our aggregate, three-year net sales in Phase III totaled ¥1,786.6 billion, just shy of our target.

The business environment was generally favorable during the three years of Phase III. We benefited from a weakening yen during most of Phase III, starting in the latter half of 2012, and from a downward trend in raw material prices. The business environment deteriorated somewhat, however, in the latter half of 2014. Japanese demand, which surged in advance of the April 1 hike in the national sales tax, slumped after the hike. Price competition escalated, meanwhile, in the world's principal tire markets. Also affecting our business adversely was the downturn in the Russian economy that resulted from unrest in Ukraine.

Other Phase III achievements and issues

Highlighting our Phase III performance in tires was progress in expanding our global production capacity and in winning fitments on a broadened range of vehicle models. Our annual production capacity increased to 68 million tires at 2014 year-end, from 59 million at 2011 year-end. Accounting for most of that increase were plant expansion projects in the Philippines, Thailand, and China; the start of production at a new Russian plant; and the completion of a plant in India. Our expanded business with automakers included new fitments on models produced globally by Japanese automakers and high-profile fitments on premium-grade models from European automakers. Altogether, we heightened our visibility greatly in the original equipment market.

Another gratifying development in Phase III was the improved performance that we achieved in our Multiple Business operations. Those operations displayed renewed growth momentum in sales and in earnings as we deployed products strategically and strengthened our production and sales networks worldwide.

As for Phase III issues, we lagged in responding to escalating price competition in our principal tire markets. And our sales were sluggish in North America, in Europe, and in Russia.

The market environment in Phase IV

We are concerned about the possibility of slowing economic growth in Europe and in China during Phase IV. In Japan, the hike in the national sales tax scheduled for 2017 is already causing trepidation. But we expect crude oil prices to remain low and to thereby stimulate vehicle usage and thus support robust demand for tires. Toughened environmental regulations in nations around the world will occasion escalating competition, however, in developing fuel-saving tires. And we will face mounting competition from emerging tire manufacturers.

The uncertain outlook dictates that we respond flexibly to changes in the business environment and hedge our risk exposure. We also need to differentiate our products advantageously with original technology and thereby capitalize on business opportunities.

The meaning of the Phase IV theme: All for Growth—Focusing Our Energy on Growth

We adopted the themes of Profitable Growth for Phase I of Grand Design 100, Quality Growth for Phase II, and Robust and Responsive Growth for Phase III. In Phase IV, we will work in the spirit of All for Growth—Focusing Our Energy on Growth to resolve issues that have arisen during the first three phases and to set the stage for progress in our company's second century. Our work in the first three phases of Grand Design 100 fostered growth momentum and growth potential in individual units and in our organization overall. In Phase IV, we will strive to consolidate that momentum and potential.

Why we are reaffirming our commitment to customer satisfaction

All of us at Yokohama have worked throughout the first three phases of Grand Design 100 to foster a customer-oriented corporate culture. But our sales did not grow fully in accordance with our aims and expectations in Phase III. So we are redoubling our efforts in Phase IV to channel all our activity companywide into maximizing customer satisfaction. That means offering distinctive, Yokohama-like products that customers will choose ahead of others. We are determined to create products that will capture the attention and win the hearts of customers. And we are tackling that challenge by mobilizing all our resources in product planning, in development and design, and in manufacturing and marketing.

"We are one of the few tire manufacturers capable of supplying tries that improve fuel economy without compromising grip."

Our main emphases in tire strategy

Expanding our business further with global automakers is a high priority in our tire strategy. That will need to include addressing automakers' mounting concern with reducing fuel consumption and output of carbon dioxide. Addressing that concern will require progress in resolving the incompatibility between low rolling resistance and reliable grip.

We are one of the few tire manufacturers capable of supplying tires that improve fuel economy without compromising grip, and we will build on that position to broaden our presence in the original equipment market. Our fitments on premium-grade models, especially, raise our profile and strengthen our reputation for product reliability. And that reinforces our momentum in the marketplace for replacement tires. We aim to increase our share of the global original equipment market to 10%.

Another strategic emphasis for us in tires is expanding business in commercial tires. That product sector consists of tires for trucks and buses and for mining and construction equipment. Asserting a strong presence in commercial tires is essential to competing effectively as a global tire manufacturer. That is because those tires are technologically demanding and therefore constitute a market where only the technologically strongest manufacturers can compete. Especially challenging are large and ultralarge tires for mining and construction equipment. The world's two largest tire manufacturers have had that market sector pretty much to themselves, but we are building a foothold there. We have staked out a presence with the launch of 49- and 51-inch radial tires and are developing 57-inch radial tires.

The main strategic emphases in our Multiple Business operations

We are working to increase the Multiple Business share of net sales to 25%, compared with about 20% in 2014. Our strategy for achieving that increase centers on expanding business globally in automotive components and materials and on building on our market leadership in marine products.

Yokohama offerings in high-pressure hoses and in sealants have earned high regard from automakers in Japan, and we need to pick up the pace in developing business for those products in the global marketplace. We command extremely large market shares worldwide, meanwhile, in pneumatic marine fenders and in marine hoses. Reinforcing our business momentum in those product categories will depend on fortifying our capabilities in manufacturing and marketing products globally. We acquired an Italian manufacturer of marine hoses in 2014 and will begin producing pneumatic fenders and marine hoses at a new plant on Indonesia in the latter half of 2015.

"Earning customer satisfaction is a challenge that will continue, of course, beyond Phase IV and into our second century."

Our strategy in technological development

Earning customer satisfaction by asserting distinctively Yokohama quality is a central emphasis for us in technology strategy. Our efforts to achieve that aim include unifying tire specifications globally. That will enable us to serve demand anywhere with tires of uniformly high quality, regardless of where they are produced.

Our stepped-up measures for earning customer satisfaction also include globalizing our product development work in tires. We have augmented our traditionally Japan-based R&D capabilities by expanding our development center in China and by opening a development center in Thailand in April 2015, and we plan to build a development center in the United States.

Common strategies for all operations

A proactive approach to corporate acquisitions and alliances is an indispensable part of our strategy for achieving annual net sales of ¥1 trillion. We are prepared to tap external resources to supplement our capabilities in manufacturing, in product development, and in marketing. Working with research organizations and with other companies will be especially important in speeding progress in developing next-generation technologies.

Corporate social responsibility

Fulfilling our corporate social responsibility is a prerequisite for achieving sustainable growth as a global organization. That includes addressing issues of common concern to people everywhere, such as environmental quality and human rights. It also includes fostering a workplace environment that encourages and helps employees at all our operations make the most of their potential. That means adapting our human resources program to different needs in different regions. Our Thai subsidiary that processes natural rubber, for example, provides employees with financial support for sending their children to school. And the tire plant that we will open in Mississippi in 2015 will help employees obtain higher-education degrees.

A long-term vision for Yokohama

I want Yokohama to be a company that enjoys strong customer loyalty. That means having legions of customers worldwide who are determined to secure Yokohama products. Our Phase IV emphases in Grand Design 100 include channeling "all our activity companywide into maximizing customer satisfaction." Earning customer satisfaction is a challenge that will continue, of course, beyond Phase IV and into our second century. As a manufacturer, we will continue to interface with customers principally through products. We therefore need to appeal to customers with products of superior quality that address needs fully and that capture the imagination. Our challenge is to foster a global base of Yokohama aficionados.

Grand Design 100 Phase IV

Aiming for annual net sales of ¥770 billion in 2017 in the spirit of All for Growth

Yokohama Rubber entered the fourth and culminating phase of its medium-term management plan, Grand Design 100, in January 2015. Here is a summary of Phase IV.

About Grand Design 100

We launched Grand Design 100 in 2006 as a medium-term management plan for the 12 years to our corporate centennial in 2017. The plan sketches a vision for evoking "a distinctive global identity in building corporate value and in building a strong market presence by 2017." Our original financial targets were to achieve annual net sales of ¥1 trillion and operating income of ¥100 billion by 2017 and thus achieve an operating profit margin of 10% by that year. Grand Design 100 comprises four three-year phases, and we completed Phase III in 2014. We are on track to attain the target for operating profit margin by 2017, but changes in the business environment have obliged us to extend the time horizon for attaining the targets for net sales and operating income.

Summary of Phase III

Our theme for Phase III of Grand Design 100 (2012–2014) was Robust and Responsive Growth, and we deployed growth strategies in the spirit of that theme for our tire operations and our Multiple Business (diversified products) operations. As a result, our annual tire production capacity increased to about 68 million tires at 2014 year-end, from 59 million at 2011 year-end. And vigorous measures for developing overseas business helped achieve renewed growth momentum in our Multiple Business operations. On the other hand, our sales growth in tires lagged the growth in production capacity worldwide. Our aggregate, three-year targets in Phase III were ¥1,800.0 billion for net sales, ¥150.0 billion for operating income, and 8.3% for operating profit margin. We exceeded the latter two targets with operating income of ¥165.4 billion and an operating profit margin of 9.3%, though our net sales of ¥1,786.6 billion were slightly below our target.

Phase IV Theme and Financial Targets

We will tackle Phase IV (2015–2017) in the spirit of All for Growth—Focusing Our Energy on Growth. In that spirit, we will work to resolve issues that have arisen during the first three phases, to culminate Grand Design 100 on a positive note, and to set the stage for new progress in our company's second century. Our work in the first three phases of Grand Design 100 fostered growth momentum and growth potential in individual units and in our organization overall. In Phase IV, we will strive to consolidate that momentum and potential with an eye to attaining annual net sales of ¥770.0 billion, annual operating income of ¥80.0 billion, an operating profit margin of 10.4% by 2017.

Grand Design 100 Vision and Basic Policy

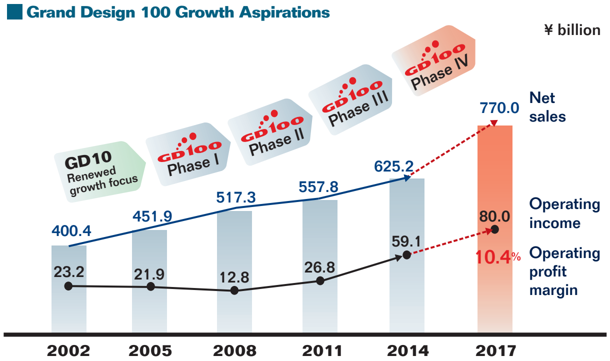
Evoke a distinctive global identity in building corporate value and in building a strong market presence

Long-Term Financial Targets
(year to December 31, 2017)

Net sales	¥1 trillion
Operating income	¥100 billion
Operating profit margin	10%

Basic Policy
- Deliver the best products at competitive prices and on time
- Assert world-class strengths in technologies for protecting the environment
- Foster a customer-oriented corporate culture that honors rigorous standards of corporate ethics

Grand Design 100 Growth Aspirations



Phase III Three-Year Financial Results and Targets

	Targets	Results
Net sales	¥1,800.0 billion	¥1,786.6 billion
Operating income	¥150.0 billion	¥165.4 billion
Op. profit margin	8.3%	9.3%

Phase IV Theme

All for Growth
Focusing our energy on growth

Phase IV Financial Targets for 2017

Net sales	¥770.0 billion
Operating income	¥80.0 billion
Op. profit margin	10.4%

Net ROA	More than 5%
Net ROE	More than 12%
D/E ratio	Less than 0.8

ROA: Return on total assets
ROE: Return on shareholders' equity
D/E: Debt/equity

Phase IV Strategies

Basic Approach

Maximize Customer Value and Expand Our Global Scope to Remain a Leader in the Tire and Rubber Industry for Another 100 Years

Channel all our activity companywide into maximizing customer satisfaction

Offer distinctive, Yokohama-like products

Undertake vigorous investment based on a strong financial position

Tire Strategy

Multiple Business Strategy

Technology Strategy

Common Strategy for All Operations

Corporate Social Responsibility

Tire Strategy

Allocate More Resources to Winning Business with Automakers Worlwide

In appealing to automakers, we will strive to assert leadership in fuel-saving technology and in other technologies to serve the automakers' environmental, safety, and performance needs. We are counting on that effort to help us secure technological approvals from more automakers and to win fitments on more vehicles worldwide.

Our business in the original equipment sector has consisted mainly of deliveries to Japanese automakers, supplemented by fitments on premium European and US vehicle models. Recently, we have broadened our original equipment business with the start of deliveries to Changan Automobile, one of the Chinese Big Five automakers.

We are working to increase the overseas percentage of our original equipment business while expanding that business overall. Overseas deliveries accounted for about one-third of our business with automakers in 2014, and we aim to increase that share to more than half by 2017 and to around 70% by 2020.

Strengthen Our Presence in Our Principal Markets

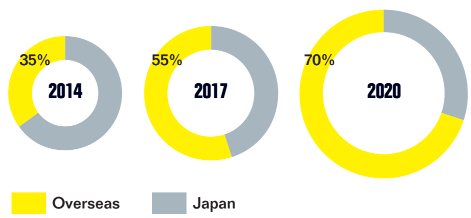
Authoritative projections place global tire demand in 2017 at 1,987 million tires. The largest markets are China, Europe, and North America, and we are therefore working to expand our presence in all of those markets. We have an especially strong position, meanwhile, in the Japanese and Russian markets, and we are working to expand our presence further in those markets.

Our approach in our principal markets includes establishing and expanding local production capabilities, upgrading our distribution channels, and fortifying our marketing. We continue working to build strong global brands and to cultivate Yokohama aficionados worldwide.

We have earmarked ¥120.0 billion for investment in expanding tire production capacity during the three years of Phase IV. That investment will increase our annual production capacity to 89 million tires by 2020 year-end, from the 74 million planned for 2017 year-end and from 68 million at 2014 year-end. Most of the expansion will be to serve demand locally in our principal markets. And a lot of the new capacity will come on line after the completion of Phase IV.

Expansion projects are under way at our Philippine and Thai tire plants and at our Suzhou passenger car tire plant in China. And we are considering new plants and plant expansions in North America, Russia, Europe, and China.

Doubling the Overseas Share of Our OE Business

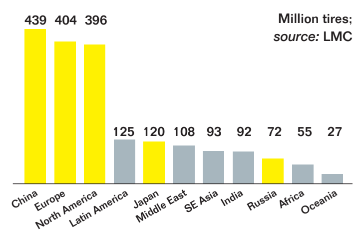


The ADVAN Sport V105, a popular tire for premium-car fitments

Examples of factory fitments

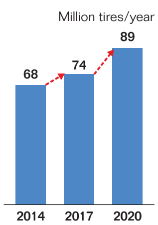
- Porsche
- Mercedes-Benz
- Audi
- Chrysler
- Jeep
- Lexus
- Changan

Projected global tire demand in 2017: 1,987 million tires



Global brand building to foster Yokohama aficionados

Our Production Capacity



New Plants and Plant Expansions

Under consideration
North America, Russia, Europe, China

Plant expansion under way
Philippines, Thailand, China (Suzhou)

Expand Business in Commercial Tires

The completion of our truck and bus tire plant in Mississippi in the latter half of 2015 will further localize our production in a principal market. In off-the-road tires, we are asserting a high-value-added presence in radial tires at the large end of the size spectrum. That includes developing 57-inch tires to supplement our 49- and 51-inch offerings.

Truck and bus tire plant under construction in Mississippi

Yokohama 51-inch radial tires on a dump truck

Multiple Business Strategy

Expand Business Globally in Automotive Components

We produce automotive hoses for air-conditioning and power steering systems and sealants for automotive windows and other applications at plants in Japan, China, Taiwan, Thailand, the United States, and Mexico. And we will broaden our interface with automakers futher by expanding our production and sales networks in this product sector and by applying high-value-added technologies to automotive components.

Build on Market Leadership in Marine Products

Our strategy in marine products centers on fortifying our already-large global market share in pneumatic marine fenders and in marine hoses. With the start-up in the latter half of 2015 of a plant we are building in Indonesia, we will have three production platforms for marine hoses and two for pneumatic marine fenders.

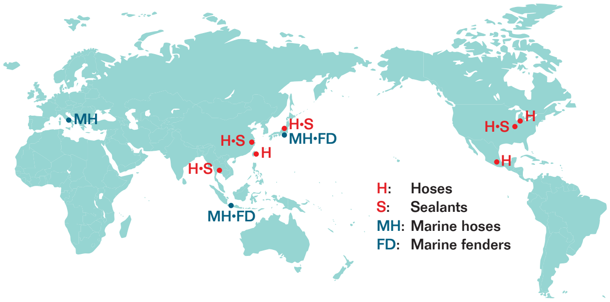
Strengthen Our Position in the Mining and Construction Sectors Worldwide

We will develop business worldwide in hydraulic hoses for construction equipment. Our supply capacity in hoses will increase with the 2015 start-up of a plant we are building in China. In conveyor belts, we will incorporate leading-edge technology to appeal to customers with advances in durability and in energy-saving performance.

Foster Growth in New Ventures Based on Original Technologies

We are fostering growth in new ventures, meanwhile, by deploying original technologies. That includes establishing a foothold in the fuel-cell vehicle sector with hoses for hydrogen stations and supplying hard coatings in the fast-growing smartphone sector.

Production Network for Automotive Hoses and Sealants and for Marine Products



From left: automotive hoses, automotive window sealants, marine hoses, marine fenders

Hydraulic hoses for construction equipment

A Yokohama conveyor belt in service at a mine

Fuel-cell business (shown: artist's rendering of a hydrogen station)

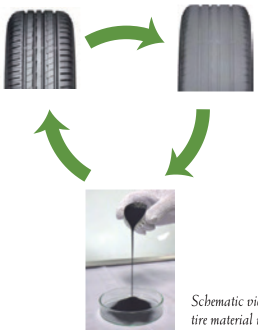
Hard coatings (shown: coating for blocking blue light)

Technology Strategy

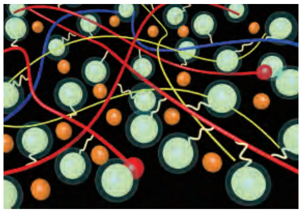
Open a New Phase for Yokohama Technology
We will apply our advanced recycling technologies to improve resource efficiency. And we will develop new materials and technologies for minimizing environmental impact through molecular engineering.

Earn Customer Satisfaction with Yokohama Quality
Unifying tire specifications at a high level at our plants worldwide will support increased flexibility in serving demand. And we will supplement our Japanese tire-development capabilities by expanding our development center in China and by building development centers in Thailand and the United States.

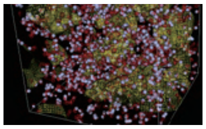
Lay a Next-Generation Technological Foundation
We will speed our work in developing next-generation technologies through joint R&D with other companies and organizations. And we will create next-generation Nanopower rubber through original strengths in materials technology and in advanced analysis and simulation.



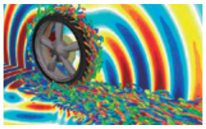
Schematic view of tire material recycling



Computer rendering of molecular structure



Multiscale simulation



Simulation of fluid acoustics around a tire

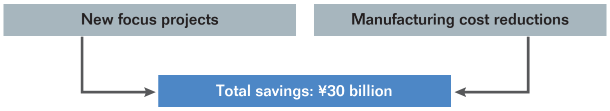
Tire Development and Evaluation Centers

Common Strategy for All Operations

In Phase IV, we will tap external resources through stepped-up activity in corporate acquisitions and alliances. We will work to reduce costs by ¥30 billion during Phase IV through our *mudadori* cost-cutting activities, under way since 2006. In addition, we will continue working to foster human resources capable of functioning in a global context and will consider adopting the International Financial Reporting Standards (IFRS).

Aiming for ¥30 billion in cost savings in three years

An extension of the *mudadori* cost-cutting activities under way since 2006



Corporate Social Responsibility

We work to fulfill our corporate responsibility in accordance with our CSR Management Vision, issued in 2008, and with the basic policy of Grand Design 100. Our approach centers on seven priorities established in 2010 on the basis of the ISO 26000 seven core subjects.

Our Seven Priorities in Corporate Social Responsibility

Organizational governance	Human rights
Labor practices	Environment
Fair operating practices	Consumer issues
Community involvement and development	

Examples of Measures for Reducing Environmental Impact

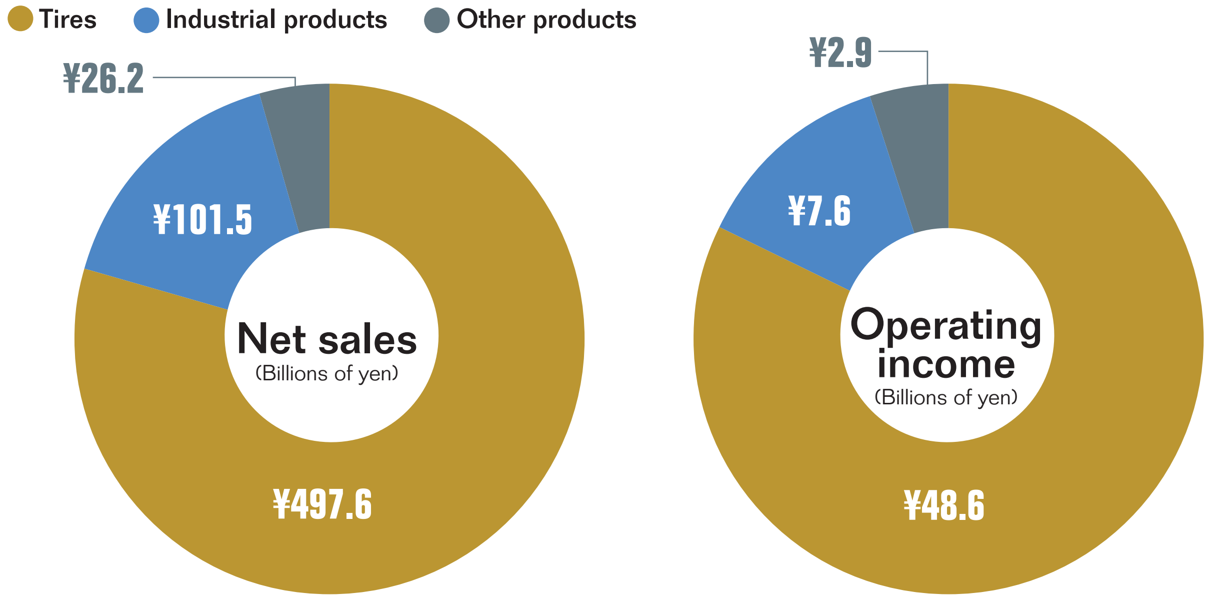
The BluEarth series of fuel-saving tires

Biodiversity-preservation activity in Thailand

Example of Measures for Interacting with the Community

Planting work in the earthquake-devastated community of Otsuchi-cho, in Iwate Prefecture

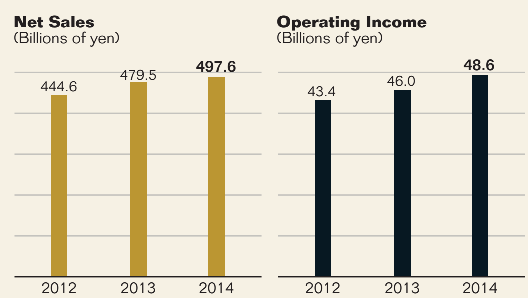
YOKOHAMA AT A GLANCE



Tires

Principal products

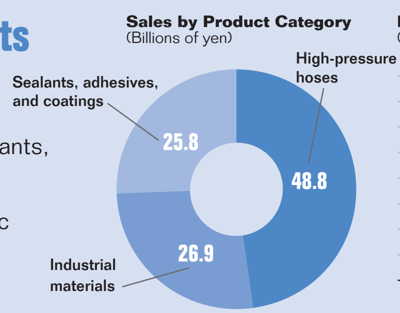
Tires for passenger cars and light trucks, for trucks and buses, and for construction and mining equipment, industrial vehicles, and other applications; aluminum alloy wheels and other peripheral products

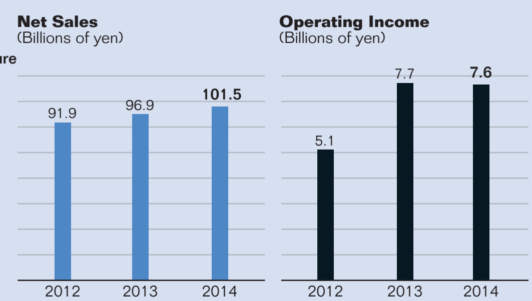


Industrial Products

Principal products

High-pressure hoses; sealants, adhesives, and coatings; conveyor belts; antiseismic products; marine hoses; pneumatic marine fenders

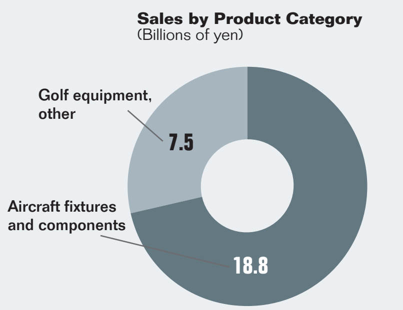


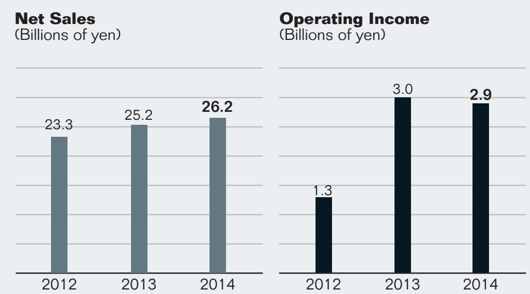


Other Products

Principal products

Aircraft fixtures and components and golf equipment





Tire group

Hideto Katsuragawa
Director and Senior Managing Corporate Officer
President of Tire Business

Strengthening Global Marketing through Closer Interaction among Sales, Production, and R&D

The Tire Group posted record sales and earnings in each of the three years (2012–2014) of Grand Design 100 Phase III. Our sales growth was less robust, however, than we had targeted. We are planning on unprecedented growth in sales volume in Phase IV (2015–2017). And we will support that growth with expanded local production in the world's largest markets, such as North America, and in markets where we assert special strengths, such as Russia.

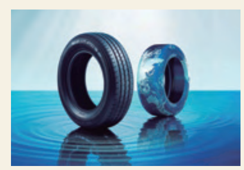
We are raising our profile in the marketplace, meanwhile, with a uniform sponsorship agreement with the Chelsea Football Club of the English Premier League. That agreement, concluded in February 2015, provides for our logo to appear on the Chelsea Football Club uniforms, on facilities at Chelsea's stadium, and on the club's website. It will thus place our name before the eyes of some 400 million soccer fans worldwide. We will make the most of our Chelsea relationship in advertising and promotions to help expand our market share in nations worldwide.

In another move to bolster our market momentum, we have strengthened the interaction among our manufacturing, marketing, and R&D functions. That will make us more responsive to needs and opportunities in the marketplace.

Sales	¥497.6 billion	UP 3.8 %
Operating income	¥48.6 billion	UP 5.6 %

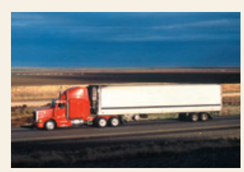
Passenger car tires

Our marketing strategy in passenger car tires centers on four global brands: ADVAN, our flagship brand for high-performance products; BluEarth, our showcase line of fuel-efficient tires; iceGUARD, our winter-category tires; and GEOLANDAR, our tires for sport-utility vehicles. Through that strategy, we pursue sales growth while reinforcing the association of the Yokohama name with high performance.



Truck and bus tires

In truck and bus tires, our product line extends from tires for light trucks to tires for large truck trailers. Our strategy in this sector focuses on products that feature superior fuel economy and accommodate multiple retreadings and on high-value-added products, such as ultra wide base tires. We will open a new plant for truck and bus tires in Mississippi in the latter half of 2015.



Off-the-road tires

We produce high-quality off-the-road tires at a dedicated plant in Japan. The addition of 49- and 51-inch radial tires has fortified our presence in the growing market for large off-the-road tires for mining and construction equipment, and we are developing 57-inch radial off-the-road tires. We have bolstered our supply capacity in off-the-road tires, meanwhile, through an "offtake" agreement with a Chinese tire manufacturer. Our Chinese partner supplies us with off-the-road tires to market under the Yokohama brand, and we supply the partner with related technology.

Motor sports

Participating in motor sports heightens awareness of the Yokohama name and strengthens our branding. We supply tires for international racing series, such as the FIA World Touring Car Championship series, and for local racing events in nations worldwide. In addition, we supplied tires in 2014 for all of the competitors in the Red Bull Global Rallycross racing series in the United States and Barbados.

BUSINESS PERFORMANCE in 2014

Operating income in the Tire Group increased 5.6% in 2014, to ¥48.6 billion, on a 3.8% increase in sales, to ¥497.6 billion. The Tire Group accounted for 82.3% of consolidated operating income and for 79.6% of consolidated net sales.

Japan—original equipment

Vehicle production in Japan increased in 2014, and our tire business with automakers increased in yen value though it declined in unit volume. Our strategy of promoting fuel-saving tires vigorously to Japan's automakers resulted in several new fitments on premium-grade models and on low-fuel-consumption models.

Japan—replacement tires

Our business in the Japanese replacement market was basically unchanged from the previous year in unit volume and in yen value. Business was robust in the first half of the fiscal year. Heavy snowfalls stimulated demand for snow tires, and tire purchases surged overall in advance of the April 1 hike in Japan's national sales tax. Demand weakened in the second half, however, and price competition escalated. Two Japanese product launches of note were the BluEarth AE-01F, a fuel-saving summer tire for passenger cars, and the BluEarth LT152R, a light-truck tire distinguished by a wear-resistant tread and excellent fuel economy.

Overseas

Outside Japan, our tire business increased in unit volume and in yen value. We posted continuing growth in China and in emerging markets, and our sales turned upward in Europe. Demand remained robust in the United States, but price competition escalated there. Notable product launches outside Japan included the BluEarth-A, a fuel saving summer tire for passenger cars, and the W*drive V905, a winter tire for passenger cars.

We continued to expand our overseas production of capacity. That included inaugurating the production passenger car tires at new plants in China in April 2014 and in India in July 2014. It also included expanding plants in the Philippines and in Russia.

Our new passenger car tire plant in India

BUSINESS OUTLOOK for 2015

We project that operating income in our tire operations will increase 8.1% in 2015, to ¥52.5 billion, on an 8.2% increase in sales, to ¥538.5 billion. Underlying those projections are our plans for increasing our sales of tires in overseas markets and for improving capacity utilization rates at our tire plants and our expectation that raw material prices will continue to decline.

Multiple Business Group

Takao Oishi
Director and Senior Managing Corporate Officer
President of Multiple Business

Creating New Products, Cutting Costs, Cultivating Human Resources

We achieved solid growth in sales and earnings during Phase III (2012–2014) of Grand Design 100 by vigorously expanding business overseas. That positioned us well to pursue continuing growth in a global context. Our measures for achieving further growth in 2015 center on creating new products, cutting costs, and cultivating human resources.

In product development, we are working, of course, to fortify our business portfolio in general. And we are devoting special attention to adapting products in a timely and cost-competitive manner to regional needs in each market. That means bolstering the appeal of existing products with improvements in technical support and ease of use, as well as deploying new products. It also means fine-tuning our market strategy in each nation.

Cost cutting is a priority theme in our common strategy for all operations in Phase IV (2015–2017) of Grand Design 100. We are launching special projects for stepping up our progress in eliminating waste.

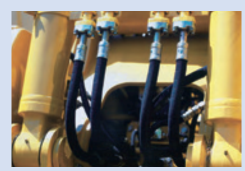
Cultivating human resources, meanwhile, is essential to asserting global competitiveness. We are upgrading our programs for skills development throughout our organization. That includes devoting increased emphasis to ensuring that Japanese managers acquire competence in English and other foreign languages.

Industrial Products

Sales	¥101.5 billion	UP 4.7%
Operating income	¥7.6 billion	DOWN 1.4%

High-pressure hoses

Our global manufacturing and marketing network for high-pressure hoses supplies hydraulic hoses for automobiles, construction equipment, and machine tools and metal joints for hydraulic systems. We are a leading supplier of high-pressure hoses for construction equipment in Japan. And our subsidiary Yokohama Industries Americas Inc. is a US leader in hoses for automotive power steering systems.

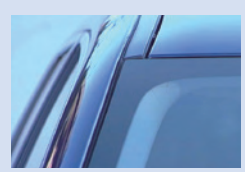


Industrial materials

The Yokohama line of industrial materials encompasses marine hoses, pneumatic marine fenders, conveyor belts, antiseismic products, highway joints, and other products. In marine products, we are a global leader in pneumatic marine fenders and in marine hoses.

Sealants, adhesives, and coatings

We deploy a broad range of sealants and adhesives under the Hamatite brand and a growing line of coatings for electronic equipment. In construction sealants and automotive window sealants, we are a leading supplier in Japan. We have also developed coatings for applications in growth markets in electronic equipment, and we are building a strong market position in coatings for smartphones, for light-emitting diode displays, and for other products.

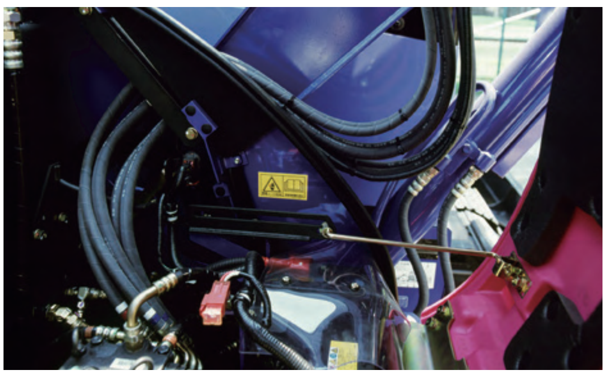


BUSINESS PERFORMANCE in 2014

Operating income in industrial products declined 1.4% in 2014, to ¥7.6 billion, on a 4.7% increase in sales, to ¥101.5 billion. Industrial products accounted for 12.8% of consolidated operating income and for 16.2% of consolidated net sales.

High-pressure hoses

Our Japanese business in high-pressure hoses benefited in 2014 from the introduction of toughened exhaust emission regulations for small construction equipment. We strengthened our US position in this product category by merging two US subsidiaries, YH America Inc. and SAS Rubber Company, as Yokohama Industries Americas Inc. in April 2014.



A Yokohama hydraulic hose for small construction equipment

Industrial materials

Sales increased in conveyor belts and in marine hoses, though sales declined in pneumatic marine fenders. We strengthened our position in this product category by acquiring an Italian manufacturer of marine hoses in September 2014 and incorporating it into our organization as Yokohama Industrial Products Italy S.r.l.

Yokohama Industrial Products Italy S.r.l.

ICEGUARD AR, a Yokohama conveyor belt for handling loads in ultracold environments

Sealants, adhesives, and coatings

Our Hamatite business in sealants and adhesives expanded in 2014. That growth comprised sales gains in the automotive sector and in the construction sector.

UH-01NB, Yokohama's best-selling construction sealant for concrete walls on residential and office buildings

BUSINESS OUTLOOK for 2015

We are eyeing an increase of 8.2% in operating income, to ¥8.2 billion, in industrial products in 2015. Underlying that projection is our expectation of 6.0% growth in sales, to ¥107.5 billion.

Other Products

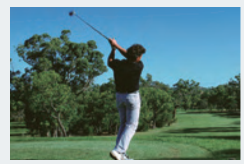
Sales	¥26.2 billion	UP 4.0%
Operating income	¥2.9 billion	DOWN 2.1%

Aircraft fixtures and components

Our business in aircraft fixtures and components centers on lavatory modules, drinking water tanks, and other components of lightweight materials. We supply those products to commercial aircraft manufacturers and to Japan's Ministry of Defense.

Golf equipment

In golf equipment, we market golf clubs and other products under the PRGR brand. Our business in this product category centers on Japan, but we are building a market presence in the Republic of Korea, in China, in Taiwan, and in Southeast Asian nations.



BUSINESS PERFORMANCE in 2014

Operating income in other products declined 2.1% in 2014, to ¥2.9 billion, on a 4.0% increase in sales, to ¥26.2 billion. Other products accounted for 4.9% of consolidated operating income and for 4.2% of consolidated net sales.

Aircraft fixtures and components

We posted solid sales growth in aircraft fixtures and components. Leading that growth were sales gains in replacement components in the government sector and in lavatory modules for small passenger aircraft in the commercial sector.

A Yokohama lavatory module for a commercial airliner

Golf equipment

Our golf equipment sales rose despite the adverse effect on demand of the hike in the national sales tax. Product launches of note in this category included the iD nabla RS golf clubs in October 2014 and the NEW iD nabla RED clubs in December.

NEW iD nabla RED

BUSINESS OUTLOOK for 2015

Our projections call for operating income in other products to increase 14.1% in 2015, to ¥3.3 billion. We expect sales in this segment to increase 3.0%, to ¥27.0 billion.

CORPORATE PHILOSOPHY AND CORPORATE SOCIAL RESPONSIBILITY

Fumio Morita
Director and Managing Corporate Officer
Head of Corporate Social Responsibility Division

Yokohama Rubber established its corporate philosophy in 1990. It consists of the Basic Philosophy, Management Policies, Action Guidelines, and Corporate Slogan. The Basic Philosophy embodies the types of business where Yokohama Rubber commits itself in all activities. The Management Policies outline basic administrative principles for upper-level management to commitment themselves to. The Action Guidelines are the code of conduct for each employee to comply with.

In 2006, we drew up a medium-term management plan, the Grand Design 100, and set a clear target of becoming a global company with one trillion yen in net sales by FY2017. Also, since our Basic Philosophy has been compiled based on the strong awareness of the expectations and needs arising from the international community, the plan places a strong emphasis on CSR by adopting these two basic points; to assert world-class strengths in technologies for protecting the environment, and fostering a customer-oriented corporate culture as our first priority by respecting higher standards of corporate ethics. In 2008, we reformed our corporate structure by establishing the CSR Division, followed by announcing our vision of CSR management both internally and externally. Our vision, to build a trusted identity as a contributing member of the global community, incorporates our desire to change the letter "R" in CSR to "Reliability", instead of the original "Responsibility." By doing so, we are hoping to make the concept more accessible and practical in our daily operations.

Corporate Philosophy (Launched in 1990)

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

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 affirm trust.
- Practice CSR in one's own work.

Grand Design 100 (GD100) Medium-range Management Plan (Established in 2006)

GD100 Vision and Basic Policy

To mark the Yokohama Centennial in FY2017, we will evoke a distinctive global identity in building corporate value and in building a strong market presence.

Long-Term Financial Targets (FY2017)

Net sales: ¥1 trillion, operating income: ¥100 billion, operating margin: 10%

Basic Policy

- Deliver the best products at competitive prices and on time.
- Assert world-class strengths in technologies for protecting the environment.
- Foster a customer-oriented corporate culture that honors rigorous standards of corporate ethics.

GD100 and Our Approach to the Environment (Established in 2006)

Basic Policy

Following the principle of dealing fairly with society and valuing harmony with the environment, we shall assert our world-class strengths in technologies for protecting the environment.

- Continued improvement of environmental management.
- Action to combat global warming.
- Contributing to the creation of a sustainable recycling society.

Seven Pillars of Core Subjects

The entire Yokohama Rubber Group including all domestic and overseas subsidiaries observe as action guidelines the 10 Principles of the United Nations Global Compact and the ISO26000 seven core subjects, in accordance with PDCA carried out.

UN Global Compact's 10 Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

WE SUPPORT

ISO26000 Seven Core Subjects

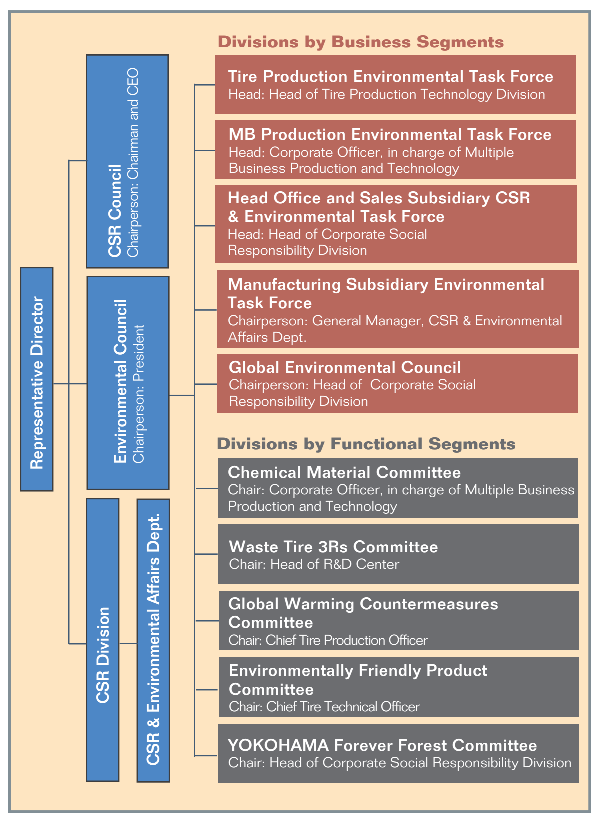
1 Organizational governance
2 Human rights
3 Labor practices
4 The environment
5 Fair operating practices
6 Consumer issues
7 Community involvement and development

CSR and Environmental Promotion Framework

Overseeing our measures for fulfilling corporate social responsibility is our CSR Council, headed by our company chairman and CEO. Safeguarding the environment is a central emphasis, of course, in those measures, and we have established the Environmental Council, headed by our company president, 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 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 begun holding regional gatherings of managers responsible for environmental protection at Yokohama Group companies. The first regional gatherings took place in China in June and in December 2014, and we are laying plans for a Southeast Asian gathering in Thailand and a North American gathering in the United States.

CSR and Environmental Promotion Framework



Hands-On Participation in Fostering Community Vitality

A More Local Focus

Building a sylvan barrier in Iwate Prefecture to protect the community from tsunami

Part of a large-scale project

We support forestation work in the northeastern Japan community of Otsuchi-cho, Iwate Prefecture. Otsuchi-cho was the scene of severe devastation wrought by the 2011 Great East Japan Earthquake and the subsequent tsunami. In the wake of that disaster, the plant ecologist Dr. Akira Miyawaki proposed an innovative, life-saving initiative. He called for building 300 kilometers of sylvan barriers to protect coastal communities in northeastern Japan from future tsunami.

Our participation consists of helping to afforest a mound in Otsuchi-cho that serves as a showcase for the sylvan-barrier project. We held the first planting in April 2012, when some 540 people planted about 3,400 trees on a mound 15 meters wide and 50 meters long. We have since sponsored forestation work annually on Otsuchi-cho's growing sylvan barrier, most recently in May 2015.

Evolving community attitudes

We were determined to position the Otsuchi-cho project as a locally based undertaking. So we worked through the local board of education and through other local channels to persuade residents of the project's value and to elicit their participation. Our efforts bore fruit, and the Otsuchi-cho elementary school incorporated the project as part of the environmental curriculum for fourth graders in 2014. The school has since conducted instruction in growing tree seedlings, brought students to gain hands-on experience in the planting work, and invited Dr. Miyawaki to conduct a symposium.

A growing contingent of young participants at the third planting session, in April 2014

The challenge of eliciting community involvement

Our forestation work in Otsuchi-cho will conclude in 2015. We have planted 80% of the surface of the tsunami barrier, which has reached its planned length of 300 meters. Planting the remaining 20% will take place in conjunction with environmental education programs. Yokohama employees visit Otsuchi-cho monthly to do watering and weed clearing. But the mound's long-term effectiveness as a sylvan barrier will hinge on community involvement. And we are therefore working with Otsuchi-cho representatives to secure the participation of local residents in conducting maintenance work.

Our evolving attitude

"The Otsuchi-cho project reflects our increasingly long-term perspective in public-interest activities. Our attitude toward community engagement has evolved through our work in that project. The number of employees who have participated in the forestation has grown annually, and a lot of those employees express a desire to put what they have learned in Otsuchi-cho to work in other worthy undertakings. We launched an in-house group in 2012 to support public-interest activities by employee volunteers. And we are considering a matching-gift program and other measures for promoting joint work by our employees and our company on behalf of the community."

Ichiro Suzuki
Head
CSR & Environmental Affairs Department

New Social Frameworks for Coexisting with Nature

Support for Habitat-Protection Work in China's Yunnan Province

Support for developing environmentally sustainable livelihoods

We support an initiative by the Beijing Sansheng Environment and Development Research Institute for supporting sustainable livelihoods in the Yunnan Province village of Heyuan, in the Laojun Mountain Nature Reserve. The Heyuan villagers number about 2,000 and are an ethnic minority. They engage in agriculture, but the environment is not amenable to cash crops, so they traditionally supplemented their livelihoods through logging and hunting. The Beijing Sansheng Environment and Development Research Institute, a nonprofit organization, began working with the villagers in 2010 to develop more environmentally sustainable sources of income. Our Chinese holding company, Yokohama Rubber (China) Co., Ltd., has supported that work since 2011.

Heyuan villagers pose with Yokohama Rubber (China) after a review and planning session.

Four years of assistance

The sustainability project in Heyuan has progressed in accordance with the adage, "First give a hungry man fish to eat. Then teach him how to catch fish on his own. And then help him sell his catch." With the Beijing Sansheng Environment and Development Research Institute, we set up a bank in Heyuan in 2011 to finance villagers' shift from logging to commercial agriculture and livestock raising. We also organized a cooperative organization for the villagers who sought to become commercial farmers and livestock growers. The shift in occupations entailed a temporary decline in income for some of the villagers, so we set up a fund in 2012 to help cover the cost of educating their children. We provided equipment in 2013 for beekeeping work and for other facets of the village's growing activity in agriculture and livestock raising. And we set up a sales platform in 2014 to market honey, medicinal herbs, and other products from the village.

Executives and employees from Yokohama Rubber (China) in Heyuan in July 2014 for the launch of the sales platform for sustainably produced agriculture and forestry products

Continued donations of funding and equipment

We have provided crucial funding and equipment at each stage in the Heyuan project through Yokohama Rubber (China). Executives and employees from Yokohama Rubber (China) visited Heyuan for the ceremonies held to commemorate the donation of beekeeping equipment and the launch of the sales platform for marketing the village's products.

Yokohama Rubber (China)'s work in Heyuan has earned high regard in China, and the company received prestigious recognition for the project in the inaugural Beautiful China awards in 2013. The Beautiful China awards program, conducted by 17 Chinese media organizations, recognizes excellence in fulfilling corporate social responsibility.

A rare honor

"The 2014 establishment of the sales platform for Heyuan products has reinforced the sustainability of production and economic development in the village. This project has been a long-term undertaking, conceived and conducted to transform the very fabric of village life. Fulfilling our commitment to the project has meant providing reliable support on a continuing basis. We have been honored to take part, especially since this undertaking is genuinely unique in its approach to community vitalization."

Shigetoshi Kondo
Chairman and President
Yokohama Rubber (China) Co., Ltd.

Deploying environmentally friendly products

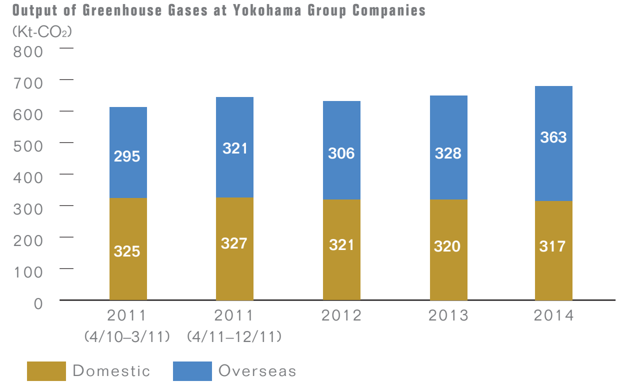
We evaluate products in regard to four environmental criteria: prevention of global warming, resource recycling, resource saving, and safety and comfort. Our guidelines mandate that all new products achieve an aggregate improvement of at least 5% over existing products and that they at least match existing products in regard to all four criteria. By the end of 2014, 94.9% of our products fulfilled our criteria for minimizing environmental impact, and we aim to increase that percentage to 100% by the end of 2017.

Proportion of Environmentally Friendly Products among All Products

Reducing output of greenhouse gases

Our medium-term target in Japan is to reduce our annual greenhouse emissions 25% by 2020, compared with 1990. In 2014, our overall reduction reached 17%. Our long-term target worldwide is to reduce our output of carbon dioxide more than 50% across our entire value chain by 2050, compared with 2005.

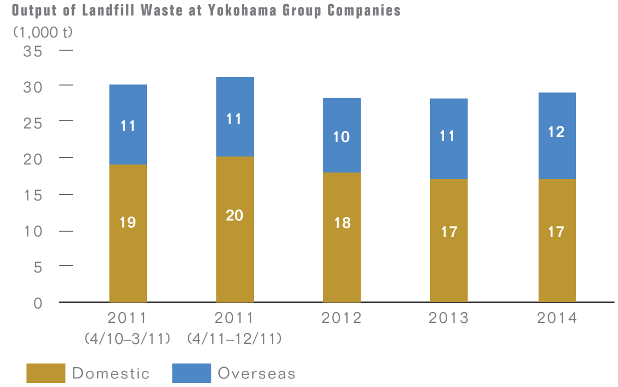
Output of Greenhouse Gases at Yokohama Group Companies



Reducing output of landfill waste

We tackled two principal targets for reducing landfill waste over the three years to 2014: reduce landfill waste at our plants in Japan 35%, compared with 2006, and reduce landfill waste per unit of production (by value) at least 1% annually at our plants worldwide. In regard to the first target, our three-year reduction totaled 39.8%. We exceeded the second target in each of the three years to 2014 at our plants in Japan. At our plants overseas, we achieved a 4.8% reduction per unit of production in 2014.

Output of Landfill Waste at Yokohama Group Companies



Propagating the Yokohama Forever Forest

Our Yokohama Forever Forest project, inaugurated in 2007, provides for planting 500,000 trees at Yokohama plants worldwide by 2017. By the end of 2014, we had planted about 370,000 trees. Employees at our plants nurture the seedlings for the Yokohama Forever Forest at plant facilities, and we have also supplied some 230,000 of their seedlings to public agencies, to schools, and to other companies.

A Yokohama Forever Forest planting event at Suzhou Yokohama Tire Co., Ltd., in November 2014, the third planting there

Preserving biodiversity

We are undertaking biodiversity preservation activities at seven plants in Japan and at two plants overseas. The activities in Japan center on monitoring the ecology in and around rivers used for plant water intake and discharge and those overseas on monitoring the ecology in verdant tracts on the plant grounds. We incorporate the findings of the monitoring in measures for preserving biodiversity. In addition, we explain our activities on behalf of biodiversity through community-outreach programs. Those programs in 2014 included a panel discussion at our Hiratsuka Factory in November.

A biodiversity panel discussion held at our Hiratsuka Factory and attended by members of the factory community

Public-Interest Activities at Overseas Subsidiaries

United States—Yokohama Tire Corporation

Our US subsidiary Yokohama Tire Corporation held its third annual Eco Day in October 2014 in cooperation with the local community. Employees collected used electrical appliances and other waste for recycling. Volunteers from the company also participated in community cleanup activities as part of the annual Earth Day observation in April and in September.

Taiwan—Yokohama Tire Taiwan Co., Ltd.

Volunteers from Yokohama Tire Taiwan and its suppliers, along with family members, participate in cleanup activities on hillsides and beaches. Those activities unfold at sites nationwide.

Thailand—Yokohama Tire Manufacturing (Thailand) Co., Ltd.

In Thailand, our tire manufacturing subsidiary sponsored improvements to the playground and toilets at a nearby elementary school. That included work by employee volunteers in building playground equipment from scrap tires. Employee volunteers also help with cleanup work at a nearby temple and with preparations, including cash donations, for festivals there.

Germany—Yokohama Europe GmbH

Employee volunteers at our sales subsidiary Yokohama Europe take part in cleanup activities along the Rhine River and in maintenance work at Heinrich Heine University Düsseldorf's arboretum. In spring 2014, volunteers from the company also conducted cleanup work on the grounds of a children's hospice in Düsseldorf.

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

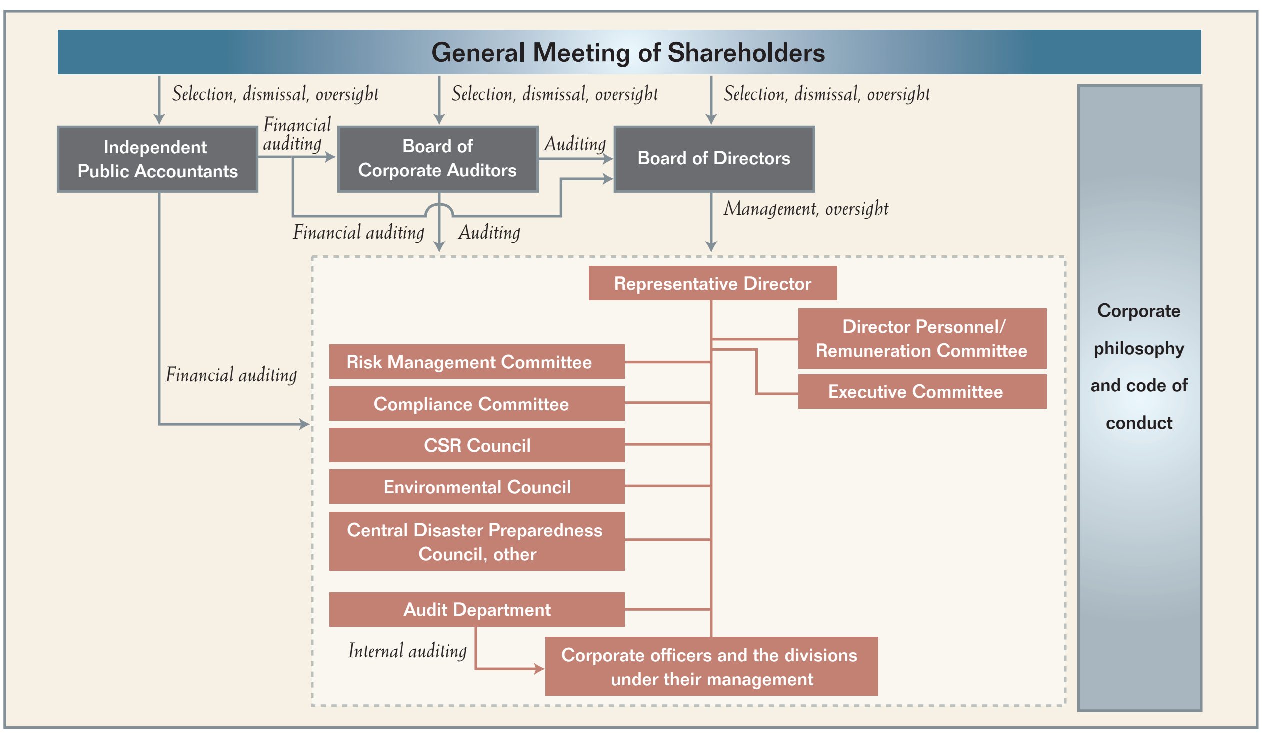
Our management framework centers on governance entities prescribed by Japan's Company Law: the Annual General Meeting of Shareholders, representative directors, the Board of Directors, the Board of Corporate Auditors, and an independent public accountancy. We supplement those entities with corporate officers, who are responsible for operational management, to speed the process of making and implementing decisions. Presently, the senior management team comprises 11 directors, headed by the chairman and president, and 14 corporate officers, not including officers who serve concurrently as directors. The directors include six members who serve concurrently as corporate officers and two independent directors.

We reinforce our management framework with the Executive Committee, which comprises the chairman and other selected members of the Board of Directors and other executives. That committee, convening in the presence of corporate auditors, reviews overall operational policy and matters crucial to the performance of work. It reports its findings to the Board of Directors, and the directors discuss and act on the committee's recommendations in accordance with the pertinent corporate guidelines.

Auditing at Yokohama is a tripartite undertaking by our corporate auditors, who monitor management; an 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 of principal subsidiaries and affiliates. We reinforce the auditing function by maintaining autonomy among those units.

The corporate auditors number five, including three recruited from outside the company to help ensure objectivity in the auditing function. They participate in meetings of the Executive Committee and of other management gatherings where important matters are discussed and receive reports about the status of our business operations. The auditors also obtain important information from the independent public accounting firm and from the Audit Department. We assign an assistant to the auditors to help them carry out their work smoothly and effectively.

The Yokohama Framework of Corporate Governance



Internal controls

The Board of Directors adopted a basic policy for internal controls based on Japan's Company Law at its regular meeting in May 2006. And the Board adopted guidelines in April 2009 to prevent involvement with organized crime. Below is a summary of our internal controls in regard to risk management and ethical compliance.

Risk management

Spearheading risk-preparedness measures at Yokohama is our Risk Management Committee, chaired by the general manager of the Corporate Social Responsibility Division. 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 Executive Committee receives timely reports from all of those committees.

Ethical compliance

Compliance Committee and Corporate Compliance Department

A director 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 Compliance Committee, who is the president of the company, and to our corporate auditors. 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 our directors and employees.

Enforcement at subsidiaries and affiliates

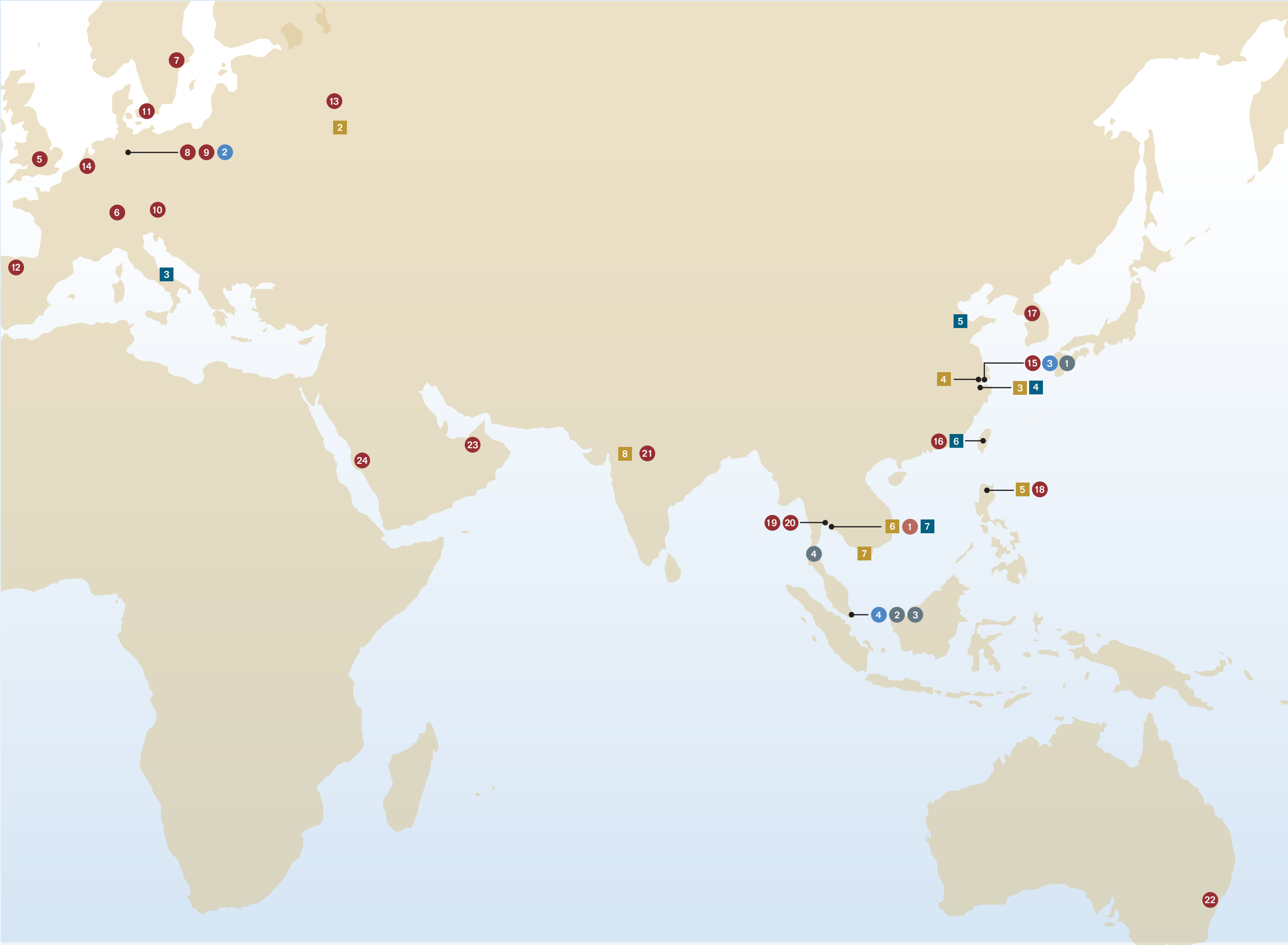
Each principal Yokohama subsidiary and affiliate has prepared and observes ethical guidelines based on the action guidelines established by the Compliance Committee. The Corporate Compliance Department and designated compliance officers at the subsidiaries and affiliates share information and develop a common grasp of issues. In addition, the Corporate Compliance Department makes timely reports to the Executive Committee 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 Board of Directors, to the pertinent divisions, and to the corporate auditors.

Whistleblower hotline

We also maintain a hotline to handle reports of suspected infractions from persons inside and outside the company. The hotline handled 31 inquiries and consultations in 2014.

GLOBAL NETWORK

Overseas Subsidiaries and Affiliates



Tire Group

Production and Sales

Americas

1. Yokohama Tire Manufacturing Virginia LLC. (United States)

Europe

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

Asia

3. Hangzhou Yokohama Tire Co., Ltd. (China)
4. Suzhou Yokohama Tire Co., Ltd. (China)
5. Yokohama Tire Philippines, Inc. (Philippines)
6. Yokohama Tire Manufacturing (Thailand) Co., Ltd. (Thailand)
7. Yokohama Tyre Vietnam Inc. (Vietnam)
8. Yokohama India Pvt. Ltd. (India)

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)

Europe

5. Yokohama H.P.T. Ltd. (United Kingdom)
6. Yokohama Suisse SA (Switzerland)
7. Yokohama Scandinavia AB (Sweden)
8. Yokohama Europe GmbH (Germany)
9. Yokohama Reifen GmbH (Germany)
10. Yokohama Austria GmbH (Austria)
11. Yokohama Danmark A/S (Denmark)
12. Yokohama Iberia, S.A. (Spain)
13. Yokohama Russia L.L.C. (Russia)
14. N.V. Yokohama Belgium S.A. (Belgium)

Asia

15. Yokohama Tire Sales (Shanghai) Co., Ltd. (China)
16. Yokohama Tire Taiwan Co., Ltd. (Taiwan)
17. Yokohama Tire Korea Co., Ltd. (Republic of Korea)
18. Yokohama Tire Sales Philippines, Inc. (Philippines)
19. Yokohama Tire Sales (Thailand) Co., Ltd. (Thailand)
20. Yokohama Asia Co., Ltd. (Thailand)
21. Yokohama India Pvt. Ltd. (India)

Oceania

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

Middle East

23 Dubai Head Office (Dubai/Business coordination)

24 Jeddah Office (Saudi Arabia/Business coordination)

Proving Ground

1 Tire Test Center of Asia (Thailand)

Multiple Business Group

Production and Sales

Americas

1 Yokohama Industries Americas Inc. (United States)

2 Yokohama Industries Americas Ohio Inc. (United States)

Europe

3 Yokohama Industrial Products Italy S.r.l. (Italy)

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)

Sales and Marketing Support

Americas

1 Yokohama Aerospace America, Inc. (United States)

Europe

2 Yokohama Industrial Products Europe, GmbH (Germany)

Asia

3 Yokohama Industrial Products Sales—Shanghai Co., Ltd. (China)

4 Yokohama Industrial Products Asia-Pacific Pte. Ltd. (Singapore)

Other

1 Yokohama Rubber (China) Co., Ltd. (China/Management company)

2 Yokohama Rubber Singapore Pte. Ltd. (Singapore/Business coordination)

3 Singapore Branch (Singapore/Business coordination)

4 Y.T. Rubber Co., Ltd. (Thailand/Natural rubber processing)

PRINCIPAL OPERATIONS IN JAPAN

Tire Group

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 Continental Tire Co., Ltd.

Proving Grounds

1. D-PARC
2. T*MARY

Multiple Business Group

Plants

1. Hiratsuka Factory
2. Hamatite Plant
3. Ibaraki Plant
4. Nagano Plant (Takamori)
5. Nagano Plant (Toyooka)

Sales Subsidiaries

1. Yokohama Industrial Products Japan Co., Ltd.
2. PRGR Co., Ltd.

Other

1. Yokohama Tire Retread Co., Ltd.
2. Kameyama Bead Co., Ltd.

DIRECTORS, CORPORATE AUDITORS, AND CORPORATE OFFICERS

As of May 15, 2015

Front row, from left: Hideto Katsuragawa, Tooru Kobayashi, Tadanobu Nagumo, Hikomitsu Noji, Takao Oishi
Back row, from left: Hideichi Okada, Shigeo Komatsu, Fumio Morita, Tetsuya Kuze, Masataka Yamaishi, Naozumi Furukawa

Board of Directors

Tadanobu Nagumo
Chairman and CEO and Representative Director

Hikomitsu Noji
President and Representative Director

Tooru Kobayashi
Director and Executive Vice President
Head of Corporate Planning Div.,
in charge of IT & Management System Planning Div.

Takao Oishi
Director and Senior Managing Corporate Officer
President of Multiple Business

Hideto Katsuragawa
Director and Senior Managing Corporate Officer
President of Tire Business, Chief Tire Marketing Officer,
Head of Tire Overseas Sales & Marketing Div.

Fumio Morita
Director and Managing Corporate Officer
Head of Corporate Social Responsibility Div.,
in charge of Sports Business Planning Dept., President of PRGR Co., Ltd.

Tetsuya Kuze
Director and Managing Corporate Officer
Chief Tire Production Officer, Head of Tire Production Div.,
Head of Hiratsuka Factory

Shigeo Komatsu
Director and Managing Corporate Officer
Head of Global Procurement Div., in charge of Corporate Finance & Accounting Dept., President of Yokohamagomu Finance Co., Ltd., President of Yokohama Rubber Singapore Pte. Ltd.

Masataka Yamaishi
Director and Corporate Officer
Acting Head of Corporate Planning Div., Head of Tire Business Planning Div., Head of Corporate Planning Dept., President of Yokohama Motorsports International Co., Ltd.

Naozumi Furukawa
Director

Hideichi Okada
Director

BOARD OF CORPORATE AUDITORS

Front row, from left: Hirohiko Takaoka, Masayoshi Daio
Back row, from left: Akio Yamada, Yoshiki Sato, Atsushi Kamei

Board of Corporate Auditors

Hirohiko Takaoka

Masayoshi Daio

Yoshiki Sato

Akio Yamada

Atsushi Kamei

Corporate Officers

Takaharu Fushimi
Managing Corporate Officer
CEO of Yokohama Corporation of North America, CEO of Yokohama Tire Corporation, CEO of Yokohama Tire (Canada) Inc.

Yasushi Kikuchi
Managing Corporate Officer
Chief Tire Technical Officer, Head of Tire Material Development Div., in charge of R&D Center

Tadashi Suzuki
Managing Corporate Officer
Head of IT & Management System Planning Div., Head of Tire Logistics Div.

Hirohisa Hazama
Managing Corporate Officer
Head of O.E. Tire Sales & Marketing Div., President of Yokohama Continental Tire Co., Ltd.

Osamu Mikami
Managing Corporate Officer
Head of Domestic Replacement Tire Sales Div., President of Yokohama Tire Japan Co., Ltd.

Atao Kishi
Corporate Officer
Head of Commercial Tire Div., Head of Truck and Bus Tire Div.

Shigeru Nakano
Corporate Officer
President of LLC Yokohama R.P.Z., President of Yokohama Russia LLC

Shigetoshi Kondo
Corporate Officer
Chairman and President of Yokohama Rubber (China) Co., Ltd., Chairman and President of Yokohama Tire Sales (Shanghai) Co., Ltd.

Sigeru Kagami
Corporate Officer
Head of Tire Production Technology Div., Head of North America Tire Plant Div.

Yasuhiro Kurokawa
Corporate Officer
President of Yokohama Tire Philippines, Inc.

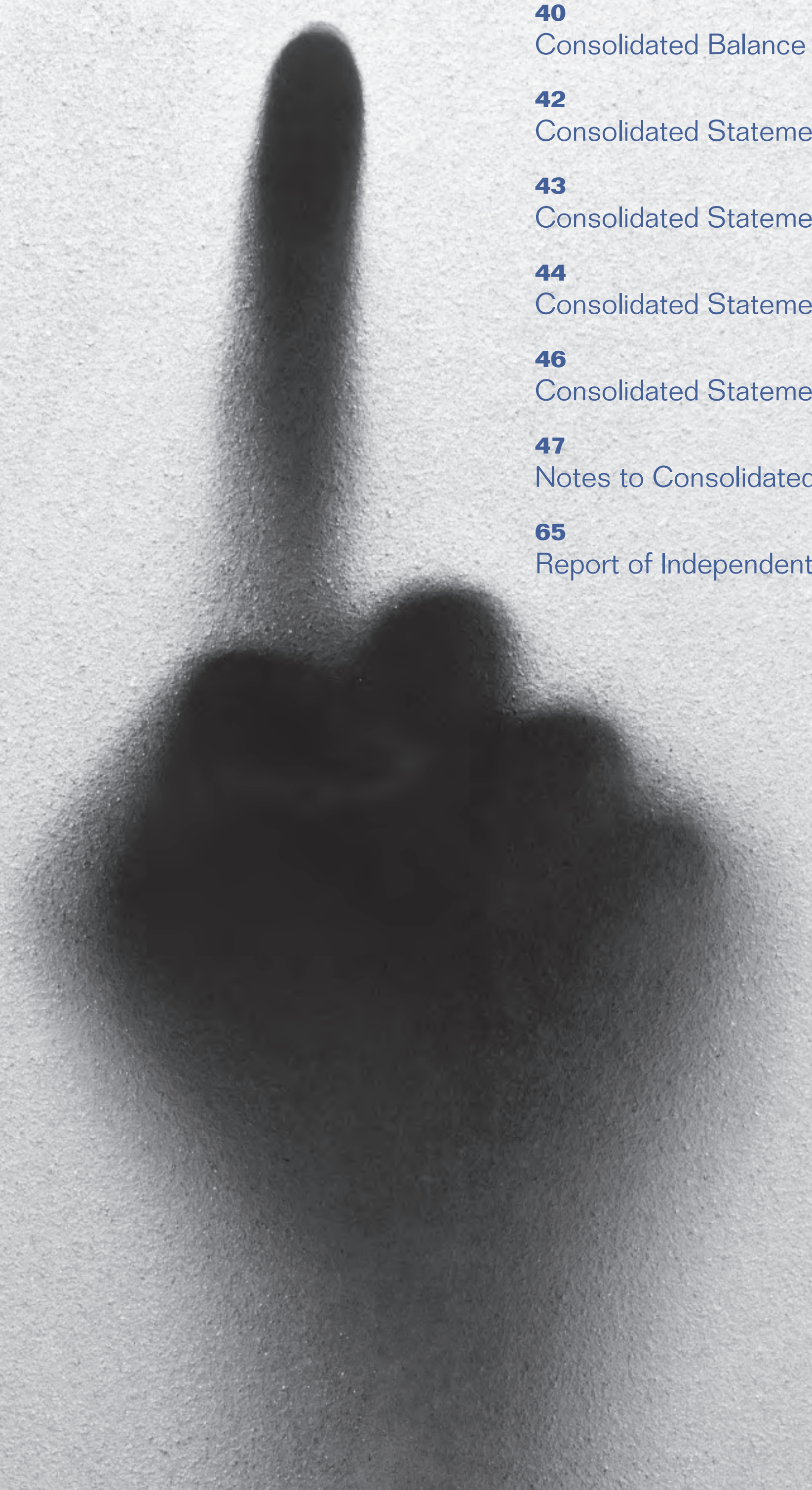
Masaki Noro
Corporate Officer
Head of Consumer Tire Development Div., Head of Tire Research and Experiment Dept.

Kazuya Nakazawa
Corporate Officer
President of Yokohama Industrial Products Japan Co., Ltd.

Kazuyuki Mineo
Corporate Officer
In charge of Multiple Business Production and Technology, Head of Multiple Business Production and Engineering Planning Dept.

Shinichi Takimoto
Corporate Officer
Acting Head of Tire Overseas Sales & Marketing Div.

FINANCIAL SECTION



Business Environment

The global business environment in fiscal 2014 ("2014," January 1–December 31) was a mix of contrasting trends. Economic growth slowed in China and in several emerging economies, but Europe continued to move toward economic recovery, and consumer spending was solid in the United States. In Japan, economic recovery continued at a modest pace, highlighted by an improving employment picture and strength in corporate earnings.

Contrasting trends also characterized the business environment for Japan's tire industry. The industry benefited from the weakening of the yen and from a continuing decline in raw material prices. Japan's tire manufacturers contended, however, with escalating price competition worldwide. Yokohama Rubber and its subsidiaries ("Yokohama") responded to the challenging business environment with measures for promoting sales, for raising operational efficiency, and for lowering costs.

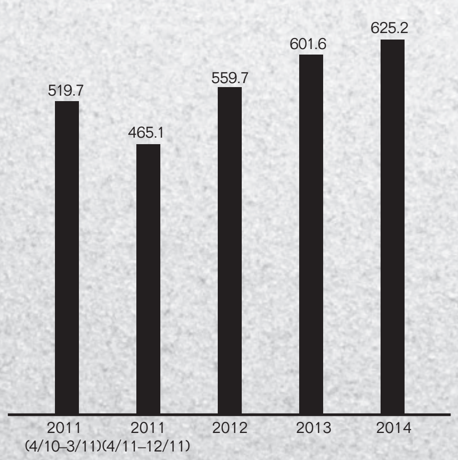
Sales, Expenses, and Earnings

Net sales increased 3.9% in 2014, to ¥625.2 billion. Yokohama's tire operations posted a business upturn in China and Europe, recording unit sales gains in those markets. Selling prices for tires declined, however, in markets worldwide, including Japan, amid escalating price competition.

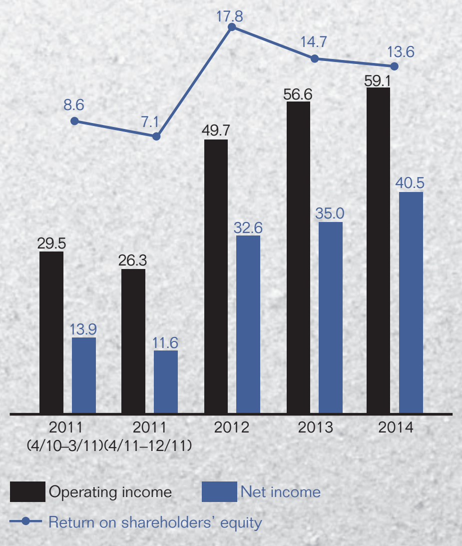
Yokohama's gross profit increased 5.4%, to ¥217.3 billion, reflecting the downward trend in raw material prices. Selling, general and administrative expenses increased 5.8%, to ¥158.2 billion, reflecting an increase in the number of consolidated subsidiaries and increased logistics expenses associated with growth in unit sales volume. Operating income increased 4.3%, to ¥59.1 billion, and operating return on sales was unchanged, at 9.4%.

Other income, net of other expenses, totaled ¥3.5 billion. A special gain on the sale of fixed assets more than offset a loss on foreign currency translation adjustments. The loss on foreign currency translation adjustments occurred as the yen depreciated, only slightly, against the euro and as it appreciated, greatly, against the ruble. The average yen/dollar exchange rate was ¥106, compared with ¥98 in 2013, and the average yen/euro exchange rate was ¥140, compared with ¥130 in 2013. Income before income taxes and minority interests increased 12.1%, to ¥62.6 billion, and net income increased 15.7%, to ¥40.5 billion.

Net Sales
Billions of Yen



Operating Income, Net Income, and Return on Shareholders' Equity
Billions of Yen, Percent



Results by Business Segment

Sales in Yokohama's tire operations increased 3.8%, to ¥497.6 billion, and operating income increased 5.6%, to ¥48.6 billion. Yokohama posted yen-value sales growth in original equipment tires in Japan despite a decline in unit volume. That growth resulted from winning several new fitments on premium-grade cars and on low-fuel-consumption cars by promoting its fuel-saving tires to automakers.

Yokohama's sales in Japan's replacement tire market were basically unchanged from the previous year in unit volume and in yen value. Business was robust in the first half of the fiscal year. Heavy snowfalls stimulated demand for snow tires, and tire purchases surged overall in advance of the April 1 hike in Japan's national sales tax. Demand weakened in the second half, however, and price competition escalated.

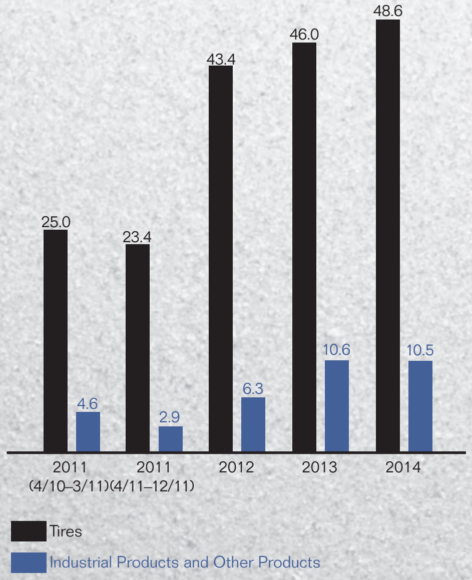
In overseas markets, Yokohama's tire operations posted sales growth in unit volume and in yen value. Business benefited from resurgent sales growth in China and in Europe and from the weakening of the yen against other principal currencies. Escalating price competition in the United States offset the sales contribution of continuing vigorous demand.

Sales in Yokohama's industrial products business increased 4.7%, to ¥101.5 billion, and operating income declined 1.4%, to ¥7.6 billion. That business consists principally of high-pressure hoses, sealants and adhesives, conveyor belts, antiseismic products, marine hoses, marine fenders, and electronic materials.

Yokohama posted sales growth in high-pressure hoses. Business in that product category benefited from Japan's 2014 introduction of toughened exhaust emission regulations for small construction equipment. The regulatory change occasioned a surge in demand for hoses for equipment approved under the old regulatory standards. Sales also increased in Yokohama's business in conveyor belts and in marine hoses, though sales declined in pneumatic marine fenders. Yokohama posted strong sales gains in construction sealants and in automotive sealants.

Sales in other products, which consist principally of aircraft fixtures and components and golf equipment, increased 4.0%, to ¥26.2 billion, and operating income declined 2.1%, to ¥2.9 billion. Yokohama posted solid sales in aircraft fixtures and components, led by replacement components in the government sector and by lavatory modules for small passenger aircraft in the commercial sector. Sales increased in golf equipment.

Operating Income by Business Segment
Billions of Yen



Financial Position

Total assets increased ¥80.9 billion, to ¥734.5 billion at fiscal year-end. Current assets increased ¥33.1 billion, principally on account of increases in inventories and in cash and deposits. Total fixed assets increased ¥47.8 billion, to ¥382.1 billion, principally on account of valuation gains on investment securities and an increase in property and plant associated with capital spending.

Total liabilities increased ¥29.2 billion, to ¥403.7 billion at fiscal year-end. Interest-bearing debt increased ¥9.1 billion, to ¥184.3 billion. The ratio of interest-bearing debt to total net assets declined slightly, to 0.57 at fiscal year-end, and thus remained below management's stated ceiling of 1.0.

Total net assets increased ¥51.8 billion, to ¥330.8 billion at fiscal year-end. That increase resulted as Yokohama posted ¥40.5 billion in net income and as rising equity prices produced a gain on the valuation of investment securities.

Cash Flow

Net cash provided by operations in 2014 totaled ¥59.0 billion, which consisted mainly of income before income taxes and minority interests and depreciation. Net cash used in investing activities totaled ¥53.7 billion, which consisted mainly of capital spending for fortifying production capacity in Japan and overseas. Free cash flow totaled ¥5.3 billion. Net cash used in financing activities totaled ¥72 million, as repayments of long-term borrowings more than offset an increase in the balance of short-term borrowings and commercial paper outstanding.

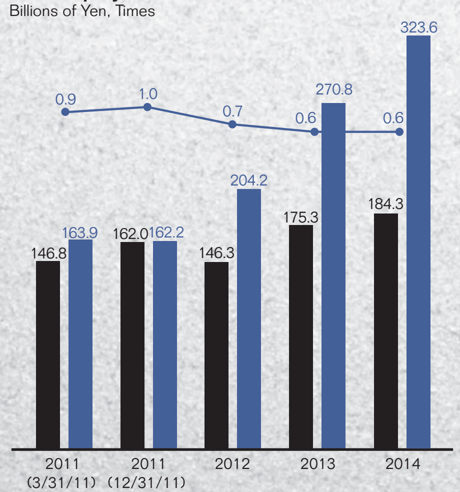
Capital Expenditures

Capital expenditures in 2014 totaled ¥55.3 billion, and depreciation totaled ¥27.4 billion. The total for capital expenditures was basically in line with management's planned capital spending of ¥58.8 billion.

R&D Expenditures

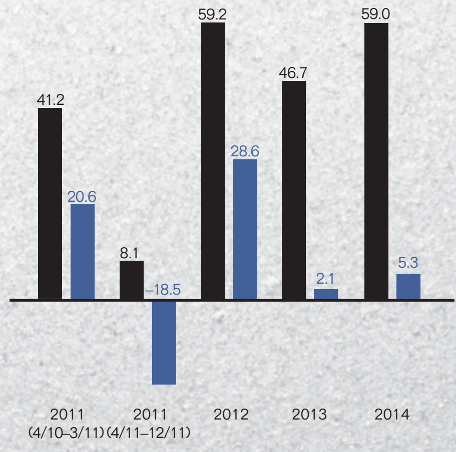
Yokohama conducts R&D on basic technologies at its Research and Development Integrated Center, in

Interest-Bearing Debt, Net Assets*, and Debt/Equity Ratio**
Billions of Yen, Times



Interest-bearing debt Net assets
Debt/equity ratio
* Less minority interests
** Interest-bearing debt divided by net assets less minority interests

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



Net cash provided by operating activities
Free cash flow

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

Hiratsuka, Kanagawa Prefecture. It conducts R&D linked directly to specific products through R&D units in its product groups. Expenditures on R&D in 2014 totaled ¥13.4 billion.

Dividends

Yokohama declared an annual dividend of ¥26 per share for fiscal 2014, compared with ¥22 for 2013. That comprised an interim dividend of ¥12, compared with ¥10 for 2013, and a year-end dividend of ¥14, compared with ¥12 for 2013.

Fiscal 2015 Outlook

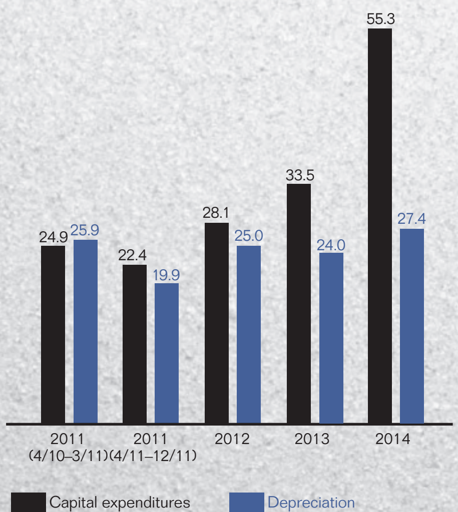
The business environment remains difficult to parse in 2015. In Japan, the economic outlook is for continued gradual recovery, supported by the government's program of economic stimuli. Uncertainty persists, however, about the outlook for currency exchange rates and for crude oil prices, and sudden shifts in either of those variables could affect Yokohama's globally competitive position unfavorably.

Yokohama's fiscal projections for 2015 call for net sales to increase 7.6%, to ¥673.0 billion; for operating income to increase 8.4%, to ¥64.0 billion; and for net income to decline 11.1%, to ¥36.0 billion. That would mean a fourth consecutive year of record high figures for net sales and operating income. In preparing these projections, Yokohama has assumed average exchange rates of ¥115 to the US dollar and ¥130 to the euro.

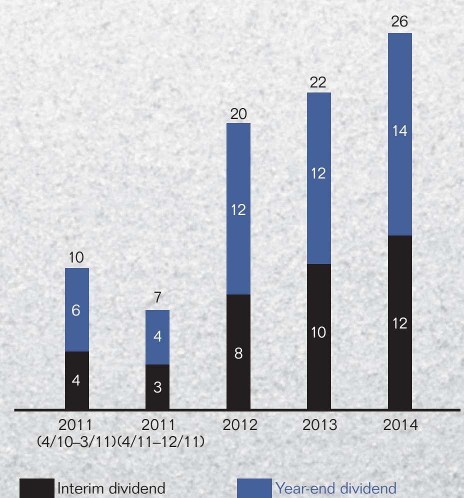
Projected Dividends in 2015

Yokohama shareholders approved a one-for-two share merger at the General Meeting of Shareholders held on March 27, 2015. The merger will take effect on July 1, 2015. Management plans to declare an interim dividend of ¥12 per premerger share to shareholders of record as of June 30, 2015, and a year-end dividend of ¥28 per postmerger share. The proposed year-end dividend is double the premerger year-end dividend for 2014, and the annual dividend would thus total ¥40.

Capital Expenditures and Depreciation
Billions of Yen



Capital 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, 2014.

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 investment in yen, but it conducts some transactions and investment 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 category 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 category 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 crude oil 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, 2014, the Company's interest-bearing debt was equivalent to 25.2% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position.

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.

Retirement Benefit Obligations

The Company calculates retirement benefit obligations and retirement benefit expenses according to predetermined criteria, including expected returns on pension assets. If actual return on the Company's pension assets declined substantially below the expected return, that could adversely affect the Company's financial performance and financial position. Similarly, if the Company revised its retirement plan in a manner that increased future payment obligations or resulted in the occurrence of unforeseen service liabilities, that could adversely affect the Company's financial performance and financial position.

Natural Disasters

Earthquakes and other natural disasters could damage the Company's plants and other facilities and could limit the Company's access to essential raw materials and services. That 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, competition, and environmental protection. New or amended laws or regulations that resulted 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.

ELEVEN-YEAR SUMMARY

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2014, 2013 and 2012, the nine months ended December 31, 2011, and the years ended March 31, 2005–2011

	2014	2013	2012	2011/12
Net sales	**¥ 625,246**	¥ 601,630	¥ 559,700	¥ 465,134
Operating income	**59,067**	56,647	49,696	26,291
Income before income taxes and minority interests	**62,594**	55,819	51,768	16,604
Net income (loss)	**40,503**	35,008	32,611	11,619
Depreciation	**27,439**	23,982	25,007	19,871
Capital expenditures	**55,325**	33,505	28,070	22,433
R&D expenditures	**13,438**	12,633	12,825	9,307
Interest-bearing debt	**184,336**	175,251	146,285	161,998
Total net assets	**330,782**	279,021	211,350	168,286
Total assets	**734,512**	653,584	543,829	501,786
Per share (yen):				
Net income (loss): Basic	**¥ 125.34**	¥ 108.32	¥ 97.87	¥ 34.68
Net assets	**1,001.29**	837.84	631.64	484.04
Cash dividends	**26.00**	22.00	20.00	7.00
Key financial ratios:				
Operating return on sales (%)	**9.4**	9.4	8.9	5.7
Return on shareholders' equity (%)	**13.6**	14.7	17.8	7.1
Capital turnover (times)	**0.9**	1.0	1.1	0.9
Interest-bearing debt to shareholders' equity (times)	**0.6**	0.6	0.7	1.0
Interest coverage (times)	**18.4**	20.6	20.7	14.3
Number of employees	**21,441**	19,770	19,412	19,272

Millions of Yen

2011/3	2010	2009	2008	2007	2006	2005
¥ 519,742	¥ 466,358	¥ 517,263	¥ 551,431	¥ 497,396	¥ 451,911	¥ 419,789
29,491	21,455	12,808	33,119	21,070	21,947	20,955
21,880	18,969	(3,166)	20,478	26,038	22,673	16,337
13,924	11,487	(5,654)	21,060	16,363	21,447	11,322
25,885	28,184	28,684	27,238	22,166	20,491	19,616
24,944	17,471	43,341	27,292	40,638	29,067	27,533
12,748	13,280	15,277	15,289	14,649	14,557	14,265
146,773	154,675	179,379	165,614	167,474	163,022	151,758
170,872	163,382	144,159	181,538	186,528	174,609	139,534
478,916	466,973	473,376	526,192	536,322	502,014	432,717
¥ 41.55	¥ 34.27	¥ (16.87)	¥ 62.81	¥ 48.79	¥ 62.75	¥ 32.95
489.27	475.26	417.45	525.96	542.10	508.64	398.24
10.00	10.00	10.00	13.00	12.00	10.00	8.00
5.7	4.6	2.5	6.0	4.2	4.9	5.0
8.6	7.7	(3.6)	11.8	9.3	14.0	8.6
1.1	1.0	1.0	1.0	1.0	1.0	1.0
0.9	1.0	1.3	0.9	0.9	1.0	1.1
13.4	8.0	4.3	9.0	7.0	10.1	11.2
18,465	17,566	16,772	16,099	15,423	14,617	13,464

CONSOLIDATED BALANCE SHEET

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2014 and 2013

Assets	Millions of Yen 2014 (12.31.14)	Millions of Yen 2013 (12.31.13)	Thousands of U.S. Dollars (Note 1) 2014 (12.31.14)
Current Assets:			
Cash and deposits	¥ 45,967	¥ 37,179	$ 381,313
Trade receivables:			
Notes and accounts (Note 6)	171,026	167,831	1,418,715
Inventories (Note 3)	108,355	91,025	898,839
Deferred income taxes (Note 19)	11,954	11,583	99,159
Other current assets	15,846	12,646	131,444
Allowance for doubtful receivables	(722)	(971)	(5,989)
Total current assets	352,426	319,293	2,923,482
Property, Plant and Equipment, at Cost (Notes 4, 5 and 14):			
Land	36,177	35,594	300,103
Buildings and structures	171,752	159,731	1,424,733
Machinery and equipment	501,604	467,138	4,160,962
Leased assets	2,956	3,039	24,525
Construction in progress	41,702	17,452	345,931
	754,191	682,954	6,256,255
Less accumulated depreciation	(504,756)	(475,383)	(4,187,109)
Total property, plant and equipment, net	249,435	207,571	2,069,145
Investments and Other Assets:			
Investment securities (Note 16)	104,150	99,638	863,958
Deferred income taxes (Note 19)	5,182	6,069	42,990
Other investments and other assets	23,868	21,536	197,995
Allowance for doubtful receivables	(551)	(523)	(4,567)
Total investments and other assets	132,650	126,720	1,100,376
Total assets	¥ 734,512	¥ 653,584	$ 6,093,003

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen 2014 (12.31.14)	2013 (12.31.13)	Thousands of U.S. Dollars (Note 1) 2014 (12.31.14)
Current Liabilities:			
Bank loans	**¥ 87,368**	¥ 79,623	**$ 724,742**
Current maturities of long-term debt (Note 4)	**23,014**	31,825	**190,909**
Commercial paper	**22,000**	12,000	**182,497**
Trade notes and accounts payable (Note 6)	**80,641**	76,718	**668,942**
Electronically recorded obligations—operating	**8,450**	6,871	**70,096**
Accrued income taxes	**10,869**	11,035	**90,162**
Accrued expenses	**38,613**	33,916	**320,304**
Allowance for sales returns	**716**	853	**5,940**
Other current liabilities (Notes 6 and 19)	**20,915**	17,218	**173,495**
Total current liabilities	**292,585**	270,059	**2,427,086**
Long-Term Liabilities:			
Long-term debt (Note 4)	**51,955**	51,804	**430,982**
Deferred income taxes (Note 19)	**22,441**	18,680	**186,153**
Reserve for pension and severance payments (Note 18)	**—**	18,554	**—**
Net defined benefit liability (Note 18)	**24,684**	—	**204,763**
Other long-term liabilities	**12,064**	15,466	**100,078**
Total long-term liabilities	**111,144**	104,504	**921,975**
Total liabilities	**403,729**	374,563	**3,349,061**
Contingent liabilities (Note 7)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares as of December 31, 2014 and 2013 (Note 22)			
Issued: 342,598,162 shares as of December 31, 2014 and 2013 (Note 22)	**38,909**	38,909	**322,764**
Capital surplus	**31,954**	31,953	**265,068**
Retained earnings (Note 12)	**206,462**	173,761	**1,712,671**
Treasury stock, at cost: 19,457,152 shares as of December 31, 2014, and 19,437,042 shares as of December 31, 2013	**(11,378)**	(11,358)	**(94,383)**
Total shareholders' equity	**265,948**	233,265	**2,206,119**
Accumulated Other Comprehensive Income (Loss):			
Unrealized gains on securities	**42,559**	38,586	**353,037**
Foreign currency translation adjustments	**19,855**	4,299	**164,707**
Adjustments related to pension obligations of consolidated overseas subsidiaries	**—**	(5,394)	**—**
Remeasurements of defined benefit plans	**(4,805)**	—	**(39,855)**
Total accumulated other comprehensive income	**57,609**	37,491	**477,889**
Minority Interests	**7,225**	8,265	**59,934**
Total net assets	**330,782**	279,021	**2,743,942**
Total liabilities and net assets	**¥ 734,512**	¥ 653,584	**$ 6,093,003**

CONSOLIDATED STATEMENT OF INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Net sales	**¥ 625,246**	¥ 601,630	**$ 5,186,610**
Cost of sales (Notes 5 and 8)	**407,968**	395,502	**3,384,219**
Gross profit	**217,278**	206,128	**1,802,391**
Selling, general and administrative expenses (Notes 5, 8, 9 and 10)	**158,212**	149,481	**1,312,414**
Operating income	**59,067**	56,647	**489,977**
Other income (expenses)			
Interest and dividend income	**2,850**	1,891	**23,642**
Interest expense	**(3,371)**	(2,846)	**(27,966)**
Exchange gain (loss)	**(891)**	4,649	**(7,393)**
Gain on sale of fixed assets	**5,028**	—	**41,706**
Gain on sales of investment securities	**2,615**	—	**21,691**
Loss on sale and disposal of fixed assets	**(851)**	(1,119)	**(7,063)**
Business structure improvement expenses (Note 9)	**—**	(1,155)	**—**
Impairment loss (Note 10)	**—**	(1,411)	**—**
Other, net	**(1,851)**	(837)	**(15,356)**
	3,527	(828)	**29,261**
Income before income taxes and minority interests	**62,594**	55,819	**519,238**
Income taxes (Notes 2 and 19):			
Current	**20,800**	20,890	**172,540**
Deferred	**1,258**	(18)	**10,436**
	22,058	20,872	**182,976**
Income before minority interests	**40,536**	34,947	**336,262**
Minority interests in net income (loss) of consolidated subsidiaries	**(34)**	61	**(280)**
Net income	**¥ 40,503**	¥ 35,008	**$ 335,982**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Income before minority interests	**¥ 40,536**	¥ 34,947	**$ 336,262**
Other comprehensive income (loss) (Note 11)			
Unrealized gains on securities	**3,984**	18,268	**33,051**
Foreign currency translation adjustments	**15,411**	19,702	**127,841**
Adjustment related to pension obligations of consolidated overseas subsidiaries	**(959)**	1,018	**(7,958)**
Share of other comprehensive income of associates accounted for by the equity method	**7**	317	**56**
Total other comprehensive income	**¥ 18,443**	¥ 39,305	**$ 152,990**
Comprehensive income	**¥ 58,979**	¥ 74,252	**$ 489,253**
Comprehensive income attributable to owners of the Company	**59,073**	73,515	**490,028**
Comprehensive income attributable to minority interests	**(93)**	737	**(775)**

PER SHARE AMOUNTS:

For the years ended December 31, 2014 and 2013

	Yen		U.S. Dollars (Note 1)
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Net income: Basic	**¥ 125.34**	¥ 108.32	**$ 1.04**
Net income: Diluted	**—**	—	**—**
Cash dividends	**¥ 26.00**	¥ 22.00	**$ 0.22**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2014 and 2013

	Shares of Common Stock	Millions of Yen Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Accumulated Other Comprehensive Income (Loss)	Minority Interests	Total Net Assets
Balance at January 1, 2013	342,598,162	¥ 38,909	¥ 31,953	¥ 145,607	¥ (11,294)	¥ 205,175	¥ (1,016)	¥ 7,191	¥ 211,350
Net income	—	—	—	35,008	—	35,008	—	—	35,008
Cash dividends paid	—	—	—	(7,110)	—	(7,110)	—	—	(7,110)
Change of scope of consolidation	—	—	—	256	—	256	—	—	256
Purchase of treasury shares	—	—	—	—	(64)	(64)	—	—	(64)
Disposal of treasury shares	—	—	0	—	0	0	—	—	0
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	18,255	—	18,255
Foreign currency translation adjustments	—	—	—	—	—	—	19,238	—	19,238
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	1,014	—	1,014
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—
Increase in minority interests	—	—	—	—	—	—	—	1,074	1,074
Balance at January 1, 2014	342,598,162	38,909	31,953	173,761	(11,358)	233,265	37,491	8,265	279,021
Net income	—	—	—	40,503	—	40,503	—	—	40,503
Cash dividends paid	—	—	—	(7,756)	—	(7,756)	—	—	(7,756)
Change of scope of consolidation	—	—	—	(45)	—	(45)	—	—	(45)
Purchase of treasury shares	—	—	—	—	(20)	(20)	—	—	(20)
Disposal of treasury shares	—	—	0	—	1	1	—	—	1
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	3,973	—	3,973
Foreign currency translation adjustments	—	—	—	—	—	—	15,556	—	15,556
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	5,394	—	5,394
Remeasurements of defined benefit plans	—	—	—	—	—	—	(4,805)	—	(4,805)
Increase in minority interests	—	—	—	—	—	—	—	(1,040)	(1,040)
Balance at December 31, 2014	342,598,162	¥ 38,909	¥ 31,954	¥ 206,462	¥ (11,378)	¥ 265,948	¥ 57,609	¥ 7,225	¥ 330,782

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Accumulated Other Comprehensive Income (Loss)	Minority Interests	Total Net Assets
Balance at January 1, 2014	$ 322,764	$ 265,064	$ 1,441,405	$ (94,216)	$ 1,935,017	$ 310,999	$ 68,558	$ 2,314,566
Net income	—	—	335,982	—	335,982	—	—	335,982
Cash dividends paid	—	—	(64,337)	—	(64,337)	—	—	(64,337)
Change of scope of consolidation	—	—	(372)	—	(372)	—	—	(372)
Purchase of treasury shares	—	—	—	(167)	(167)	—	—	(167)
Disposal of treasury shares	—	4	—	7	11	—	—	11
Accumulated other comprehensive income (loss)								
Net unrealized gains and losses on securities	—	—	—	—	—	32,955	—	32,955
Foreign currency translation adjustments	—	—	—	—	—	129,043	—	129,043
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	44,747	—	44,747
Remeasurements of defined benefit plans	—	—	—	—	—	(39,855)	—	(39,855)
Increase in minority interests	—	—	—	—	—	—	(8,624)	(8,624)
Balance at December 31, 2014	$ 322,764	$ 265,068	$ 1,712,671	$ (94,383)	$ 2,206,119	$ 477,889	$ 59,934	$ 2,743,942

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Operating Activities:			
Income before income taxes and minority interests	**¥ 62,594**	¥ 55,819	**$ 519,238**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization (Notes 2 and 5)	**27,439**	23,982	**227,613**
Loss (gain) on sales of investment securities	**(2,615)**	—	**(21,691)**
Loss (gain) on sales of non-current assets	**(4,176)**	1,119	**(34,643)**
Business structure improvement expenses (Note 9)	**—**	1,155	**—**
Impairment loss (Note 10)	**—**	1,411	**—**
Increase (decrease) in reserve for pension and severance payments	**—**	(172)	**—**
Increase (decrease) in net defined benefit liability	**116**	0	**963**
Other, net	**70**	(425)	**582**
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	**333**	(7,058)	**2,763**
Inventories	**(11,561)**	1,938	**(95,900)**
Notes and accounts payable	**1,953**	(6,570)	**16,199**
Other, net	**6,288**	2,479	**52,162**
Interest and dividends received	**2,837**	1,884	**23,531**
Interest paid	**(3,361)**	(3,184)	**(27,882)**
Income taxes paid	**(20,923)**	(25,726)	**(173,565)**
Net cash provided by operating activities	**58,994**	46,652	**489,371**
Investing Activities:			
Purchases of property, plant and equipment	**(52,730)**	(32,422)	**(437,408)**
Purchases of marketable securities and investment securities	**(4,196)**	(5,541)	**(34,804)**
Proceeds from sales of property, plant and equipment	**6,365**	279	**52,802**
Proceeds from sales of investment securities	**3,246**	0	**26,925**
Payments of loans receivable	**(5,619)**	(4,317)	**(46,615)**
Other, net	**(807)**	(2,568)	**(6,695)**
Net cash used in investing activities	**(53,741)**	(44,570)	**(445,796)**
Financing Activities:			
Increase in short-term bank loans	**10,862**	233	**90,107**
Increase in commercial paper	**10,000**	12,000	**82,953**
Proceeds from long-term debt	**9,166**	17,475	**76,032**
Decrease in long-term debt	**(20,968)**	(10,566)	**(173,932)**
Proceeds from issuance of bonds	**10,000**	10,000	**82,953**
Redemption of bonds	**(10,000)**	(10,000)	**(82,953)**
Payment of cash dividends	**(7,748)**	(7,103)	**(64,272)**
Repayments of long-term deposits received	**—**	(2,555)	**—**
Other, net	**(1,385)**	(962)	**(11,490)**
Net cash provided by (used in) financing activities	**(73)**	8,522	**(602)**
Effect of exchange rate changes on cash and cash equivalents	**1,483**	2,531	**12,302**
Increase (decrease) in cash and cash equivalents	**6,663**	13,135	**55,276**
Cash and cash equivalents at beginning of year	**35,863**	21,115	**297,494**
Effect of changes in consolidation scope on cash and cash equivalents	**1,927**	1,613	**15,987**
Cash and cash equivalents at end of year	**¥ 44,454**	¥ 35,863	**$ 368,756**

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. (the "Company"), and its domestic consolidated subsidiaries were prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The Company's subsidiaries in the United States of America (the "USA") prepared their financial statements in accordance with accounting principles generally accepted in the USA.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically to present these statements in a form that is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under accounting principles generally accepted in Japan.

The U.S. 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 ¥120.55 = US$1.00, the approximate exchange rate prevailing on December 31, 2014.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned domestic and foreign subsidiaries (together, the "Companies"). Investment in significant unconsolidated subsidiaries and affiliated companies (companies owned 20% to 50%) is accounted for by the equity method.

All significant intercompany transactions and balances have been eliminated in consolidation. The excess of the cost of the Companies' investments in subsidiaries and affiliated companies over their equity in the net assets at the dates of acquisition was not material and was fully written off when acquired.

b. Foreign Currency Translation

Foreign currency receivables and payables are translated at the year-end spot rates. The resulting exchange gains and losses are charged or credited to income.

The assets and liabilities of the consolidated subsidiaries outside Japan are translated at the fiscal year-end rates of those companies, and the income and expense accounts of those companies are translated at the average rates of those companies.

Differences arising from such translation are recorded in foreign currency translation adjustments and minority interests in net assets.

c. Cash Equivalents

For purposes of the consolidated statements of cash flows, highly liquid investments with a maturity of three months or less are considered cash equivalents.

d. Marketable Securities and Investment Securities

Securities classified as available for sale and whose fair value is readily determinable are carried at fair value, with unrealized gains or losses included as a component of net assets, net of applicable taxes. Costs are determined by the moving-average method.

Securities whose fair value is not readily determinable are carried at cost. Costs are determined by the moving-average method.

e. Derivative Instruments

Derivative instruments whose fair value is readily determinable are carried at fair value.

f. Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost, determined by the moving-average method, and inventories of certain foreign subsidiaries are valued at the lower of cost based on the first-in first-out method or market. The book value of inventories of the Company and its domestic consolidated subsidiaries reflects a write-down due to declines in profitability.

g. Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided at an estimated amount of probable bad debts plus an amount based on past credit loss experience.

h. Depreciation

Depreciation of property, plant and equipment is computed principally by the straight-line method based on the estimated useful lives of the respective assets.

i. Retirement Benefits

The straight-line method is applied for attributing the expected benefit to the current period in the calculation of the projected benefit obligation.

Prior service costs are amortized by the straight-line method over certain periods (mainly 10 years), which is within the average remaining service period of employees at the time of recognition. Actuarial gains and losses are amortized starting in the year following the year in which the gain or loss is recognized by the straight-line method over certain periods (mainly 10 years), which is within the average remaining service period of employees at the time of recognition.

Unapplied Accounting Standards

- Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan [ASBJ] Statement No. 26, May 17, 2012)
- Implementation Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Outline

Actuarial gains and losses and prior service costs are required to be recognized in net assets at net of tax effects. Funded status is fully recognized as a liability or asset on the balance sheet. With respect to the amortization method of the expected benefit, the benefit formula basis is newly allowed as an option, in addition to the straight-line basis. In addition, the method for determining the discount rate has been amended.

(2) Planned date of application

The amortization method of the expected benefit will be adopted from the beginning of the fiscal year ending December 31, 2015. The standard and guidance will not be applied retrospectively to financial statements in the prior years.

(3) Effects of the application of the above accounting standards on consolidated financial statements

The effects on the consolidated financial statements of the Company in adopting these accounting standards are under evaluation.

j. Allowance for Sales Returns

An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

k. Income Taxes

Income taxes in Japan comprise a corporate tax, an enterprise tax and prefectural and municipal inhabitants' taxes.

Provision is made for deferred income taxes arising from temporary differences between assets or liabilities for financial and tax reporting purposes.

l. Revenue Recognition

Sales of products are recognized upon product shipments to customers.

m. Research and Development Costs

Research and development costs are charged to income as incurred.

n. Earnings per Share

Basic net income per share is computed by dividing net income available to common shareholders by the average number of common shares outstanding during each period. Diluted net income per share is not disclosed because there were no dilutive securities in the years ended December 31, 2014 and 2013.

Change in Accounting Policies

Application of accounting standards for retirement benefits

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 released on May 17, 2012; hereinafter "the Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 released on May 17, 2012; hereinafter "the Guidance") have been applied effective from the end of the fiscal year ended December 31, 2014, except for items stated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance. As a result of this application, the Company reports the amount of retirement benefit obligations after deducting plan assets as a net defined benefit liability, with unrecognized actuarial gain or loss and unrecognized prior service cost being included in the net defined benefit liability.

The Company follows the transitional treatment provided in Paragraph 37 of the Standard for the application of the Standard and the Guidance, and the effect of this application is recognized by adjusting remeasurements of defined benefit plans presented in accumulated other comprehensive income as of the end of the fiscal year ended December 31, 2014. In addition, net defined benefit liability of consolidated overseas subsidiaries, which was disclosed in other long-term liabilities in the consolidated balance sheet in previous years (¥8,884 million [$73,696 thousand] as of December 31, 2013, and ¥9,178 million [$76,138 thousand] as of December 31, 2014) was included in net defined benefit liability from the end of the fiscal year ended December 31, 2014, and adjustments related to pension obligations of consolidated overseas subsidiaries in net assets (¥–5,394 million [$44,747 thousand] as of December 31, 2013, and ¥–6,354 million [$52,705 thousand] as of December 31, 2014) were included in remeasurements of defined benefit plans from the end of the fiscal year ended December 31, 2014.

As a result, net defined benefit liability of ¥24,684 million ($204,763 thousand) was recorded as of December 31, 2014, and accumulated other comprehensive income increased by ¥1,549 million ($12,849 thousand).

3. Inventories

Inventories at December 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Finished products	**¥ 74,080**	¥ 63,009	**$ 614,519**
Work in process	**7,755**	7,273	**64,329**
Raw materials and supplies	**26,520**	20,743	**219,991**
	¥ 108,355	¥ 91,025	**$ 898,839**

4. Long-Term Debt

Long-term debt at December 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
1.68% straight bonds due 2014	**¥ —**	¥ 10,000	**$ —**
0.509% straight bonds due 2020	**10,000**	10,000	**82,953**
0.355% straight bonds due 2021	**10,000**	—	**82,953**
Loans, principally from banks and insurance companies	**54,969**	63,629	**455,984**
	74,969	83,629	**621,890**
Less current maturities	**23,014**	31,825	**190,909**
	¥ 51,955	¥ 51,804	**$ 430,982**

Assets pledged to secure bank loans and long-term debt at December 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Property, plant and equipment	**¥ 698**	¥ 712	**$ 5,793**

5. Depreciation and Amortization

Depreciation and amortization expenses for the years ended December 31, 2014 and 2013, were allocated as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Selling, general and administrative expenses	**¥ 3,044**	¥ 2,840	**$ 25,254**
Manufacturing costs	**24,394**	21,142	**202,359**

6. Notes Maturing on December 31, 2014 and 2013

Because December 31, 2014 and 2013, which was the account closing date, was a nonbusiness day for financial institutions, notes receivable and payable maturing on that date were settled on the following business day. However, the Company recognized notes receivable and payable that matured on the date as being settled. Information on notes receivable and payable treated as settled was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Notes receivable	**¥ 872**	¥ 899	**$ 7,233**
Notes payable	**849**	868	**7,043**
Other current liabilities (notes payable—facilities)	**232**	188	**1,927**

7. Contingent Liabilities

Contingent liabilities at December 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Guarantees	**¥ 1,689**	¥ 3,059	**$ 14,008**

8. Research and Development Expenses

Research and development expenses charged to manufacturing costs and to selling, general and administrative expenses for the years ended December 31, 2014 and 2013, were ¥13,438 million ($111,476 thousand) and ¥12,633 million, respectively.

9. Business Structure Improvement Expenses

Business structure improvement expenses charged to the others segment for structure improvement included impairment loss, etc., of ¥545 million ($5,177 thousand) for the year ended December 31, 2013.

10. Impairment Loss

The Company groups fixed assets for impairment testing based on organizational units by products and services for the Company and by company units for consolidated subsidiaries.

The Companies recognized impairment loss and wrote down the book value to the recoverable value and accounted for the diminution as impairment loss for the following group of assets:

Year ended December 31, 2013

Description	Classification	Location	Millions of Yen	Thousands of U.S. Dollars
Business assets	Buildings, Structures, Machinery, etc.	Japan and Asia	¥ 1,956	$ 18,562

The recoverable value was calculated by discounting future cash flows at a rate of 10.2%. If negative future cash flows are estimated, the recoverable value will be evaluated as zero.

11. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended December 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Unrealized gains on securities			
Arising during the year	**¥ 8,758**	¥ 28,256	**$ 72,652**
Amount of recycling	**(2,615)**	—	**(21,691)**
Before tax-effect adjustment	**6,143**	28,256	**50,961**
Amount of tax effect	**2,159**	9,988	**17,911**
Unrealized gains on securities	**3,984**	18,268	**33,051**
Foreign currency translation adjustments			
Arising during the year	**15,411**	19,702	**127,841**
Adjustment related to pension obligations of consolidated overseas subsidiaries			
Arising during the year	**(2,183)**	1,065	**(18,111)**
Amount of recycling	**624**	656	**5,175**
Before tax-effect adjustment	**(1,559)**	1,721	**(12,936)**
Amount of tax effect	**(600)**	703	**(4,978)**
Adjustment related to pension obligations of consolidated overseas subsidiaries	**(959)**	1,018	**(7,958)**
Share of other comprehensive income of associates accounted for by the equity method			
Arising during the year	**7**	317	**56**
Total other comprehensive income	**¥ 18,443**	¥ 39,305	**$ 152,990**

12. Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Corporate Law of Japan is based on the amount stated in the unconsolidated financial statements of the Company. Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year for which the dividends are applicable.

13. Supplementary Cash Flow Information

A reconciliation of cash and deposits presented in the consolidated balance sheets as of December 31, 2014 and 2013, and of cash and cash equivalents reported in the consolidated statements of cash flows for the years ended December 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Cash and deposits	**¥ 45,967**	¥ 37,179	**$ 381,313**
Time deposits with maturities of more than three months	**(1,514)**	(1,316)	**(12,557)**
Cash and cash equivalents	**¥ 44,454**	¥ 35,863	**$ 368,756**

14. Leases

Leased assets under finance lease agreements include molds and warehouse equipment. The depreciation of leased assets is computed by the straight-line method over the term of the leases.

Future lease obligations under noncancelable operating leases subsequent to December 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Within one year	**¥ 1,553**	¥ 1,205	**$ 12,885**
After one year	**10,174**	2,789	**84,401**
	¥ 11,728	¥ 3,994	**$ 97,286**

15. Financial Instruments

a. Policies for Financial Instruments

The Companies raise funds through bank loans and the issuance of corporate bonds, mainly in accordance with their capital investment plans for manufacturing and selling tires, and raise short-term working capital through commercial paper.

Derivative transactions are carried out to reduce risks, as mentioned below, and not for speculative trading.

b. Information and Risks Related to Financial Instruments

Trade receivables, which are notes and accounts receivable, are subject to customer credit risk. Also, some trade receivables denominated in foreign currencies as a result of global business are subject to exchange rate fluctuation risk. Therefore, the Companies use forward exchange contracts for hedging purposes.

Securities, principally corporate equities, are subject to market price fluctuation risk.

Trade liabilities, which are notes and accounts payable, are mostly due within one year. Some trade liabilities denominated in foreign currencies in relation to imported raw materials are subject to exchange rate fluctuation risk.

Bank loans and corporate bonds are for the purpose of capital investment. The longest maturity is 10 years after December 31, 2014. Some of the bank loans and corporate bonds have floating interest rates and are subject to interest rate fluctuation risk.

Derivative transactions are forward exchange contracts and currency swaps for the purpose of hedging against exchange rate fluctuation risk in relation to trade receivables, trade liabilities denominated in foreign currencies and interest rate swaps for the purpose of hedging against interest rate fluctuation risk in relation to bank loans.

c. Risk Management of Financial Instruments

(1) Credit Risk Management (Customer Credit Default)

Under credit management standards, the Companies manage due dates and balances of trade receivables for customers to assess and reduce collection risks.

Derivative transactions are only carried out with highly rated financial institutions to reduce credit risks.

The amounts of the largest credit risks as of December 31, 2014 and 2013, are indicated in the balance sheets as part of the allowance for doubtful receivables.

(2) Market Risk Management (Fluctuation Risk of Foreign Currency Exchange Rates and Interest Rates and Others)

The Company and some of its consolidated subsidiaries use forward exchange contracts and currency swaps to hedge against exchange rate fluctuation risk in connection with trade receivables and trade liabilities denominated in foreign currencies.

They assess the amount of risk monthly by currency. Some consolidated subsidiaries also use interest swaps to hedge against interest rate fluctuation risk in connection with bank loans.

The Companies regularly assess the fair market value of their holdings of securities issued by entities with which they have business relationships. They also assess the financial condition of the issuers of those securities and review the holdings in light of the status of their business relationships with the issuers.

Derivative transactions are carried out under internal regulations that specify trading authority and limits, and details of transactions are reported to the responsible executive officers. Consolidated subsidiaries also manage their derivative transactions in accordance with the regulations.

(3) Liquidity Risk in Fund-Raising Management (Risk of Being Unable to Make Payment at Due Date)

Based on reports from each department, the corporate finance and accounting department prepares a cash flow plan and revises it as appropriate to reduce liquidity risk.

d. Supplementary Information About the Fair Value of Financial Instruments

The fair value of financial instruments is the market price or, for instruments that do not have a market price, a value calculated by appropriate means. The calculation of fair values incorporates variables, and the values are therefore subject to change, depending on diverse factors. The contract amounts for derivative transactions cited in "17. Derivative Instruments" do not indicate the market risk related to derivative transactions.

e. Fair Value of Financial Instruments

The book value and fair value of financial instruments and the differences between them as of December 31, 2014 and 2013, were as follows.

However, financial instruments whose fair value is extremely difficult to ascertain are not included in the table below (see Note 2 to the table).

	Millions of Yen					
	2014 (12.31.14)			2013 (12.31.13)		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
(1) Cash and deposits	**¥ 45,967**	**¥ 45,967**	**¥ —**	¥ 37,179	¥ 37,179	¥ —
(2) Trade receivables: Notes and accounts	**171,026**	**171,026**	**—**	167,831	167,831	—
(3) Investment securities	**98,635**	**98,635**	**—**	92,721	92,721	—
(4) Long-term loans receivable	**—**	**—**	**—**	2,460	2,460	—
Total assets	**315,628**	**315,628**	**—**	300,191	300,191	—
(1) Trade notes and accounts payable	**80,641**	**80,641**	**—**	76,718	76,718	—
(2) Electronically recorded obligations—operating	**8,450**	**8,450**	**—**	6,871	6,871	—
(3) Short-term loans payable	**87,368**	**87,368**	**—**	79,623	79,623	—
(4) Accrued expenses	**38,613**	**38,613**	**—**	33,916	33,916	—
(5) Commercial paper	**22,000**	**22,000**	**—**	12,000	12,000	—
(6) Deposits received	**639**	**648**	**9**	—	—	—
(7) Bonds	**20,000**	**19,407**	**(593)**	20,000	19,570	(430)
(8) Long-term loans payable	**54,969**	**55,341**	**372**	63,629	64,151	522
(9) Long-term deposits received	**—**	**—**	**—**	639	643	4
Total liabilities	**312,679**	**312,468**	**(211)**	293,396	293,492	96
Derivative transactions*	**(462)**	**(462)**	**—**	(709)	(709)	—

	Thousands of U.S. Dollars		
	2014 (12.31.14)		
	Book Value	Fair Value	Difference
(1) Cash and deposits	**$ 381,313**	**$ 381,313**	**$ —**
(2) Trade receivables: Notes and accounts	**1,418,715**	**1,418,715**	**—**
(3) Investment securities	**818,205**	**818,205**	**—**
(4) Long-term loans receivable	**—**	**—**	**—**
Total assets	**2,618,233**	**2,618,233**	**—**
(1) Trade notes and accounts payable	**668,942**	**668,942**	**—**
(2) Electronically recorded obligations—operating	**70,096**	**70,096**	**—**
(3) Short-term loans payable	**724,742**	**724,742**	**—**
(4) Accrued expenses	**320,304**	**320,304**	**—**
(5) Commercial paper	**182,497**	**182,497**	**—**
(6) Deposits received	**5,299**	**5,378**	**79**
(7) Bonds	**165,906**	**160,989**	**(4,917)**
(8) Long-term loans payable	**455,984**	**459,069**	**3,085**
(9) Long-term deposits received	**—**	**—**	**—**
Total liabilities	**2,593,770**	**2,592,017**	**(1,754)**
Derivative transactions*	**(3,833)**	**(3,833)**	**—**

*The net amount of the assets and liabilities arising from derivatives is shown. If the net amount is a liability, it is presented in parentheses.

Note 1. Method of determining the fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash and deposits and (2) trade receivables: Notes and accounts

The fair value of these assets is approximately equivalent to their book values because of short-term settlement, so the book values are indicated.

(3) Investment securities

The fair value of securities is based on the market price on stock exchanges. See “16. Securities” regarding the differences between the amounts booked on the consolidated balance sheets and the acquisition costs.

Liabilities

(1) Trade notes and accounts payable, (2) electronically recorded obligations—operating, (3) short-term loans payable, (4) accrued expenses, and (5) commercial paper

The fair value of these liabilities is approximately equivalent to their book values because of short-term settlement, so the book values are indicated.

(6) Deposits received

The fair value of deposits received is calculated based on the present value of the sum of principal and interest, which are handled together with the currency swaps, discounted by an interest rate determined taking into account the remaining period of each deposit and credit risk, because such deposits received are subject to the allocation method for currency swaps.

(7) Bonds

The fair value of bonds is calculated based on the present value of the sum of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and credit risk.

(8) Long-term loans payable

The fair value of long-term loans payable is calculated based on the present value of the sum of principal and interest discounted by an interest rate determined taking into account the remaining period of each loan and credit risk.

Derivative transactions

See "17. Derivative Instruments."

Note 2. Financial instruments whose fair value is extremely difficult to ascertain were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
	Book Value	Book Value	Book Value
Unlisted stock and others	**¥ 5,516**	¥ 6,916	**$ 45,753**

Note:

These financial instruments are not included in "(3) Investment securities." It is extremely difficult to ascertain the fair values because they do not have market prices.

Note 3. The amount of monetary claims and securities with maturities to be redeemed after the consolidated closing date was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
	Within One Year	Within One Year	Within One Year
Deposits	**¥ 45,675**	¥ 36,693	**$ 378,887**
Trade receivables: Notes and accounts	**171,026**	167,831	**1,418,715**
Total	**¥ 216,701**	¥ 204,524	**$ 1,797,602**

Note 4. The amount of bonds, long-term loans payable and other liabilities with interest to be repaid after the consolidated closing date was as follows:

	Millions of Yen					
	2014 (12.31.14)					
	Within One Year	Over One Year, Within Two Years	Over Two Years, Within Three Years	Over Three Years, Within Four Years	Over Four Years, Within Five Years	Over Five Years
Bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 20,000**
Long-term loans payable	**23,014**	**17,987**	**4,912**	**3,249**	**2,474**	**3,333**
Other liabilities with interest	**110,005**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 133,019**	**¥ 17,987**	**¥ 4,912**	**¥ 3,249**	**¥ 2,474**	**¥ 23,333**

	Millions of Yen					
	2013 (12.31.13)					
	Within One Year	Over One Year, Within Two Years	Over Two Years, Within Three Years	Over Three Years, Within Four Years	Over Four Years, Within Five Years	Over Five Years
Bonds	¥ 10,000	¥ —	¥ —	¥ —	¥ —	¥ 10,000
Long-term loans payable	21,825	23,006	12,753	4,215	1,405	425
Other liabilities with interest	91,623	639	—	—	—	—
Total	¥ 123,448	¥ 23,645	¥ 12,753	¥ 4,215	¥ 1,405	¥ 10,425

	Thousands of U.S. Dollars					
	2014 (12.31.14)					
	Within One Year	Over One Year, Within Two Years	Over Two Years, Within Three Years	Over Three Years, Within Four Years	Over Four Years, Within Five Years	Over Five Years
Bonds	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 165,906**
Long-term loans payable	**190,909**	**149,206**	**40,748**	**26,951**	**20,522**	**27,648**
Other liabilities with interest	**912,529**	**—**	**—**	**—**	**—**	**—**
Total	**$ 1,103,438**	**$ 149,206**	**$ 40,748**	**$ 26,951**	**$ 20,522**	**$ 193,554**

16. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at December 31, 2014 and 2013, were as follows:

	Millions of Yen							
	2014 (12.31.14)				2013 (12.31.13)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale: Stock	**¥ 33,000**	**¥ 98,635**	**¥ 65,769**	**¥ (135)**	¥ 33,172	¥ 92,722	¥ 59,745	¥ (195)

	Thousands of U.S. Dollars			
	2014 (12.31.14)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale: Stock	**$ 273,747**	**$ 818,205**	**$ 545,574**	**$ (1,116)**

Sales of securities classified as available-for-sale securities and the aggregate gains or losses for the years ended December 31, 2014 and 2013, are immaterial.

Note:

Unlisted stocks, whose book value as of December 31, 2014, on the consolidated balance sheet is ¥1,262 million ($10,469 thousand), are not included in the above table. It is extremely difficult to ascertain fair value for lack of market price.

17. Derivative Instruments

1. Fair value information of derivative instruments, for which deferral hedge accounting has not been applied, at December 31, 2014 and 2013, was as follows:

(1) Currency derivatives

	Millions of Yen						Thousands of U.S. Dollars		
	2014 (12.31.14)			2013 (12.31.13)			**2014** (12.31.14)		
	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:									
RUB	**¥ 1,178**	**¥ 306**	**¥ 306**	¥ 1,590	¥ (131)	¥ (131)	**$ 9,772**	**$ 2,535**	**$ 2,535**
EUR	**1,862**	**(82)**	**(82)**	2,570	(154)	(154)	**15,445**	**(677)**	**(677)**
USD	**2,415**	**(43)**	**(43)**	5,378	(271)	(271)	**20,037**	**(359)**	**(359)**
Others	**1,738**	**(56)**	**(56)**	1,737	(76)	(76)	**14,419**	**(462)**	**(462)**
Currency Interest rate swap contracts;									
JPY receipt									
INR payment	**2,731**	**(587)**	**(587)**	2,460	(77)	(77)	**22,657**	**(4,869)**	**(4,869)**
	¥ 9,925	**¥ (462)**	**¥ (462)**	¥ 13,735	¥ (709)	¥ (709)	**$ 82,329**	**$ (3,833)**	**$ (3,833)**

(2) Interest rate derivatives

	Millions of Yen						Thousands of U.S. Dollars		
	2014 (12.31.14)			2013 (12.31.13)			**2014** (12.31.14)		
	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains (Losses)
Interest rate swap contracts	**¥ —**	**¥ —**	**¥ —**	¥ 5	¥ —	¥ (0)	**$ —**	**$ —**	**$ —**

2. Fair value information of derivative instruments, for which deferral hedge accounting has been applied, at December 31, 2014 and 2013, was as follows:

(1) Currency derivatives

	Millions of Yen					
	2014 (12.31.14)			2013 (12.31.13)		
	Contract Amount	Over One Year	Fair Value	Contract Amount	Over One Year	Fair Value
Forward exchange contracts with allocation method:						
Deposits received	**¥ 639**	**¥ —**	*	¥ —	¥ —	¥ —
Long-term deposits received	**—**	**—**	**—**	639	639	**

	Thousands of U.S. Dollars		
	2014 (12.31.14)		
	Contract Amount	Over One Year	Fair Value
Forward exchange contracts with allocation method:			
Deposits received	**$ 5,299**	**$ —**	*
Long-term deposits received	**—**	**—**	**—**

*Amounts settled by the allocation method for currency swaps are handled together with those of the deposits received, which are regarded as the hedged items. See "15. Financial Instruments" for their fair value.

**Amounts settled by the allocation method for currency swaps are handled together with those of the long-term deposits received, which are regarded as the hedged items. See "15. Financial Instruments" for their fair value.

(2) Interest rate derivatives

	Millions of Yen					
	2014 (12.31.14)			2013 (12.31.13)		
	Contract Amount	Over One Year	Fair Value	Contract Amount	Over One Year	Fair Value
Interest rate swap contracts with special treatment:						
Long-term loan receivable	**¥ —**	**¥ —**	**¥ —**	¥ 2,460	¥ 2,460	*

	Thousands of U.S. Dollars		
	2014 (12.31.14)		
	Contract Amount	Over One Year	Fair Value
Interest rate swap contracts with special treatment:			
Long-term loan receivable	**$ —**	**$ —**	**$ —**

*Amounts settled by the special treatment for interest rate swaps are handled together with those of the long-term loan receivable, which is regarded as the hedged item. See "15. Financial Instruments" for the fair value.

18. Pension and Severance Plans

The Company and certain domestic consolidated subsidiaries have defined contribution pension plans and lump-sum severance plans. Other domestic consolidated subsidiaries have lump-sum severance plans as defined benefit plans, and certain overseas consolidated subsidiaries have defined benefit plans. The Company also has a retirement benefit trust.

Lump-sum severance plans of certain consolidated subsidiaries are accounted by the simplified method. Information on the severance plans of the consolidated subsidiaries calculated using the simplified method is also included in the following notes due to its immateriality.

Year ended December 31, 2014

1. Defined benefit plans

(1) The changes in defined benefit obligation for the year ended December 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014 (12.31.14)	**2014** (12.31.14)
Balance at beginning of year	**¥ 32,366**	**$ 268,482**
Current service cost	**1,919**	**15,918**
Interest cost	**478**	**3,967**
Actuarial losses	**(180)**	**(1,494)**
Benefits paid	**(2,779)**	**(23,050)**
Others	**29,047**	**240,954**
Balance at end of year	**¥ 60,851**	**$ 504,777**

The above "Others" includes a ¥29,068 million ($241,131 thousand) year-end balance of consolidated overseas subsidiaries, which was included in other long-term liabilities as of December 31, 2013.

(2) The changes in plan assets for the year ended December 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014 (12.31.14)	**2014** (12.31.14)
Balance at beginning of year	**¥ 14,322**	**$ 118,809**
Actuarial losses	**1,959**	**16,251**
Contributions from employer	**4**	**31**
Benefits paid	**(7)**	**(60)**
Others	**19,889**	**164,984**
Balance at end of year	**¥ 36,167**	**$ 300,014**

The above "Others" includes a ¥19,890 million ($164,994 thousand) year-end balance of consolidated overseas subsidiaries, which was included in other long-term liabilities as of December 31, 2013.

(3) Reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014 (12.31.14)	2014 (12.31.14)
Funded defined benefit obligation	¥ 43,995	$ 364,951
Plan assets	(36,167)	(300,014)
	7,828	64,937
Unfunded defined benefit obligation	16,856	139,826
Net defined benefit liability	¥ 24,684	$ 204,763

	Millions of Yen	Thousands of U.S. Dollars
	2014 (12.31.14)	2014 (12.31.14)
Liability for retirement benefits	¥ 24,684	$ 204,763
Net defined benefit liability	¥ 24,684	$ 204,763

(4) The components of net periodic benefit costs for the year ended December 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014 (12.31.14)	2014 (12.31.14)
Service cost	¥ 1,919	$ 15,918
Interest cost	478	3,967
Recognized actuarial losses	(368)	(3,055)
Amortization of prior service cost	106	876
Others	1	9
Net periodic benefit costs	¥ 2,136	$ 17,715

(5) Remeasurements of defined benefit plans as of December 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014 (12.31.14)	2014 (12.31.14)
Unrecognized prior service cost (amount before income tax effect)	¥ (458)	$ (3,803)
Unrecognized actuarial losses (amount before income tax effect)	(5,862)	(48,629)
Total	¥ (6,321)	$ (52,432)

(6) Plan assets are as follows:
a. Components of plan assets

	2014 (12.31.14)
Debt investments	39%
Equity investments	46
Cash and cash equivalents	13
Others	2
Total	100%

Of the above total, 45% of plan assets are held in the retirement benefit trusts.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the allocation of pension assets expected currently and in the future and the long-term rates of return expected currently and in the future from the various components of the plan assets.

(7) Assumptions used as of December 31, 2014, were set forth as follows:

	2014 (12.31.14)
Discount rate	**Mainly 1.6%**
Expected rate of return on plan assets	**Mainly 0.0%**

2. Defined contribution plan

The amount of the contribution required for the defined contribution plan paid by the Company and its subsidiaries was ¥619 million ($5,139 thousand) for the year ended December 31, 2014.

Year ended December 31, 2013

The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at December 31, 2013, were as follows:

	Millions of Yen
	2013 (12.31.13)
Projected benefit obligations	¥ (32,366)
Fair value of plan assets	14,323
Funded status	(18,043)
Unrecognized actuarial gain and loss	(796)
Unrecognized prior service cost	285
Net amount recognized	¥ (18,554)

The components of net pension and severance costs for the year ended December 31, 2013, were as follows:

	Millions of Yen
	2013 (01.01.13–12.31.13)
Service cost	¥ 1,929
Interest cost	479
Expected return on plan assets	—
Recognized actuarial losses	(230)
Recognized prior service cost	100
Net periodic benefit cost	2,278
Gain on change of pension and severance plan	—
Contribution of defined contribution benefit plan	619
	¥ 2,897

Assumptions used as of December 31, 2013, were as follows:

	2013 (12.31.13)
Discount rate	Mainly 1.6%
Expected return rate on plan assets	0.00%

19. Deferred Income Taxes

Significant components of the deferred income tax assets and liabilities at December 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Deferred tax assets:			
Liabilities for pension and severance payments	**¥ —**	¥ 10,861	**$ —**
Net defined benefit liability	**12,985**	—	**107,711**
Unrealized profits	**5,573**	5,034	**46,232**
Accrued expenses	**1,907**	1,889	**15,818**
Accrued enterprise tax	**720**	856	**5,972**
Loss on valuation of inventories	**1,066**	1,103	**8,843**
Other	**5,888**	8,781	**48,840**
Gross deferred tax assets	**28,138**	28,524	**233,418**
Less valuation allowance	**(683)**	(545)	**(5,668)**
Total deferred tax assets	**27,455**	27,979	**227,749**
Deferred tax liabilities:			
Unrealized gains on securities	**(23,192)**	(21,033)	**(192,387)**
Liabilities for pension and severance payments	**(3,019)**	(3,019)	**(25,043)**
Gain on receipt of stock set by pension plan	**(1,842)**	(1,842)	**(15,278)**
Property, plant and equipment	**(1,467)**	(1,229)	**(12,167)**
Non-current assets	**(3,191)**	(1,547)	**(26,467)**
Other	**(132)**	(438)	**(1,092)**
Total deferred tax liabilities	**(32,842)**	(29,109)	**(272,433)**
Net deferred tax assets (liabilities)	**¥ (5,387)**	¥ (1,130)	**$ (44,684)**

A reconciliation of the statutory income tax rate to the effective income tax rates for the years ended December 31, 2014 and 2013, was as follows:

	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)
Statutory income tax rates	**37.6 %**	37.6 %
Permanently nondeductible expenses	**0.6**	0.7
Permanently nontaxable income	**(1.0)**	(0.6)
Tax deduction for research and development	**(1.8)**	(1.9)
Valuation allowance	**0.2**	(0.4)
Reversal of tax effect due to change in corporate income tax rate	**0.5**	—
Other	**(0.9)**	2.0
Effective income tax rates	**35.2 %**	37.4 %

20. Segment Information

a. Outline of Reportable Segments

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

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

Therefore, the Company is organized by business segments, and its reportable segments are "Tires" and "Industrial Products."

b. Methods of Calculating the Amount of Sales, Income (Loss), Assets and Other Items by Reportable Segments

Accounting methods for reportable segments are mostly the same as "2. Summary of Significant Accounting Policies."

Profits from reportable segments are operating income, and intersegment income and transfers are based on prevailing market prices.

c. Information on Sales, Income (Loss), Assets and Other Items by Reportable Segments

Information on sales, income (loss), assets and other items by reportable segments for the years ended December 31, 2014 and 2013, was as follows:

	Millions of Yen						
	Tires	Industrial Products	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
2014 (01.01.14–12.31.14)							
Sales to third parties	**¥ 497,573**	**¥ 101,451**	**¥ 599,024**	**¥ 26,222**	**¥ 625,246**	**¥ —**	**¥ 625,246**
Intergroup sales and transfers	**1,997**	**184**	**2,181**	**3,561**	**5,743**	**(5,743)**	**—**
Total sales	**499,570**	**101,634**	**601,205**	**29,784**	**630,988**	**(5,743)**	**625,246**
Segment income	**¥ 48,578**	**¥ 7,579**	**¥ 56,157**	**¥ 2,893**	**¥ 59,050**	**¥ 17**	**¥ 59,067**
Segment assets	**¥ 575,330**	**¥ 78,440**	**¥ 653,769**	**¥ 62,242**	**¥ 716,011**	**¥ 18,500**	**¥ 734,512**
Other items							
Depreciation and amortization	**¥ 24,130**	**¥ 2,328**	**¥ 26,458**	**¥ 499**	**¥ 26,957**	**¥ 482**	**¥ 27,439**
Investment in equity method affiliates	**¥ 67**	**¥ —**	**¥ 67**	**¥ —**	**¥ 67**	**¥ —**	**¥ 67**
Increase of tangible and intangible fixed assets	**¥ 50,567**	**¥ 3,551**	**¥ 54,117**	**¥ 292**	**¥ 54,409**	**¥ 916**	**¥ 55,325**
2013 (01.01.13–12.31.13)							
Sales to third parties	¥ 479,522	¥ 96,883	¥ 576,405	¥ 25,225	¥ 601,630	¥ —	¥ 601,630
Intergroup sales and transfers	1,762	203	1,965	3,496	5,461	(5,461)	—
Total sales	481,284	97,086	578,370	28,721	607,091	(5,461)	601,630
Segment income	¥ 46,021	¥ 7,690	¥ 53,711	¥ 2,955	¥ 56,666	¥ (19)	¥ 56,647
Segment assets	¥ 523,959	¥ 66,129	¥ 590,088	¥ 63,619	¥ 653,707	¥ (123)	¥ 653,584
Other items							
Depreciation and amortization	¥ 21,101	¥ 2,034	¥ 23,135	¥ 547	¥ 23,682	¥ 300	¥ 23,982
Impairment loss	¥ 1,410	¥ —	¥ 1,410	¥ 546	¥ 1,956	¥ —	¥ 1,956
Investment in equity method affiliates	¥ 1,843	¥ —	¥ 1,843	¥ —	¥ 1,843	¥ —	¥ 1,843
Increase of tangible and intangible fixed assets	¥ 29,374	¥ 3,073	¥ 32,447	¥ 585	¥ 33,032	¥ 473	¥ 33,505

	Thousands of U.S. Dollars						
	Tires	Industrial Products	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
2014 (01.01.14–12.31.14)							
Sales to third parties	**$ 4,127,523**	**$ 841,565**	**$ 4,969,089**	**$ 217,522**	**$ 5,186,610**	**$ —**	**$ 5,186,610**
Intergroup sales and transfers	**16,568**	**1,524**	**18,092**	**29,544**	**47,636**	**(47,636)**	**—**
Total sales	**4,144,091**	**843,089**	**4,987,181**	**247,066**	**5,234,246**	**(47,636)**	**5,186,610**
Segment income	**$ 402,967**	**$ 62,870**	**$ 465,837**	**$ 24,000**	**$ 489,838**	**$ 140**	**$ 489,977**
Segment assets	**$ 4,772,541**	**$ 650,681**	**$ 5,423,222**	**$ 516,316**	**$ 5,939,538**	**$ 153,465**	**$ 6,093,003**
Other items							
Depreciation and amortization	**$ 200,168**	**$ 19,309**	**$ 219,477**	**$ 4,137**	**$ 223,614**	**$ 3,998**	**$ 227,613**
Investment in equity method affiliates	**$ 560**	**$ —**	**$ 560**	**$ —**	**$ 560**	**$ —**	**$ 560**
Increase of tangible and intangible fixed assets	**$ 419,468**	**$ 29,453**	**$ 448,921**	**$ 2,421**	**$ 451,342**	**$ 7,600**	**$ 458,942**

Note 1:

The “Others” category incorporates operations not included in reportable segments, including aircraft products and sports products.

Note 2:

Adjustments are as follows:

(a) Segment income adjustments are the elimination of intersegment transactions.

(b) Segment asset adjustments for the year ended December 31, 2014, of ¥18,500 million ($153,465 thousand) were the elimination of intersegment transactions of ¥32,972 million ($273,515 thousand) and "corporate assets" of ¥51,472 million ($426,980 thousand). "Corporate assets" primarily consist of accumulated working capital and investments in securities.

Note 3:

Segment income was adjusted with operating income presented in the consolidated statements of income.

Related information for the years ended December 31, 2014 and 2013

1. Product and service information

Information has been omitted, as the classification is the same as that for reportable segments.

2. Information about geographic areas

(a) Sales

	Millions of Yen		Thousands of U.S. Dollars
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Japan	**¥ 313,907**	¥ 309,315	**$ 2,603,958**
United States of America	**140,564**	132,126	**1,166,025**
Others	**170,774**	160,189	**1,416,627**
Total	**¥ 625,246**	¥ 601,630	**$ 5,186,610**

Note:

Sales are based on the location of clients and classified by country.

(b) Property, plant and equipment

	Millions of Yen		Thousands of U.S. Dollars
	2014 (12.31.14)	2013 (12.31.13)	**2014** (12.31.14)
Japan	**¥ 110,272**	¥ 107,801	**$ 914,739**
United States of America	**38,799**	13,974	**321,848**
Philippines	**33,283**	26,846	**276,092**
China	**26,837**	20,403	**222,620**
Thailand	**25,441**	24,508	**211,045**
Others	**14,804**	14,039	**122,801**
Total	**¥ 249,435**	¥ 207,571	**$ 2,069,145**

Change in presentation

Property, plant and equipment located in the "United States of America" and "China," which had been included in "Others" for the year ended December 31, 2013, are disclosed separately effective for the year ended December 31, 2014, because the amount exceeded 10% of consolidated property, plant and equipment at December 31, 2014.

To reflect this change in presentation, the information on property, plant and equipment at December 31, 2013, has been reclassified to "United States of America" in the amount ¥13,974 million and "China" in the amount of ¥20,403 million and "Others" in the amount of ¥14,039 million compared with "Others" of ¥48,416 million reported in the prior year's financial statements.

3. External customer information

Disclosure of information on external customers is not required, as there were no sales to a single external customer amounting to 10% or more of the Company's net sales.

4. Impairment losses on fixed assets by reportable segment for the years ended December 31, 2014 and 2013

There is no applicable item for the year ended December 31, 2014.

Information has been omitted, as the classification is the same as that for reportable segments for the year ended December 31, 2013.

5. Amortization of goodwill and the amortization balance by reportable segment for the years ended December 31, 2014 and 2013

The Company omitted this information because of its immateriality for the years ended December 31, 2014 and 2013.

6. Gains on negative goodwill by reportable segment for the years ended December 31, 2014 and 2013

The Company omitted this information because of its immateriality for the years ended December 31, 2014 and 2013.

21. Related Party Transactions

Significant transactions and balances with related parties as of and for the years ended December 31, 2014 and 2013, were as follows:

Year ended December 31, 2014

			Capital					Amounts			Amounts	
Type	Name of Related Company	Address	Millions of Yen	Principal Business	Ratio of Voting Rights Owning (owned)	Business Relationship	Transactions	Millions of Yen	Thousands of U.S. Dollars	Accounts and Closing Balances	Millions of Yen	Thousands of U.S. Dollars
Principal shareholder	**Zeon Corporation**	**Chiyoda-ku, Tokyo**	**¥24,211**	**Manufacturing**	**Directly (10.1%)**	**Purchases of products**	**Purchases of raw materials Interlocking Directorate**	**¥16,094**	**$133,506**	**Trade accounts payable**	**¥10,207**	**$84,673**

Year ended December 31, 2013

			Capital					Amounts			Amounts	
Type	Name of Related Company	Address	Millions of Yen	Principal Business	Ratio of Voting Rights Owning (owned)	Business Relationship	Transactions	Millions of Yen	Thousands of U.S. Dollars	Accounts and Closing Balances	Millions of Yen	Thousands of U.S. Dollars
Principal shareholder	Zeon Corporation	Chiyoda-ku, Tokyo	¥24,211	Manufacturing	Directly (10.1%)	Purchases of products	Purchases of raw materials Interlocking Directorate	¥15,959	$151,425	Trade accounts payable	¥9,451	$89,678

Terms of transactions and decision-making policy of the terms

(a) The purchase prices of raw materials were determined based on quotations from suppliers and market prices.

(b) The amount of the transactions stated above does not include consumption taxes, while the balance at year-end includes consumption taxes.

22. Subsequent Events

1. Consolidation of shares

At the Company's Board of Directors meeting on February 13, 2015, it was resolved to submit a proposal for the consolidation of shares (at a rate of one share for every two shares), a change in the number of shares per share unit (from 1,000 shares to 100 shares), and a change in the total number of shares authorized for issue (from 700 million shares to 400 million shares) to the Company's 139th ordinary general meeting of shareholders held on March 27, 2015. The proposal was subsequently approved at the shareholders' meeting.

(1) Purpose of consolidation of shares

Under the "Action Plan for Consolidating Trading Units," Japan's stock exchanges, including the Tokyo Stock Exchange, seek to standardize the stock trading units of listed domestic corporations at 100 shares. As a listed corporation, the Company respects the purpose of this plan and is going to change the number of its shares per share unit to 100 shares. The Company is also going to consolidate two shares into one share for the purpose of adjusting the trading unit at the appropriate level, taking stable holdings of the Company's shares by shareholders and medium- and long-term share price fluctuations into consideration.

(2) Details of consolidation

a. Class of stock to be consolidated

Common stock

b. Consolidation plan and ratio
Consolidation will be on the basis of every two shares into one share on July 1, 2015, based on the number of shares held by shareholders listed in the Register of Shareholders as of the end of the day on June 30, 2015.

c. Decrease in number of shares due to consolidation

Number of outstanding shares before consolidation (as of December 31, 2014)	342,598,162 shares
Decrease in number of shares after consolidation	171,299,081 shares
Number of outstanding shares after consolidation	171,299,081 shares

Note:
"Decrease in number of shares after consolidation" and "Number of outstanding shares after consolidation" are theoretical values calculated based on the number of outstanding shares before consolidation and the consolidation ratio.

(3) Impact on net income and net assets per share
Net income and net assets per share as of and for the years ended December 31, 2014 and 2013, assuming that the consolidation of shares had been carried out at the beginning of the year ended December 31, 2013, are as follows:

	Yen		U.S. Dollars
	2014 (01.01.14–12.31.14)	2013 (01.01.13–12.31.13)	**2014** (01.01.14–12.31.14)
Net assets per share of common stock	**¥ 2,002.58**	¥ 1,675.67	**$ 16.61**
Net income per share of common stock	**¥ 250.67**	¥ 216.64	**$ 2.08**

Note:
For the years ended December 31, 2014 and 2013, only information on net income per share of common stock is provided. Diluted net income per share is not disclosed because there were no dilutive securities for the years then ended.

2. Acquisition and cancellation of treasury stock
On February 23, 2015, the Company's Board of Directors approved the acquisition of treasury stock pursuant to Article 165-3 and Article 156 of the Corporate Law and the cancellation of treasury stock thereby acquired pursuant to Article 178 of the Corporate Law.

(1) Reason for the acquisition and cancellation of treasury stock
The acquisition of treasury stock will be made to effect capital efficiency and an agile capital policy in view of the business environment and to further enhance returns to shareholders. The cancellation of treasury stock will be made to avoid the dilution of shares triggered by the disposition of treasury stock.

(2) Details of the acquisition
a. Type of shares to be acquired
Common stock
b. Number of shares to be acquired
Up to 3,500,000 shares, representing 1.08% of issued shares (excluding treasury stock)
c. Total amount of acquisition
Up to ¥3,000 million ($24,886 thousand)
d. Period of acquisition
From February 24, 2015, to March 24, 2015
e. Method of acquisition
Open market purchase

(3) Details of the cancellation
a. Type of shares to be cancelled
Common stock
b. Number of shares to be cancelled
3,500,000 shares
c. Number of issued shares after cancellation of treasury stock
339,098,162 shares
d. Scheduled date of cancellation
March 31, 2015

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Building a better working world

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Yokohama Rubber Co., Ltd. and its consolidated subsidiaries as at December 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

March 27, 2015
Tokyo, Japan

Ernst & Young ShinNihon LLC

INVESTOR INFORMATION

As of December 31, 2014

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 Listings:
Tokyo, Nagoya

Contact Point for Investors:
PR/IR section, Corporate Communications Dept.
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
Phone: 81-(0)3-5400-4531 Facsimile: 81-(0)3-5400-4570

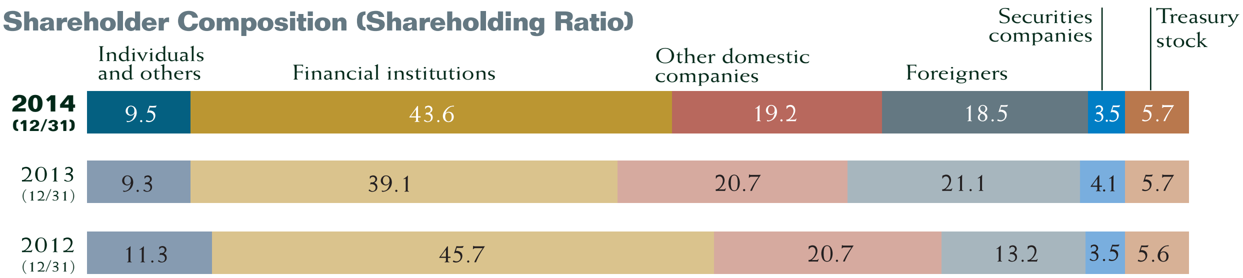
Investor Relations Website:
http://www.yrc.co.jp/cp/global/ir

STOCK INFORMATION

As of December 31, 2014

Authorized number of shares:	700,000,000
Number of shares issued and outstanding:	342,598,162—unchanged from December 31, 2013
Number of shareholders:	13,582—down 30 from December 31, 2013

Shareholder Composition (Shareholding Ratio)



Major Shareholders

Name	Number of shares (thousands)	Percentage of total shares (%)
ZEON CORPORATION	32,553	9.5
ASAHI MUTUAL LIFE INSURANCE COMPANY	21,811	6.3
The Master Trust Bank of Japan, Ltd. (trust account)	18,031	5.2
Japan Trustee Services Bank, Ltd. (trust account)	17,999	5.2
Mizuho Bank, Ltd.	12,282	3.5

Note: Treasury stock of 19,457 thousand shares has been excluded in preparing the list of major shareholders.

Common Stock Price Trends

	2014	2013	2012	2011 (4/11–12/11)	2011 (4/10–3/11)
Stock Price (Yen):					
High	¥ 1,185	¥ 1,312	¥ 624	¥ 489	¥ 480
Low	829	604	421	380	318
Fiscal Year-End	1,105	1,033	620	432	403
Shares of Common Stock Issued and Outstanding	342,598,162	342,598,162	342,598,162	342,598,162	342,598,162

Stock Price Range and Trading Volume on the Tokyo Stock Exchange