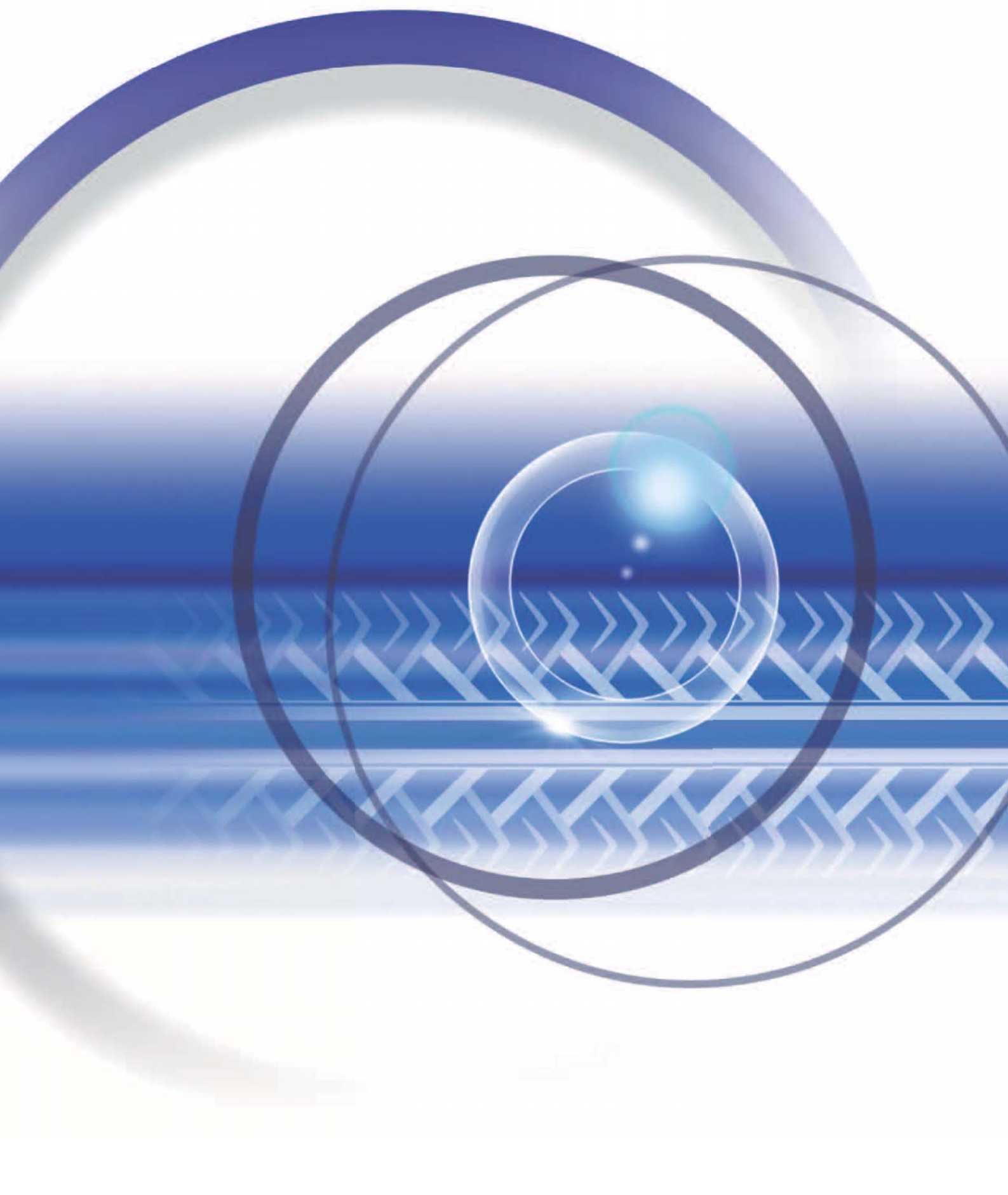




ANNUAL REPORT 2013

The Yokohama Rubber Co., Ltd. Year ended December 31, 2012



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

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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 record sales and earnings in fiscal 2012 (January 1 to December 31), with net sales of ¥559.7 billion, operating income of ¥49.7 billion, and net income of ¥32.6 billion. Note that 2012 was our first 12-month fiscal period since we shifted to calendar-year accounting in 2011, from April-to-March accounting, and that year-on-year comparisons are therefore unavailable.

Our performance in 2012 reflected strong growth in sales to automakers in Japan in our Tire Group and sales gains in automotive hoses and marine hoses in our Multiple Business (diversified products) Group. Also bolstering our fiscal performance were our success in securing market acceptance for price increases in Japan and overseas

markets and our progress in trimming costs. Shareholders will receive annual dividends of ¥20 per share, a ¥13 increase over the previous fiscal period.

We have been tackling our Grand Design 100 medium-term management plan since April 2006. That plan provides for achieving annual net sales of ¥1.0 trillion and annual operating income of ¥100.0 billion by 2017, our corporate centennial year. It comprises four phases of three years each, and 2012 was the first year of Phase III.

Our theme for Phase III is “Robust and Responsive Growth.” We are aiming for aggregate net sales of ¥1.8 trillion and aggregate operating income of ¥150.0 billion in the three years to 2014, which would produce aggregate operating return on sales of 8.3%. Expanding our tire production capacity greatly is a prerequisite for achieving those goals. We have therefore earmarked ¥140.0 billion for investment in expanding production capacity in our tire operations during the three years of Phase III.

Economic recovery appears to be gaining traction in the United States and Japan, and the principal economies of Southeast Asia display renewed vigor. Our fiscal projections for 2013 call for another year of record sales and earnings, with net sales up 12.6%, to ¥630.0 billion; operating income up 18.7%, to ¥59.0 billion; and net income up 10.4%, to ¥36.0 billion. We plan to accompany that performance with a ¥2 increase in the annual dividend, to ¥22. In that and other ways, we will continue striving to fulfill your highest expectations of our company.

March 2013



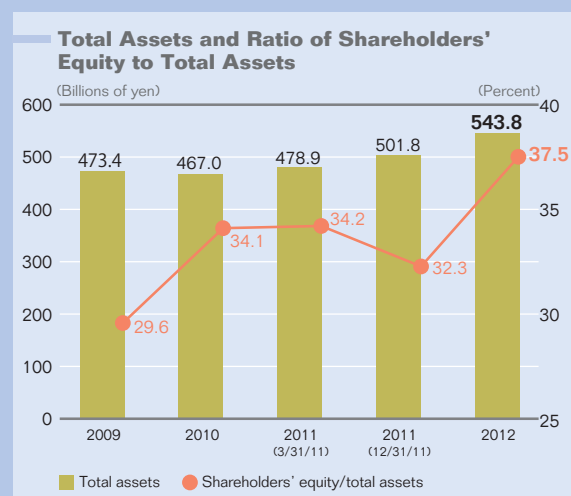
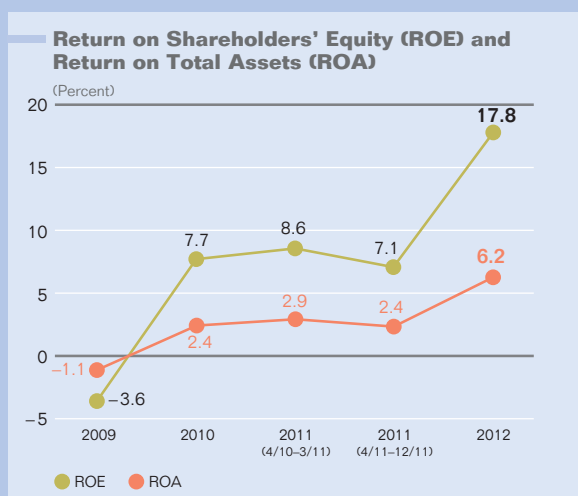
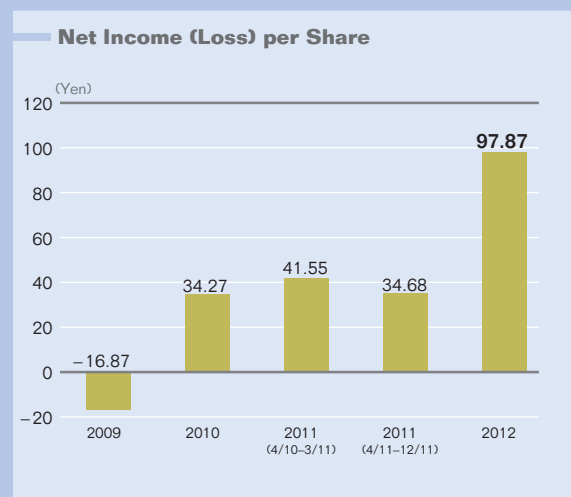
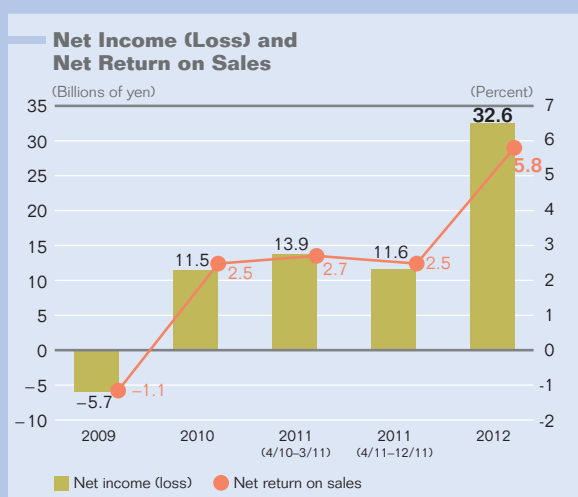
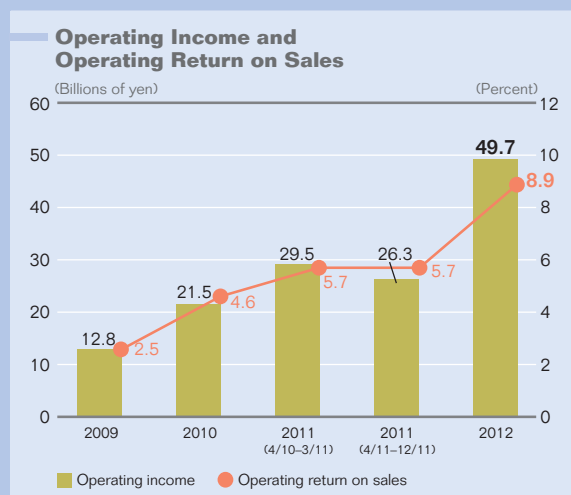
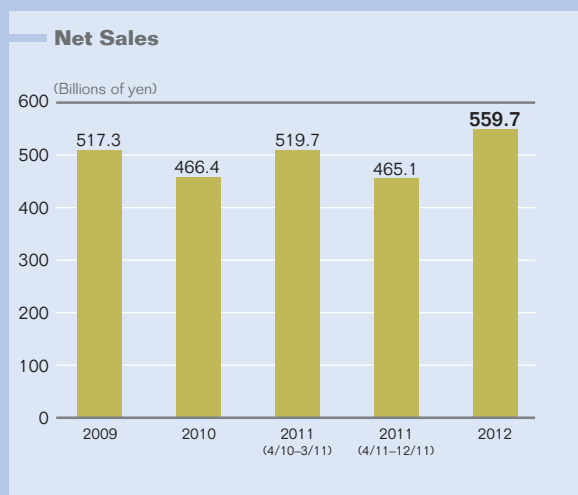
Tadanobu Nagumo (left)
Chairman and CEO and Representative Director

Hikomitsu Noji
President and Representative Director

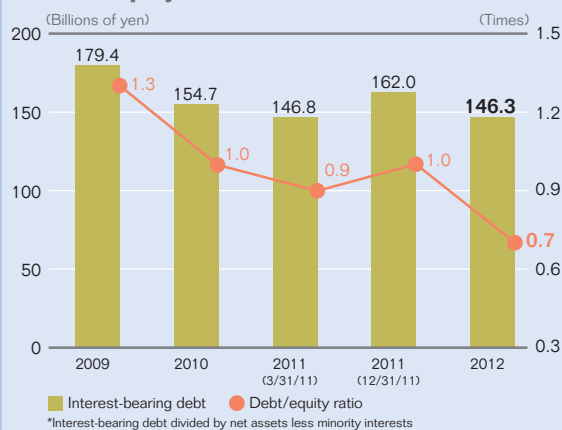
Financial Highlights

For the year ended December 31, 2012, the nine months ended December 31, 2011, and the years ended March 31, 2011, 2010, and 2009.

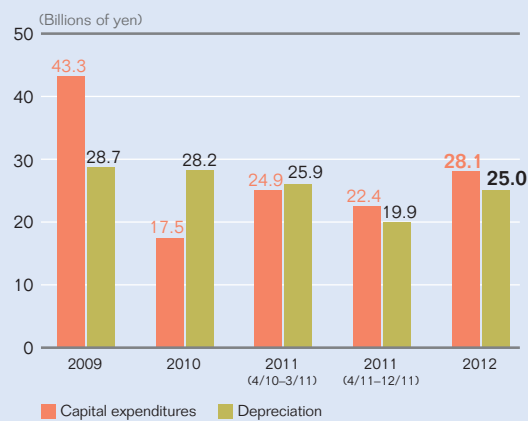
Yokohama shifted in 2011 to calendar-year fiscal accounting, from April-to-March fiscal accounting. That resulted in a one-time-only nine-month fiscal period ended December 31, 2011.



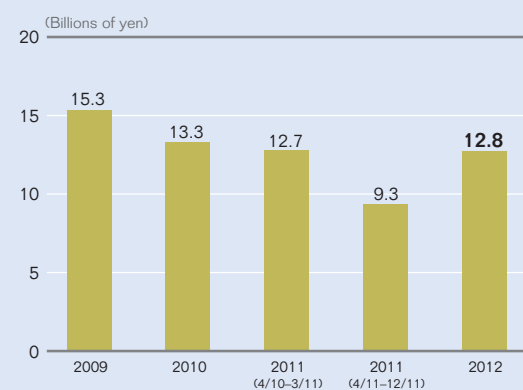
Interest-Bearing Debt and Debt/Equity Ratio*



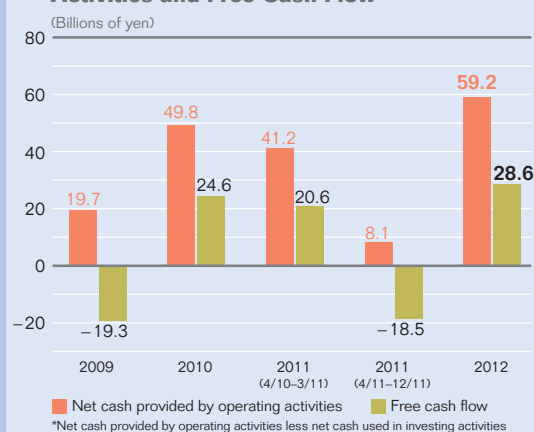
Capital Expenditures and Depreciation



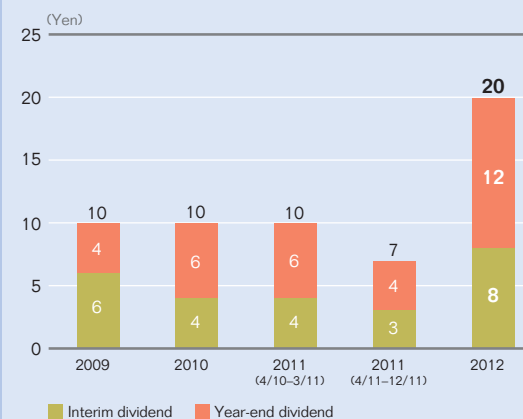
R&D Expenditures



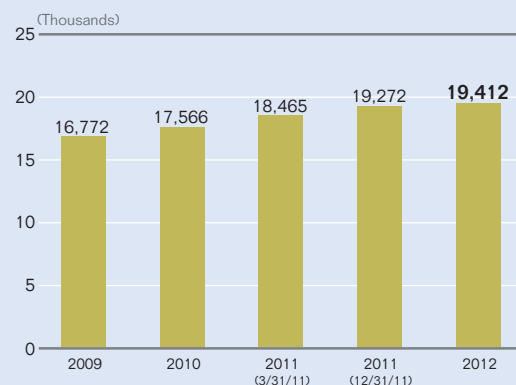
Net Cash Provided by Operating Activities and Free Cash Flow*



Cash Dividends per Share

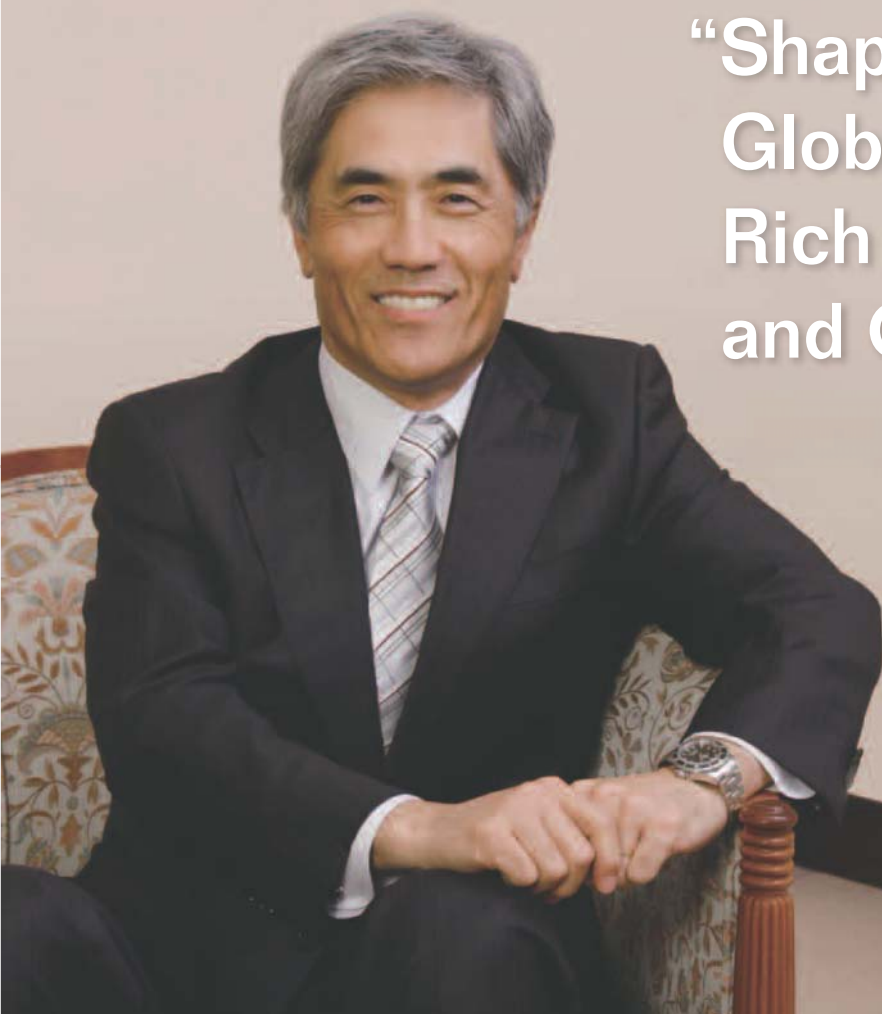


Employees



A Word from the President

“Shaping a Global Organization Rich in Personality and Culture”



Hikomitsu Noji
President and Representative Director

Assert leadership among the world's middle-tier tire manufacturers by 2017

Our net sales in 2012 ranked eighth among the world's tire manufacturers. A large gap separates the three largest manufacturers from the industry's other companies in regard to sales and market share. But the middle-tier manufacturers fulfill a crucial role in serving the world's automakers and vehicle owners, and our medium-term vitality hinges on asserting leadership in the industry's middle tier. That is therefore one of our goals for our centennial year, 2017.

Building a distinctive presence in the global market will be crucial to attaining the leadership that we seek. We are therefore moving to expand our production

capacity and to assert unique technological strengths in all our principal product categories.

Our blueprint for growth is our Grand Design 100 medium-term management plan, launched in April 2006, and we entered the third three-year phase of that plan in 2012. In Phase III, we are focusing in our Tire Group on increasing production capacity greatly and on deploying high-value-added products globally. And we are focusing in our Multiple Business Group on increasing the number of product categories where we are a market leader and on cultivating business opportunities.

Expand tire production capacity steadily

We have earmarked an unprecedented amount of funding for investment in expanding tire production capacity in Phase III. Our three-year investment will total ¥140.0 billion. In passenger car tires, our investment projects include expanding production capacity at our plants in the Philippines and in Russia and building a plant in India. In truck and bus tires, we are expanding our production capacity in Thailand and announced plans in April 2013 to build a plant in the United States.

Our annual production capacity will increase by 7.35 million tires during the three years of Phase III, to 66.7 million tires. And we aim for our production capacity to reach 86.0 million tires a year in 2017.

Start small and grow large

We abide by a policy of producing tires in or near our principal markets. That can mean inaugurating local production with small-volume output and expanding our output in step with growth in sales. We therefore benefit greatly from the unique competence we have developed in achieving high production efficiency at different production volumes. "Starting small and growing large," as we characterize our approach, minimizes investment risk. That approach enabled us to become the first Japanese tire manufacturer to undertake local production in Russia and in Vietnam. Our Russian plant, especially, is a good example of accommodating sales growth with production flexibility. The plant had a start-up production capacity of 700,000 tires a year at 2011 year-end, but expansion under way is increasing its capacity to 1.6 million tires a year, and we plan to expand the plant further.

Position "Yokohama" as a strong global brand

In deploying high-value-added products globally, we are aiming to establish "Yokohama" as a strong global brand. In the vanguard of our branding strategy in passenger car tires are four high-end product lines: our ADVAN high-performance tires, our fuel-saving tires, our winter category tires, and our tires for sport-utility vehicles.

Our global branding efforts also include winning fitments on a growing portfolio of high-profile, premium-grade vehicle models. We will focus especially on ultrahigh-performance models that have extremely strong brand images. Fitments on those models will enable us to

showcase our strengths in ultrahigh-performance tires and in small-lot production and to hone those strengths further.

Strengthen our position in truck and bus tires and in off-the-road tires

Truck and bus tires and off-the-road tires, for which demand is growing rapidly worldwide, are important in positioning "Yokohama" as a strong global brand. We have fortified our offerings in truck and bus tires with high-functionality products, such as tires that minimize environmental impact and ultra wide base tires. But further gains in this product sector will require progress in strengthening our customer support in after-sales service.

Accompanying products with value-added service is especially important in mature markets. In those markets, customers expect and welcome driving tips for maximizing safety and minimizing costs. They also appreciate support in the form of collated data about such things as tire performance and wear. Retreadability, meanwhile, is a vital factor in product economics in truck and bus tires, and our products win high marks on this count. We will work to strengthen our position in these tires by accompanying high-quality products with comprehensive packages of after-sales service and retreading services.

Another important emphasis is on expanding our production and sales of off-the-road tires of sizes larger than 49 inches. Only a handful of manufacturers serve demand for tires that large, and we aim to build a solid presence in the mining sector with our large off-the-road tires.

Increase the overseas portion of our Multiple Business sales to 50%

The Multiple Business Group is fundamental to our growth strategy, and growth in Multiple Business sales will hinge on growth in overseas markets. We therefore aim to increase the overseas portion of our Multiple Business sales to 50% by 2017, from 33% in 2012.

Central to our Multiple Business strategy is increasing the number of product categories where we are a market leader. And the growth markets of electrical and electronic equipment are our chief focus in cultivating strong market positions. We have developed sealants and coatings for light-emitting diodes, touchscreen panels, and other fast-growing applications, and we are promoting our

products vigorously to manufacturers in China and in the Republic of Korea, as well as in Japan.

Meanwhile, we are reinforcing our competitiveness in traditional products where we have a large market share, such as high-pressure hoses and pneumatic marine fenders. That has recently included beginning construction work on a Chinese plant to produce high-pressure hoses and establishing a company in Singapore to market industrial products.

Another emphasis in the Multiple Business Group is on cultivating business opportunities. We are doing that, for instance, in developing products that incorporate telecommunications and sensor technology. An excellent example: our pneumatic marine fenders equipped with sensors and transmitters for monitoring the positioning of two vessels engaged in cargo transfers (*page 13*).

Strengthen corporate governance and corporate social responsibility

Global growth for corporations entails growing needs to upgrade corporate governance and to fulfill corporate social responsibility. Corporations where attitudes and action fail to address those needs will not function as integrated organizations. And they will therefore be unable to provide globally consistent product quality and service.

We at Yokohama work to integrate our organization globally through sharing information and through establishing common systems and rules. That includes holding global compliance meetings, global production conferences, global environmental conferences, and other gatherings for representatives from our operations worldwide. We underlined our commitment to fulfilling our corporate social responsibility by signing the United Nations Global Compact in 2012 (*page 23*).

Nurture personality and culture

I feel strongly about the importance of evoking personality and culture as a corporation. Our products are the chief vehicle for evidencing our personality as a manufacturer. We need to accompany absolutely reliable quality with new product concepts and new kinds of value. A good example is the ultrahigh performance that has driven the growth of our ADVAN tires—performance unlike anything in any previous line of tires, performance that is exactly



what driving aficionados wanted, performance that evokes personality imbued with flashes of inspiration.

As for culture, we need to become a company that people like and regard as indispensable. Culture depends on continuity, and we have therefore maintained a long-term approach in such facets of corporate culture as support for motor sports. We have supported the Macau Grand Prix, for example, for more than 30 years. That race is extremely popular in China, and our association with the race has reinforced perceptions of our company among vehicle-savvy Chinese as a topflight tire manufacturer.

The Macau Grand Prix is but one of numerous examples of our progress in evoking a distinctive corporate culture. And we will continue to foster culture and personality in step with our growth as a global corporation.

Grand Design 100



Medium-Term Management Plan

Our blueprint for growth is Grand Design 100, a medium-term management plan that we launched in 2006. That plan culminates in 2017, our corporate centennial, and comprises four three-year phases. Phase III began in 2012.

Grand Design 100 Vision and Basic Policy

To Mark the Yokohama Centennial in 2017

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

Long-Term Financial Targets

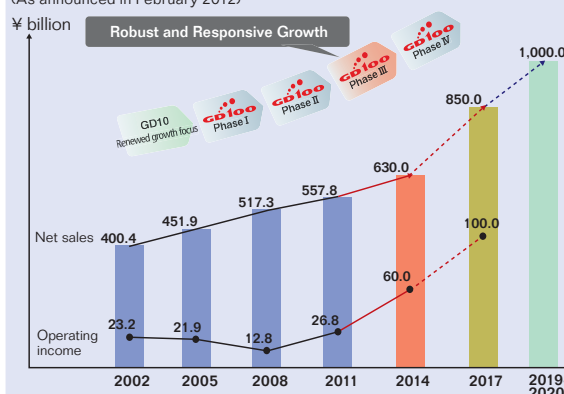
Net sales	Operating income	Operating return on sales
¥1 trillion	¥100 billion	10%

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

Financial Results and Targets in Regard to Grand Design 100 Indicators

(As announced in February 2012)



- Changes in the business environment are likely to delay until 2019 or 2020 our attainment of our sales target of ¥1 trillion.
- We expect to attain on schedule our operating income target of ¥100 billion and to attain ahead of schedule our 10% target for operating return on sales.

Our cumulative, three-year targets in Phase III are to achieve net sales of ¥1.8 trillion and operating income of ¥150 billion. We got off to a good start in 2012, posting record sales and earnings.

Financial Targets in Phase III of Grand Design 100

Years ended December 31; billions of yen, percent

	2012	2013	2014	Aggregate
Net sales	¥575.0	¥595.0	¥630.0	¥1,800.0
Operating income	¥40.0	¥50.0	¥60.0	¥150.0
Operating return on sales	7.0%	8.4%	9.5%	8.3%

Targets for Selected Financial Indicators in 2014

Operating return on assets ¹	More than 9%
Interest-bearing debt	Less than ¥220.0 billion
Asset turnover	More than 1
Debt/equity ratio ²	Less than 1

1. Operating income/total assets
2. Interest-bearing debt/net assets

(Billions of yen, percent)

Net sales	¥559.7
Operating income	¥49.7
Operating return on sales	8.9%

Financial Results: 2012

Basic Approach in Phase III of Grand Design 100

Aiming to attain the overall Phase III goals, we are tackling concrete measures for achieving growth in our Tire Group and Multiple Business Group, for asserting technological strengths, for reinforcing our

corporate foundation, and for fulfilling our corporation social responsibility. Here is a summary of our growth strategy in our Tire Group and our Multiple Business Group.

Fortify our operations to generate a strong cash flow, and invest heavily in expanding production capacity, especially in tires

Expand our supply capacity to keep up with demand in fast-growing economies

Pursue operating return on sales of 10% by strengthening our cost competitiveness and our branding

Growth Strategy: Tire Group

Asserting a Distinctive Presence in the Global Marketplace

- **Japan:** Bolster our competitiveness by strengthening our capabilities in technology and in product development
- **Overseas:** Expand our supply capacity in support of profitable growth

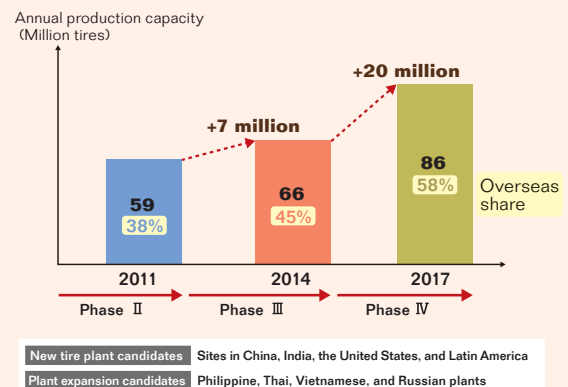
Expanding Supply Capacity Greatly

- Increase our annual production capacity by about 7 million tires during the three years of Phase III, principally in Russia, China, the Philippines, and Thailand
- Allocate ¥140.0 billion to capital spending in Phase III to increase our annual production capacity by 20 million tires in Phase IV

Deploying High-Value-Added Products Globally

- **Consumer tires:** Increase the global momentum for our ADVAN flagship brand for high-performance products, our BluEarth brand for fuel-saving tires, our iceGUARD brand for winter category tires, and our GEOLANDAR brand for sport-utility vehicle tires, and raise our market profile by winning factory fitments on globally prominent vehicle models

Planned Increases in Tire Production Capacity (As announced in February 2012)



- **Commercial tires:** Increase sales and production capacity in large tires for off-the-road equipment, especially radial tires in sizes of 49 inches and larger; broaden our offerings in high-functionality tires for trucks and buses, such as ultra wide base tires; and expand our market presence in retreaded tires

Growth Strategy: Multiple Business Group

Asserting Market Leadership in Products Based on Three Core Technologies

- Create market-leading products based on the three core technologies of carrying, affixing, and buffering
- Realign our manufacturing operations in Japan and continue to expand our manufacturing overseas

Cultivating Business Opportunities

- Generate business opportunities by applying and combining advanced telecommunications and measurement technologies innovatively

Our Three Core Technologies

Carrying	Affixing	Buffering
Conveyor belts	Construction sealants	Rubber bearings
High-pressure hoses	Hard coatings	Marine fenders
Water tanks	Window sealants	Wheelchair cushions

Chronology of the Year's Highlights

March

Decision to build passenger car tire plant in India

Page 10



Opening ceremony for Russian tire plant

May

Official opening ceremony for passenger car tire plant in Russia

Page 10

August

"Offtake" agreement to obtain off-the-road tires from Chinese manufacturer

Page 10



iceGUARD 5 studless tire

September

Launch of iceGUARD 5 studless tire, which accompanies superior performance on icy surfaces with improved fuel economy

March

Commencement of international sales of ultra wide base truck tires, starting with launch of drive tires and trailer tires in North America

Page 11

Launch of sporty ADVAN NEOVA AD08R tire, which features advances in speed and fun

April

Decision to expand production capacity for truck and bus tires at Thai plant

Page 11

Decision to build truck and bus tire plant in North America

Page 11

2012

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2013

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12

April

Yokohama Forever Forest Project planting in conjunction with forestation efforts in areas affected by Great East Japan Earthquake

Page 22



Planting ceremony

June

Three-year renewal of contract to supply tires for the FIA World Touring Car Championship competition until 2015—10 consecutive years



World Touring Car Championship action in 2012

August

Integration of production and sales operations in Vietnam

Page 10

September/November 2012/January 2013

Fitments on five Mercedes-Benz models for Yokohama's global flagship brand, ADVAN

February

Decision to undertake second stage of expansion at passenger car tire plant in Philippines

Page 11



Philippine tire plant

Decision to establish industrial products sales company in Singapore

Page 10

Launch of ADVAN Sport V105 as global flagship passenger car tire that combines high performance with superior comfort and safety



ADVAN Sport V105

Decision to expand production capacity at passenger car tire plant in Russia

Page 10

Decision to build Chinese plant to produce hydraulic hoses

Page 11

Measures for Expanding Globally

Expanding our global presence is fundamental to fulfilling the goals of our Grand Design 100 medium-term management plan. We are therefore establishing and expanding overseas production platforms, fortifying our global marketing, cultivating new markets, and deploying new products for overseas customers. Here are some recent highlights of our efforts.



Russia: expanded production capacity for passenger car tires

We held the formal opening in May 2012 for our first tire plant in Russia. That plant produces passenger car tires to help expand our already fast-growing sales in Russia's tire market. Output there will reach the plant's full capacity of 1.4 million tires a year in summer 2013, and we will increase the plant's capacity to 1.6 million tires a year in autumn 2014.



Our Russian tire plant

China: "offtake" agreement for off-the-road tires

We signed an offtake agreement in August 2012 to obtain off-the-road radial tires from China's Shandong Xingda Tyre Co., Ltd., to market under the Yokohama name. Under the agreement, we will provide Shandong Xingda with product and production technology to help ensure Yokohama-level quality. We will begin marketing the China-made tires worldwide in the latter half of 2013.



Signing ceremony for offtake agreement

India: construction of new tire plant

Construction got under way in October 2012 on our first tire plant in India. That plant, in the state of Haryana, will produce passenger car tires, with production scheduled to begin in July 2014. We will invest ¥4.4 billion in the plant, which will have an initial production capacity of 700,000 tires a year.



China: testing and evaluation center for raw materials

In January 2012, Yokohama China Technical Center began operation on the grounds of our passenger car tire production subsidiary Hangzhou Yokohama Tire Co., Ltd. The new center conducts raw material testing and evaluations and is our first such facility outside Japan. Conducting testing and evaluations in China shortens lead times greatly in adopting competitively priced materials from Chinese suppliers for our operations worldwide.



Yokohama China Technical Center

Singapore: new sales company for industrial products

In April 2013, we established an industrial products sales company in Singapore. The new company will strengthen our marketing of those products in Southeast Asia and in Oceania.



Steel conveyor belts, a growth sector

Vietnam: revamped sales and production

In Vietnam, we have strengthened our presence by transferring a production and marketing joint venture's operations to our wholly owned subsidiary Yokohama Tyre Vietnam Inc. Yokohama Tyre Vietnam exports small spare tires, as well as serving local demand.



Yokohama Tyre Vietnam Inc.

China and Korea: stepped-up marketing for growth-market products

China and the Republic of Korea present huge potential demand for our products for electronic equipment. So we have fortified our marketing frameworks in those nations and began promoting our sealant for light-emitting diodes, our hard coating for touchscreen displays, and our sealant for photovoltaic modules there in 2012.

Hard coating for
touchscreen displays



Japan: production consolidation

Ongoing moves to streamline our Japanese manufacturing operations for diversified products include relocating our high-pressure hose assembly operations from Kanagawa Prefecture to Nagano Prefecture. We produce metal joints for hoses at a plant in Nagano, and we will build a plant nearby in 2013 to begin doing the assembly work in 2014.

North America: launches of high-value-added truck and bus tires

We have begun marketing ultra wide base truck and bus tires internationally, starting with March 2013 product launches in North America. Ultra wide base tires allow for replacing double-tire configurations with single tires, which increases transport efficiency. Our North American launches were of the TY517 drive tire and the RY407 trailer tire.



The TY517 drive tire

China: new plant for high-pressure hoses

Construction work commenced in May 2013 on a plant in Hangzhou, China, where we will produce hydraulic hoses. The plant, scheduled to begin operation in July 2014, will have production capacity of 400,000 meters of hose a year.



Hydraulic hoses, another
growth sector for
Yokohama

North America: new plant for truck and bus tires

In April 2013, we acquired land in Mississippi to build a plant for truck and bus tires. We will invest \$300 million in the plant, which will have a production capacity of one million tires a year. Construction will get under way in September 2013, and we expect the plant to begin operation in October 2015.



Yokohama president Hikomitsu Noji (second from left) and Mississippi governor Phil Bryant (left) at the land-acquisition ceremony for the new plant

Thailand: expanded production capacity for truck and bus tires

Expansion is also under way at our subsidiary Yokohama Tire Manufacturing (Thailand) Co., Ltd. We are investing ¥8.0 billion in expansion work that will begin there in July 2013 to increase that company's production capacity for truck and bus tires to 700,000 a year, from 350,000. The new capacity will come online in April 2015, and we expect the expanded plant to reach full-scale output by December of that year.



Yokohama Tire Manufacturing
(Thailand) Co., Ltd.

Philippines: expanded production capacity for passenger car tires

We are expanding production capacity at our subsidiary Yokohama Tire Philippines, Inc., which manufactures passenger car tires. Expansion work got started there in 2011 that will increase the plant's capacity to 10 million tires a year, from 7 million, in 2013. A second stage of expansion work, which will get under way in 2013, will increase the plant's capacity to 12.5 million tires a year in 2015. Further expansion work will increase the plant's capacity to 17 million tires a year in 2017.

Fostering Business Opportunities

Advances in support of growth in electric vehicle transport

We are tackling diverse R&D with an eye to serving diverse applications in electric vehicles. In January 2013, we unveiled the AERO-Y concept car as a showcase for our electric vehicle technologies. The AERO-Y features an aerodynamically optimized body and tires, and it contains several components based on our advances in aircraft components and in adhesives.

Aircraft components

Prepreg for high-strength, lightweight carbon fiber-reinforced plastic

We were the first Japanese supplier certified by the world's largest aircraft manufacturer for prepreg (preimpregnated composite fibers) for carbon fiber-reinforced plastic. And we have fine-tuned our prepreg for applications in the AERO-Y. The result is high-strength and highly durable yet ultralight components, which help minimize power consumption.

Sealants and adhesives

Superior adhesiveness for composite materials

Manufacturers of electric vehicles are likely to rely increasingly on weight-saving composite materials for vehicle bodies and other components. The composites frequently comprise highly dissimilar materials, such as aluminum and plastic, which are difficult or impossible to weld and require adhesive bonding. Our adhesives for electric vehicle components incorporate our experience in an extensive range of adhesive applications, including automobiles and construction.



Tires

Energy efficiency and quiet ride suitable to electric vehicles

Our electric vehicle tires feature our nano Blend Compound, which incorporates orange oil and other advances in rubber compounding, and tread patterns designed to maximize energy efficiency and minimize noise. They thus help extend the driving distance per battery charge and ensure a quiet ride while providing excellent performance on dry and wet surfaces.

Tires

Reduced air drag

We have employed original advances in tire aerodynamics to help maximize overall energy efficiency. Dimpling on the outer sides of the tires reduces air drag, and fins on the inner sides generate air flows in the wheel wells that push the vehicle forward.



Dimpling (left) and fins arrayed on a tire to reduce air drag

Yokohama tires on electric vehicles in grueling hill-climb race

We support competitors in electric vehicle races around the world and have entered a team annually since 2009 in the Pikes Peak International Hill Climb. That race unfolds on the eponymous mountain in Colorado. Our entries, equipped with our energy-efficient tires, won the electric vehicle category in 2010 and 2011 in record times.



A Yokohama electric racing car

with Next-Generation Technologies

A two-vessel monitoring system for enhancing safety during cargo transfers at sea

The volume of crude oil and natural gas transferred between vessels at sea is burgeoning as demand for energy resources swells worldwide. We unveiled a two-vessel monitoring system in February 2012 based on sensor- and transmitter-equipped pneumatic marine fenders. Our system enhances safety during cargo transfers between vessels and thereby helps prevent collisions and resultant cargo spillage.

A 70% share of the global market

We have been supplying pneumatic marine fenders since 1958 and serve about 70% of the global demand for those products. Pneumatic fenders are invaluable in providing buffers between ships during cargo transfers at sea and in harbors, especially during turbulent hydrographic conditions. Our pneumatic fenders are the global standard for performance, and their specifications became the basis for the ISO 17357 international standards established for this product category in 2002.

The world's first wireless monitoring system for marine fenders

We have developed a system for monitoring conditions in marine fenders used between two vessels. Each fender contains built-in sensors and a transmitter. That allows for monitoring pressure and deformation continuously in real time and, with differential global positioning system (DGPS) technology, the precise positions of the vessels and the velocity of contact. Our system is the world's first of its kind.

Attention from leading oil companies

Our two-vessel monitoring system is in trial operation with natural gas carriers at the port of Tomakomai, in Hokkaido. Leading oil companies have exhibited interest in the system, and it is a candidate for employment at the world's first seaborne liquefaction plant for natural gas.

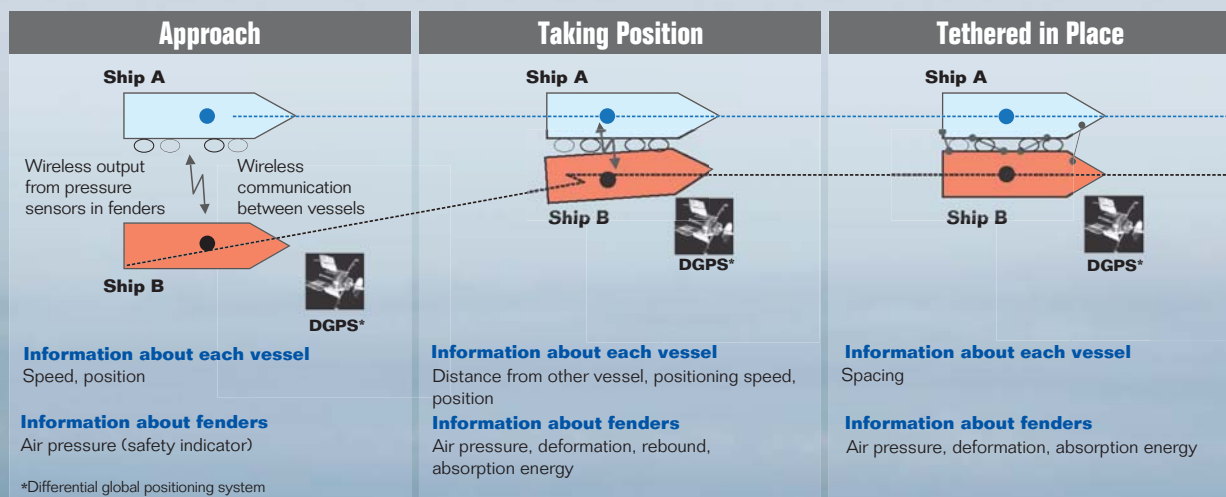


Pneumatic marine fenders



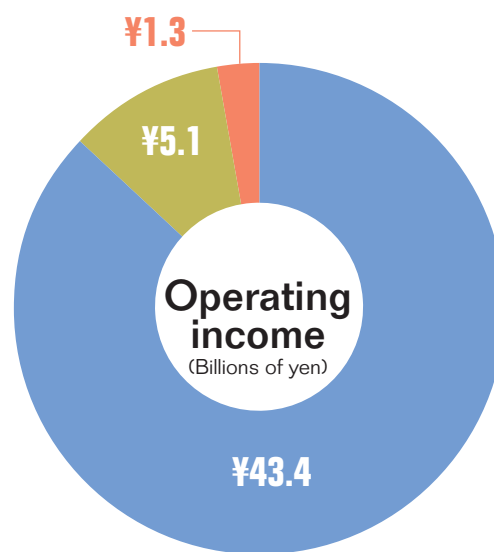
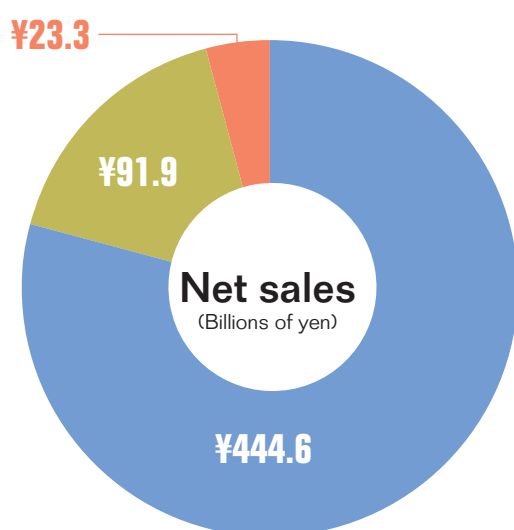
The two-ship monitoring system in trial operation with natural gas carriers

How the two-vessel monitoring system works



YOKOHAMA at a Glance

● Tires ● Industrial products ● Other products



Tires

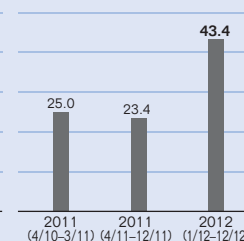
Principal products

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

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)

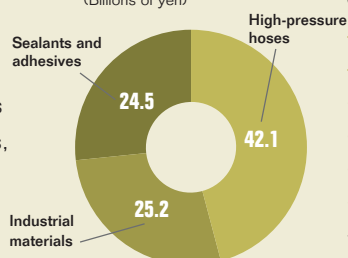


Industrial Products

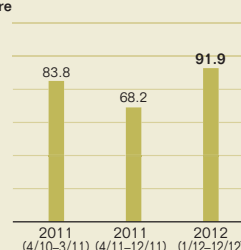
Principal products

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

Sales by Product Category
(Billions of yen)



Net Sales
(Billions of yen)



Operating Income
(Billions of yen)

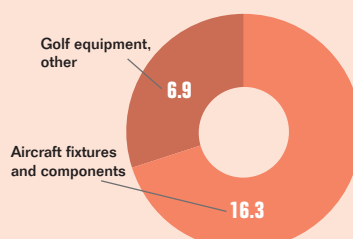


Other Products

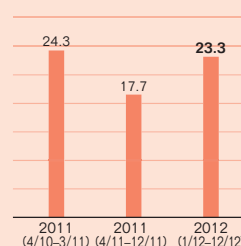
Principal products

Aircraft fixtures and components and golf equipment

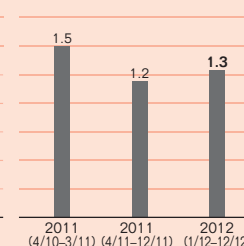
Sales by Product Category
(Billions of yen)



Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Tire Group

Raising Profitability While Increasing Sales



Yuji Goto
Director and Senior Managing Corporate Officer
President of Tire Business

We worked in 2012 to improve our operating profitability while expanding our business. Gaining market acceptance for price increases enabled us to improve operating profitability greatly, but we didn't achieve the business expansion that we wanted on account of weak demand in North America, China, and Europe. In 2013, we are tackling profitability improvements and business expansion as a single, unified objective rather than as separate goals. Fulfilling that objective will hinge on stepping up our marketing and bolstering our competitiveness.

Stepping up our marketing includes strengthening ties with important customers and winning customer confidence through close coordination among our people in sales, in technical support, and in service. Bolstering our competitiveness will hinge on reducing costs, on building on strengths and redressing weaknesses, on reducing and optimizing inventories, and on establishing a globally optimized production framework through prioritized investment. We are pushing ahead swiftly and steadily with these measures with an eye to increasing sales and profit.

Sales

¥444.6 billion

Operating income

¥43.4 billion

Passenger car tires

We are striving to accelerate worldwide sales under the following global brands and to build a strong association for the Yokohama name with high performance: ADVAN, our flagship brand for high-performance products; BluEarth, our showcase line of fuel-saving tires; iceGUARD winter category tires; and GEOLANDAR tires for sport-utility vehicles.



Truck and bus tires

Our strategy in truck and bus tires focuses on (1) promoting worldwide the ZEN line of tires, which feature superior fuel economy and accommodate multiple retreadings, and (2) cultivating demand for ultra wide base tires that incorporate distinctive technological strengths and that provide single-tire alternatives to double-tire configurations.



Off-the-road tires

We continue to produce high-quality off-the-road tires at a dedicated plant in Japan. And we contracted with a Chinese manufacturer in August 2012 to supplement our capacity in that product sector. Our "offtake" agreement with our Chinese partner will help us better serve the surging global demand for off-the-road tires, and we will provide our partner with technology to help maintain Yokohama levels of performance and reliability.



Motor sports

Yokohama tires carry competitors in international racing events, such as the FIA World Touring Car Championship series, and in local competitions worldwide. Our support for motor sports includes supplying tires for numerous electric vehicle races. And we have entered electric vehicles since 2009 in the tortuous Pikes Peak International Hill Climb on the eponymous Colorado mountain.



Business Performance in 2012

Sales in the Tire Group totaled ¥444.6 billion in 2012, and operating income totaled ¥43.4 billion. Business in Japan was strong in the original equipment market and, led by winter category tires, in the replacement market. Overseas, business was weak overall on account of a decline in demand for replacement tires in our principal markets.

Japan: original equipment tires

We posted strong sales in unit volume and yen value in original equipment tires in Japan in 2012. Sales benefited from an 18.7% increase in Japanese vehicle production over the previous year, to 9.6 million vehicles. Japanese automakers restored production capacity diminished by the Great East Japan Earthquake of March 2011, and government incentives for purchases of fuel-saving, low-emission vehicles stimulated domestic demand. Our original equipment business benefited from strong sales of “green” vehicles and of sport-utility vehicles equipped with Yokohama tires, and we accommodated new vehicle models with new tire sizes.

Japan: replacement tires

Demand in Japan’s replacement tire market declined 0.7% in 2012. That decline was partly on account of the abating of the recovery demand that followed the Great East Japan Earthquake. We posted robust sales despite the sluggish demand. Sales remained strong for our BluEarth line of fuel-saving tires, and we augmented that line in February 2012 with the successful launch of the BluEarth-A. Also contributing to our sales momentum in replacement tires was iceGUARD 5. That tire has earned high regard for its reliable handling on icy surfaces since its launch in September 2012.

Overseas

Several factors accounted for the weakness in our sales performance overseas in 2012. Undermining our sales in North America were slumping demand and the

termination of “safeguard” import restrictions on Chinese tires. Our sales suffered in China, meanwhile, from slowing growth in demand and from the anti-Japanese sentiment occasioned by a territorial dispute. We also posted weak sales in Europe amid declining demand. Our overseas business in original equipment tires was strong, however, as we earned fitments on additional vehicle models.



BluEarth-A

Business outlook for 2013

We project that sales in the Tire Group will increase 14.7% in 2013, to ¥510.0 billion, and that operating income will increase 16.4%, to ¥50.5 billion. Underlying those projections are expectations of strong recoveries in demand in North America and China, of a related recovery in capacity utilization rates at our tire plants, of generally stable prices for raw materials, and of a continued weakening of the yen.

Multiple Business Group

The Multiple Business Group comprises the Industrial Products and Other Products business categories.

Expanding Sales and Production Globally and Strengthening Core Products

Our 2012 business performance in the Multiple Business Group was generally solid. The year began well, with strong sales in Japan and overseas in the first half. Business weakened, however, in the second half of the year. The expiration of the Japanese government's financial incentives for purchases of fuel-saving, low-emission vehicles undercut demand for automotive products, and slowing economic growth in China dampened demand there.

We are eyeing record sales and earnings in the Multiple Business Group in 2013. Our measures for achieving that goal include strengthening our North American

operations, expanding our production in China, and stepping up our production and marketing in the robust economies of Southeast Asia and Oceania. As part of those measures, we established a company in Singapore in April 2013 to market industrial products in those regions.

Our plans for sales growth in the Multiple Business Group in 2013 center on the group's core products: high-pressure hoses, conveyor belts, marine hoses and pneumatic marine fenders, and sealants and adhesives. And we are realigning our production network to maximize our cost competitiveness in those products.



Tooru Kobayashi
Director and Executive Vice President
President of Multiple Business

Industrial Products

Sales

¥91.9 billion

Operating income

¥5.1 billion

High-pressure hoses

Our business in high-pressure hoses consists primarily of manufacturing and marketing hydraulic hoses for automobiles, construction equipment, and machine tools and metal joints for hydraulic systems. We are the largest supplier of high-pressure hoses for construction equipment in Japan. Our automotive hose operations in the United States, meanwhile, are the market leader there in power steering hoses.



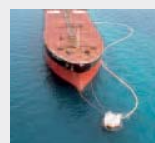
Sealants and adhesives

Sealants, adhesives, and coatings for diverse applications are a pillar of our business in industrial products. We are Japan's leading supplier of construction sealants and of automotive window sealants. In addition, we have developed coatings for applications in electronic equipment, and we are winning a growing range of business for those products in mobile telephones and in light-emitting diode displays.



Industrial materials

The Yokohama line of industrial materials encompasses marine hoses, pneumatic marine fenders, conveyor belts, antiseismic products, highway joints and other products. Yokohama is a leading name worldwide in marine hoses and marine fenders. We have a global market share of about 70% in pneumatic marine fenders.



Business Performance in 2012

Sales in industrial products totaled ¥91.9 billion in 2012, and operating income totaled ¥5.1 billion. Positive factors in sales momentum included strong sales in automotive hoses and, stimulated by expanded global activity in natural resources development, in marine hoses.

High-pressure hoses

In Japan, sales were robust in automotive hoses, buoyed by an upward trend in vehicle production. That trend reflected government incentives for purchases of fuel-saving, low-emission vehicles, which continued into the first half of the year. Overseas, business was sluggish in China but was vibrant in Thailand and the United States, where growing vehicle production fueled demand for automotive hoses.

Industrial materials

Japanese demand for conveyor belts was strong, bolstered by orders from mines and thermal power plants. Overseas, vigorous business in the United States offset weakness in Australia and in Asian nations. Sales were weak in antiseismic joints for bridges, as spending on large bridge projects declined and as price competition escalated. Our business in marine hoses was robust amid stepped-up activity in natural resources development worldwide. Escalating price competition affected our business in pneumatic marine fenders adversely, though demand remained strong for our large fenders.

Sealants and adhesives

Sales were sluggish in construction sealants in 2012 on account of weakness in the office building sector. Business was good, however, in automotive window sealants on account of growth in Japanese vehicle production. That growth benefited in the first half of the year from the Japanese government's financial incentives for purchases of fuel-saving, low-emission vehicles. In new products for electronic equipment,

sales were strong in our sealants for photovoltaic modules. Business was weak, however, in coatings for mobile phones, as Japanese manufacturers' mobile phone sales slumped.



Conveyor belts—a high-priority product category in Yokohama's growth strategy

Business outlook for 2013

Our projections for 2013 call for sales in industrial products to increase 3.4%, to ¥95.0 billion, and for operating income to increase 29.7%, to ¥6.6 billion. Positive factors in Japan include reconstruction work in areas devastated by the Great East Japan Earthquake of March 2011 and the government's stepped-up commitment to public works spending. Those factors promise to generate demand for hydraulic hoses for construction equipment, conveyor belts, and antiseismic products.

Overseas, Chinese demand is growing for hydraulic hoses for construction equipment and automobiles and for conveyor belts. Demand remains strong for marine hoses in Asia, the Middle East, Africa, and Latin America. And demand for automotive window sealants is growing in North America, China, and Southeast Asia.

Other Products

Sales

¥23.3 billion

Operating income

¥1.3 billion

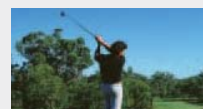
Aircraft fixtures and components

Underlying our business in aircraft fixtures and components are strengths in using lightweight composite materials and honeycomb structures in developing and manufacturing diverse items for aircraft.



Golf equipment

We market golf equipment under the PRGR brand through extensive sales channels in Japan and are building market footholds in China, the Republic of Korea, Southeast Asian nations, and Taiwan.



Business Performance in 2012

In 2012, our sales in other products totaled ¥23.3 billion, and operating income totaled ¥1.3 billion.

Aircraft fixtures and components

Our sales of aircraft fixtures and components were weak in 2012. That weakness was partly on account of the economic weakness in Europe, which diminished demand for replacement items for commercial aircraft. Sales were strong, however, in replacement lavatory modules for aircraft.



Replacement lavatory modules: a bright spot for Yokohama in other products in 2012

Golf equipment

Sales were also weak in our golf equipment business in 2012. Japan's market for golf equipment continued to shrink, and escalating price competition further undermined our business.



iD nabra RED drivers, launched in April 2013: high-end clubs that favor distance and control for "executive-set" golfers

Business outlook for 2013

We project that our sales in other products will increase 7.5% in 2013, to ¥25.0 billion, and that operating income will increase 51.8%, to ¥1.9 billion. Uncertainty about economic trends in Europe continues to cloud the outlook for our business in aircraft fixtures and components, but we expect to improve profitability in those products by securing price increases and by raising productivity. A downward price trend in Japan's market for golf equipment poses challenges for our business in that sector, but we are fortifying our market position by promoting our new iD nabra line of golf clubs and by securing market footholds in other Asian nations. We are working to improve profit margins, meanwhile, by finding ways to trim costs.

Corporate Social Responsibility

Fulfilling corporate social responsibility is fundamental to management at Yokohama. The Company works in all phases of its activity to contribute to social sustainability.

Basic approach

At Yokohama, fulfilling corporate social responsibility means earning the confidence of people in the community at large. The central dynamic is one of addressing stakeholder expectations in the course of maximizing corporate value.

Organization

Yokohama established an organizational infrastructure in 2008 to shape the Company's commitment to fulfilling social responsibility. It upgraded that infrastructure in January 2012, placing the chairman and CEO in charge of overall activity and placing the president in charge of measures focused on environmental quality. The teams for coordinating overall activity under the chairman and for coordinating environmentally focused activity under the president each will meet twice a year. They will hammer out policy and strategy for tackling their priorities and will monitor progress in achieving their aims. In addition, representatives of Yokohama's overseas manufacturing operations meet annually to coordinate mutual measures for safeguarding the environment.

Seven emphases based on international standards

The ISO 26000 guidelines are an international benchmark for fulfilling social responsibility. Yokohama is systematically tackling seven priority themes that it adopted in 2010 based on those guidelines: environmental protection, workplace safety, safety and quality in products and service, human rights and labor practices, supplier relations, stakeholder communication, and corporate governance and ethical compliance.

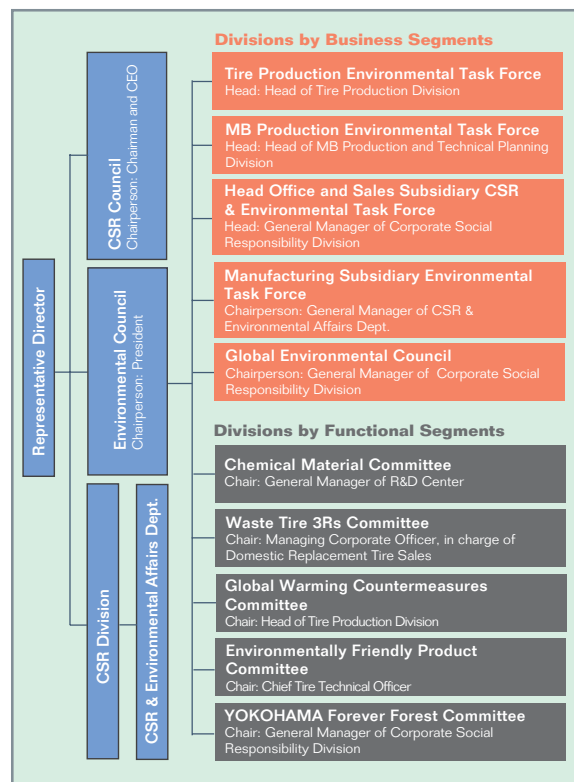
CSR Management Vision

To build a trusted identity as a contributing member of the global community

CSR Action Guidelines

- Identify continually changing social trends
- Spot ways of contributing
- Act swiftly to earn firm trust
- Practice CSR in one's own work

CSR and Environmental Promotion Framework



Topics Examples of initiatives in 2012 for fulfilling our corporate social responsibility

Environmental Quality

Preserving biodiversity

We undertake wide-ranging activities to preserve biodiversity in accordance with guidelines that we adopted in 2010. Water quality is a special emphasis, since we use large quantities of water from rivers near our plants to cool our production equipment. We recycle our cooling water and work systematically to ensure that the water we release back into waterways doesn't affect the riverine ecology adversely. A project launched in 2011 provides a framework for redoubling our efforts on behalf of maintaining water quality.

Our project got under way with an ecological survey in the vicinity of our Mie Plant, in Mie Prefecture, and employees at that plant began taking measures in 2012 for preserving biodiversity. We conducted ecological surveys in 2012 in the vicinities of our Shinshiro and Shinshiro-Minami plants, in Aichi Prefecture, and our Mishima Plant, in Shizuoka Prefecture, and employees at those plants will conduct biodiversity-preservation measures based on the survey findings.

Mie Plant

The ecological survey at the Mie Plant included monitoring the water quality, birdlife, and aquatic organisms in and around the Miyagawa and Hinokijirigawa rivers, from which the plant draws water and into which it releases effluent. It also included surveying the configuration of Ominato Beach, at the mouth of the Miyagawa, and monitoring rare plant species there. Employees at the plant conducted the survey activities on a monthly basis. Their subsequent measures for preserving biodiversity have included creating a wildfowl catalog and observation map, creating a distribution map of black killifish, and clearing trash and brush from the wildlife habitats.



Yokohama employees engaged in surveying the configuration of Ominato Beach and preserving native plant life there.

Shinshiro Plant and Shinshiro-Minami Plant

Employees at the Shinshiro and Shinshiro-Minami plants monitored the water quality in and around the Nodagawa and Kurodagawa.

Those rivers, tributaries of the Toyokawa, are water sources for the plants and receptacles of the plants' effluent. The employees conducted their survey work in



Collecting aquatic organisms in an irrigation channel at the Yotsuya no Semmaida terraced rice paddies, which have been in cultivation for some 400 years.

the name of ascertaining the rivers' soundness as aquatic habitats. Their subsequent biodiversity-preservation measures have included upstream work in irrigation channels at the historically important Yotsuya no Semmaida terraced rice paddies.

Mishima Plant

The ecological survey work at the Mishima Plant includes monitoring the water quality in the Kanogawa and five of its tributaries upstream and downstream from the plant. It also includes monitoring aquatic organisms, birdlife, and flora in and around the river.



Employees from the Mishima Plant conducting a botanical survey.

Using granulated rubber recovered from scrap tires

Our tires contain a growing amount of granulated rubber recovered from scrap tires and other rubber products. The difficulty of blending recovered rubber with virgin rubber and achieving the intended tire performance was a long-standing obstacle to recycling. But we have developed technology that allows for blending recovered rubber successfully in different compounds.

We began mass-producing tires in 2009 that contained recovered rubber, and our use of recovered rubber had increased 2.2-fold by 2012 compared with 2008. Our recycling efforts earned an award in October 2012 from a prominent nonprofit organization in Japan that promotes recycling. We have also begun using recovered rubber in tires made at plants in the Philippines, Thailand, the United States, and Vietnam.

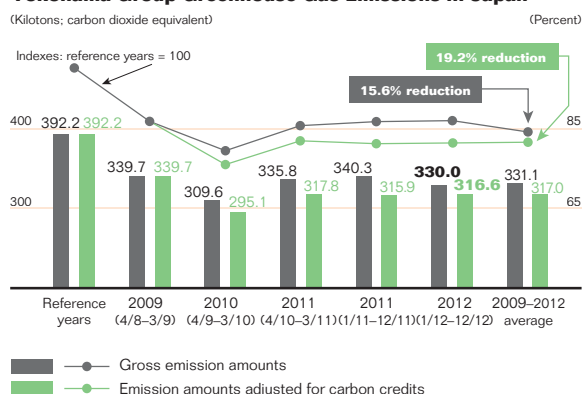
Reducing output of greenhouse gases

Doing our part to help forestall global warming is an important part of fulfilling our corporate social responsibility. We have therefore established a panel of experts to oversee such initiatives as installing cogeneration systems, shifting to cleaner fuels, and conserving energy throughout our operations. A target was to reduce our average annual output of greenhouse gases in Japan 12% from 2008 to 2012, compared with reference years that differ by gas, and we have more than achieved that target in terms of gross emissions and emissions adjusted for carbon credits (see graph). Next, we will strive to reduce our annual greenhouse emissions 25% by 2020, compared with specified reference years.

Reducing landfill waste at plants worldwide

We are working worldwide to reduce landfill waste per unit of production (by value) at least 1% annually. In addition, we are working in Japan to reduce annual landfill waste 35% by 2014, compared with 2006. We reduced our landfill waste in Japan 11% in 2012, to 17,074 metric tons, and we reduced our landfill waste per unit of production 11%. Our efforts to achieve further reductions in 2013 center on reducing burrs and other product scrap.

Yokohama Group Greenhouse Gas Emissions in Japan



Public-Interest Activities

Earthquake-recovery assistance

We participate in an ongoing initiative for creating lifesaving sylvan barriers along the Sanriku coast, in northeastern Japan. The coastal areas there were the scenes of severe devastation wrought by the Great East Japan Earthquake and the subsequent tsunami, and rubble left by the disaster has impeded the recovery effort. Gathering disaster debris for the barrier foundations literally clears the way for restoration work to proceed more smoothly, and planting broad-leaved trees on the mounds of debris helps hold them in place.

Our participation in the sylvan-barrier initiative, dubbed Forests That Protect Lives, centers on helping with the planting work. We held our initial planting in April 2012 in the town of Otsuchi-cho. The planting was on a newly built, 50-meter-long mound, and it took place

under the name of our Yokohama Forever Forest Project, which provides for planting trees around our plants worldwide. We held a second planting in May 2013 across 50 meters of a 250-meter addition to the mound, and we will plant 50 meters of trees each year, creating 300 meters of sylvan protection by our corporate centennial in 2017.



Participants planting trees (May 2013).

Taking part in the United Nations Global Compact

In May 2012, we signed the United Nations Global Compact, a pledge by corporations and other organizations to adhere to prescribed guidelines for respecting human rights, observing labor standards, protecting the environment, preventing illegal behavior, and addressing other concerns. We participate in the compact through the Global Compact Japan Network. The Global Compact is a high-profile initiative and provides a platform for pursuing common, high standards in fulfilling corporate social responsibility at our operations worldwide.



Volunteers from Yokohama participating in restoration work organized by the Global Compact Japan Network in Kesennuma Oshima, Miyagi Prefecture, in October 2011. The Global Compact Japan Network organized 13 volunteer excursions from September 2011 to February 2012 to conduct restoration work in areas ravaged by the Great East Japan Earthquake and its tsunami, and groups of Yokohama employees participated in 10 of those excursions.

Overseas Activity in Fulfilling Corporate Social Responsibility

Our operations around the world contribute to their host communities in diverse ways. Their activities include undertaking environmental initiatives, such as planting trees in the Yokohama Forever Forest Project, and conducting other public-interest activities. Here are some examples.



▲ Hangzhou Yokohama Tire Co., Ltd. (China)

Contributions to economic vitality and environmental protection at Hangzhou Yokohama Tire earned grants for the company recently from the city of Hangzhou and from the Hangzhou Economic and Technological Development Zone (above). The company has earned especially high marks for its commitment to preserving environmental quality, and it is the development zone's only officially designated "environmental protection model company."



◀ YH America, Inc. (United States)

Raising funds for worthy causes, such as the Breast Cancer Care and Research Fund, is a tradition at YH America.



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

Recent public-interest activities at Yokohama Tire Manufacturing (Thailand) have included collecting aluminum cans and used identity badges to raise funds to purchase wheelchairs for needy users (left) and laying floor tile on outdoor corridors at an elementary school (right).



◀ SAS Rubber Company (United States)

A city park in SAS Rubber's hometown of Painesville, Ohio, is greener thanks to tree planting by company employees.



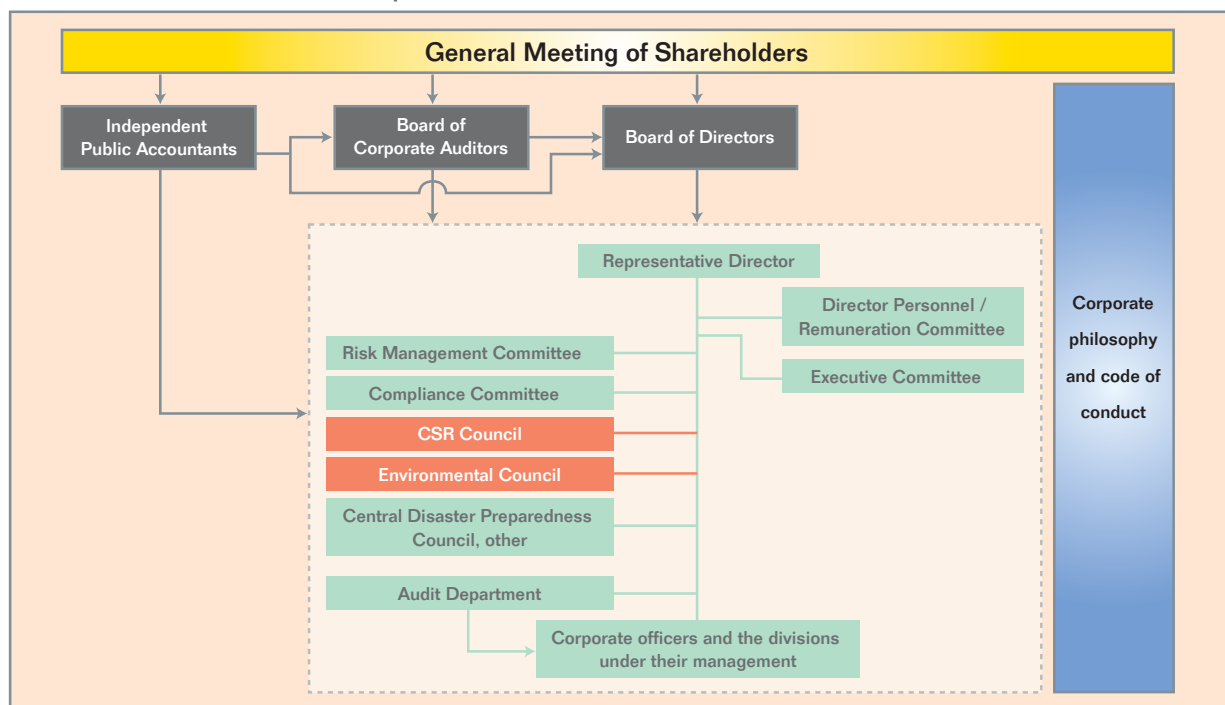
Yokohama Tyre Vietnam Inc. ▶

Employees at Yokohama Tyre Vietnam's Ho Chi Minh sales office held a Christmas party for children from a nearby day care center.

Corporate Governance

We are committed to positioning Yokohama to achieve continuing growth in corporate value and to earn the unwavering confidence of all our stakeholders. In that spirit, we have built a framework of corporate governance for achieving sound management characterized by transparency and fairness. We continue to reinforce that framework in accordance with our Basic Philosophy, which calls for enriching life through beneficial products.

The Yokohama Framework of Corporate Governance



Framework

Our management framework differentiates clearly between operational responsibility, invested in the corporate officers, and oversight responsibility, invested in the Board of Directors. That helps maximize our responsiveness in management. Presently, the senior management team comprises 10 directors, headed by the chairman and president and including 6 members who serve concurrently as corporate officers and 1 external director, and 14 corporate officers, not including officers who serve concurrently as directors.

The Executive Committee, which comprises the chairman and other selected members of the Board of Directors and other executives, 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. Transparency and fairness are overriding emphases in appointing directors and

corporate officers and in determining their compensation. Appointments and compensation receive thorough consideration in the Director Personnel and Remuneration Committee and then go to the Board of Directors for decisions.

Auditing

Auditing at Yokohama is a tripartite undertaking by our corporate auditors, an independent public accounting firm, and our Audit Department. 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. They also obtain important information from the independent public accounting firm and from the Audit Department. The independent public accounting firm monitors the Company's financial accounting, and the Audit Department

monitors operations and accounting at the parent company and at subsidiaries. We assign an assistant to the auditors to help them carry out their work smoothly and effectively.

Internal controls

The Board of Directors adopted a basic policy for internal controls based on Japan's Company Law in May 2006. We have since enacted and implemented a system of internal controls and monitored our compliance annually. In addition, the Board of Directors has revised internal controls periodically to increase their effectiveness. The Board adopted guidelines in April 2009, for example, to prevent involvement with organized crime. Our evaluation of our internal control mechanisms in 2012 included a review based on Japan's version of the US Sarbanes-Oxley Act, which took effect in 2008, and the review verified the effectiveness of the mechanisms.

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, and exports. Our Board of Directors, Executive Committee, and corporate auditors receive timely reports from all of those committees.

Ethical compliance

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. In addition, we assign compliance monitors for each sector of operations at the parent company and for each subsidiary in Japan to help foster awareness of our ethical guidelines.

The Corporate Compliance Department receives monthly reports from the compliance monitors, circulates pertinent information to the monitors to engender a shared awareness of our status, conducts compliance-related training for employees, and reports periodically to the

Executive Committee. We also maintain hotlines to handle reports of suspected infractions from persons inside and outside the Company. The hotlines handled 39 inquiries and consultations in 2012.

• Training

Our compliance training includes general training to convey a basic understanding of compliance fundamentals and specialized training. In 2012, we stepped up our training for overseas managers with an eye to fortifying our compliance framework worldwide. Another special emphasis was harassment-related issues.

Compliance Training in 2012

	Participants
Ordinary employees	60
Representatives at overseas operations	10
Employees to be dispatched overseas	46
Newly named directors	1
Special-subject training	
Overseas contracts (English, Russian, Chinese)	154
Harassment	873
Antitrust issues	473
Total	1,617

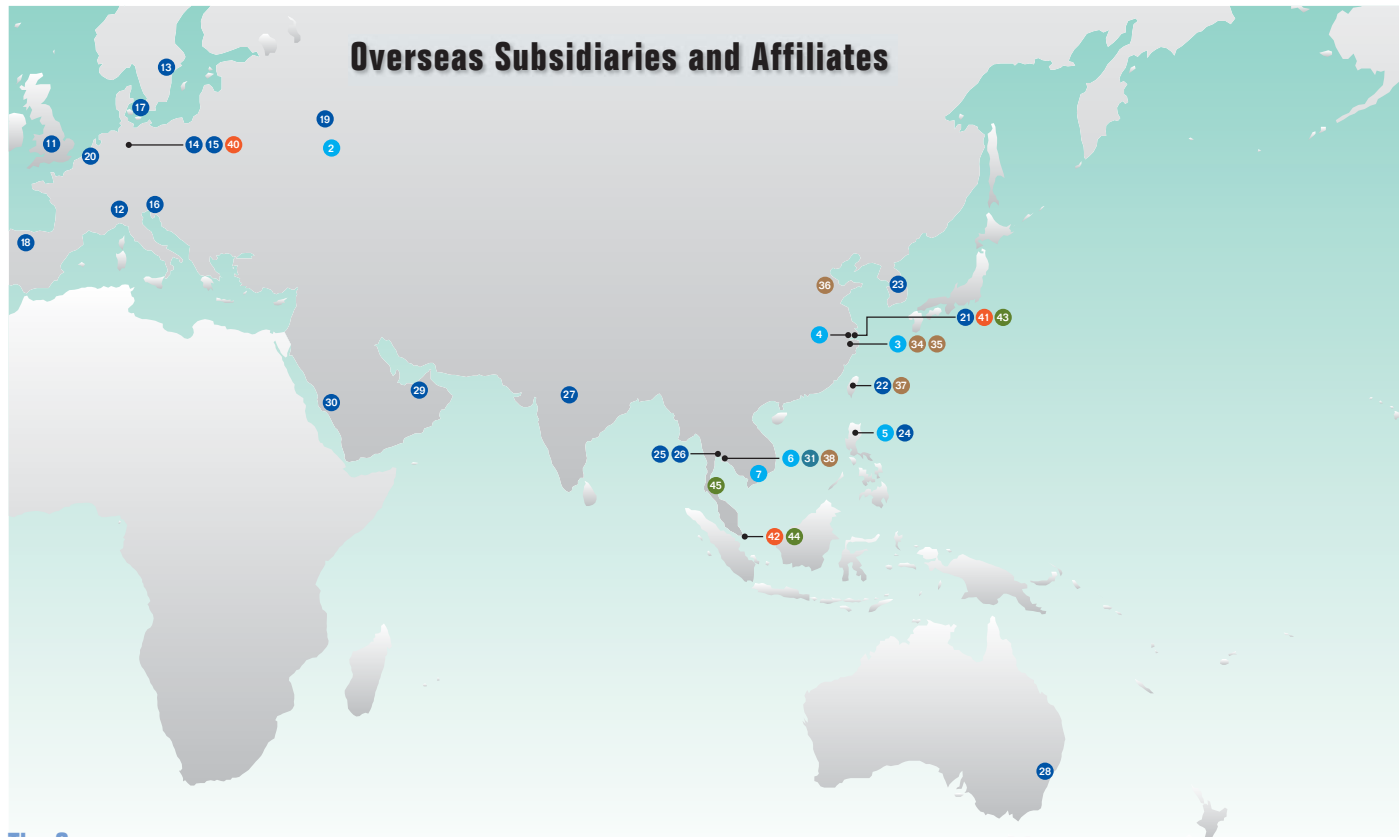
• Global compliance meetings

We began holding global compliance meetings in 2011 for the compliance officers and legal personnel at Yokohama Group companies around the world. The meetings foster a shared awareness of the risk we face in regard to compliance issues, and the attendees hone their skills in identifying and resolving issues through case studies. In 2012, we held global compliance meetings in July for six management companies and sales companies in Australia, China, Germany, India, and Russia and in November for five production and sales companies in the Philippines, Thailand, and Vietnam.



A global compliance meeting

Global Network



Tire Group

Production and Sales

Americas

- 1 Yokohama Tire Corporation (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)

Sales and Marketing Support

Americas

- 8 Yokohama Tire (Canada) Inc. (Canada)
- 9 Yokohama Tire Mexico S. de R.L. de C.V. (Mexico)
- 10 Yokohama Rubber Latin America Indústria e Comércio Ltda. (Brazil)

Europe

- 11 Yokohama H.P.T. Ltd. (United Kingdom)
- 12 Yokohama Suisse SA (Switzerland)
- 13 Yokohama Scandinavia AB (Sweden)
- 14 Yokohama Europe GmbH (Germany)

- 15 Yokohama Reifen GmbH (Germany)
- 16 Yokohama Austria GmbH (Austria)
- 17 Yokohama Danmark A/S (Denmark)
- 18 Yokohama Iberia, S.A. (Spain)
- 19 Yokohama Russia L.L.C. (Russia)
- 20 N.V. Yokohama Belgium S.A. (Belgium)

Asia

- 21 Yokohama Tire Sales (Shanghai) Co., Ltd. (China)
- 22 Yokohama Tire Taiwan Co., Ltd. (Taiwan)
- 23 Yokohama Tire Korea Co., Ltd. (Republic of Korea)
- 24 Yokohama Tire Sales Philippines, Inc. (Philippines)
- 25 Yokohama Tire Sales (Thailand) Co., Ltd. (Thailand)
- 26 Yokohama Asia Co., Ltd. (Thailand)
- 27 Yokohama India Pvt. Ltd. (India)

Oceania

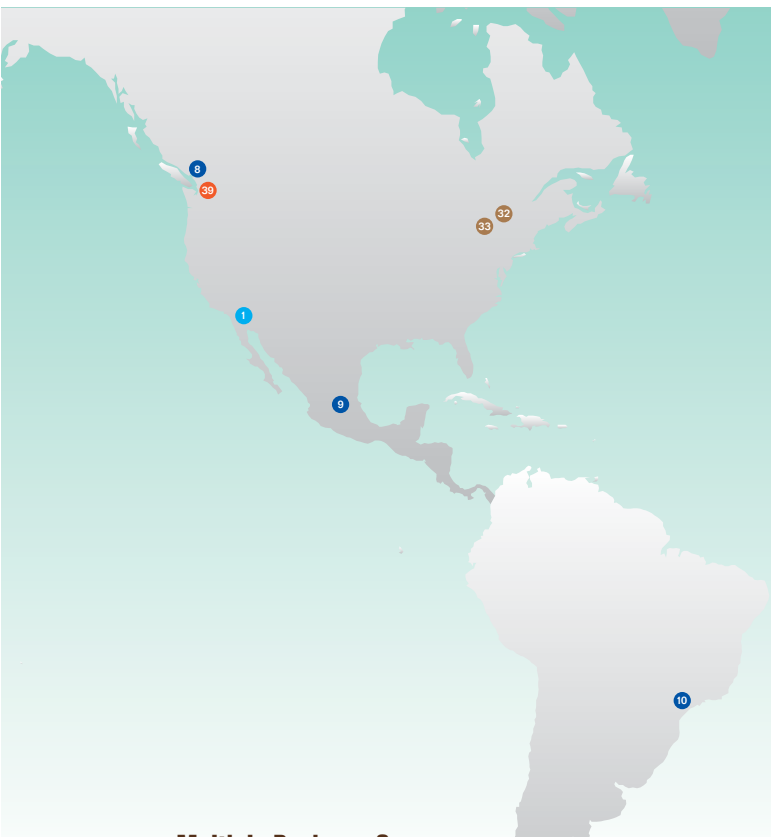
- 28 Yokohama Tyre Australia Pty., Ltd. (Australia)

Middle East

- 29 Dubai Head Office (Dubai/Business coordination)
- 30 Jeddah Office (Saudi Arabia/Business coordination)

Proving Ground

- 31 Tire Test Center of Asia (Thailand)



Multiple Business Group

Production and Sales

Americas

- 32 SAS Rubber Company (United States)
- 33 YH America, Inc. (United States)

Asia

- 34 Yokohama Hoses & Coupling (Hangzhou) Co., Ltd. (China)
- 35 Yokohama Hamatite (Hangzhou) Co., Ltd. (China)
- 36 Shandong Yokohama Rubber Industrial Products Co., Ltd. (China)
- 37 SC Kingflex Corporation (Taiwan)
- 38 Yokohama Rubber (Thailand) Co., Ltd. (Thailand)

Sales and Marketing Support

Americas

- 39 Yokohama Aerospace America, Inc. (United States)

Europe

- 40 Yokohama Industrial Products Europe, GmbH (Germany)

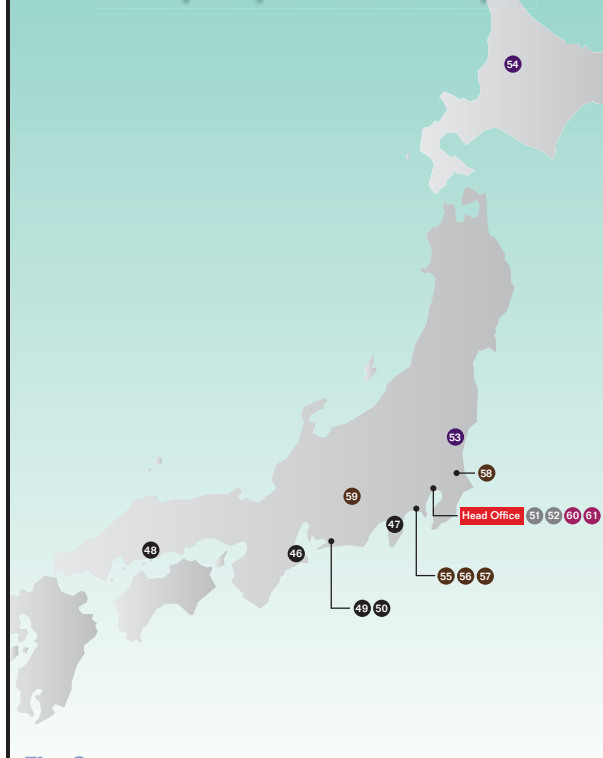
Asia

- 41 Yokohama Industrial Products Sales—Shanghai Co., Ltd. (China)
- 42 Yokohama Industrial Products Asia-Pacific Pte. Ltd. (Singapore)

Other

- 43 Yokohama Rubber (China) Co., Ltd. (China/Management company)
- 44 Singapore Branch (Singapore/Business coordination)
- 45 Y.T. Rubber Co., Ltd. (Thailand/Processing of natural rubber)

Principal Operations in Japan



Tire Group

Plants

- 46 Mie Plant
- 47 Mishima Plant
- 48 Onomichi Plant
- 49 Shinshiro Plant
- 50 Shinshiro-Minami Plant

Sales Subsidiaries and Affiliates

- 51 Yokohama Tire Japan Co., Ltd.
- 52 Yokohama Continental Tire Co., Ltd.

Proving Grounds

- 53 D-PARC
- 54 T★MARY

Multiple Business Group

Plants

- 55 Hiratsuka Factory
- 56 Hamatite Plant
- 57 Hiratsuka-Higashi Plant
- 58 Ibaraki Plant
- 59 Nagano Plant

Sales Subsidiaries

- 60 Yokohama Industrial Products Japan Co., Ltd.
- 61 PRGR Co., Ltd.

Directors, Corporate Auditors, and Corporate Officers

As of May 1, 2013

Board of Directors

Tadanobu Nagumo

Chairman and CEO and Representative Director

Hikomitsu Noji

President and Representative Director

CEO of Yokohama Tire Corporation,
CEO of Yokohama Corporation of North America

Tooru Kobayashi

Director and Executive Vice President

In charge of Corporate Planning Dept., Global HR Dept., Secretariat,
GD100 Promotion Dept., President of Multiple Business,
President of Yokohama Business Association Corporation

Yuji Goto

Director and Senior Managing Corporate Officer

President of Tire Business, Head of Tire Production Div.

Kinya Kawakami

Director and Managing Corporate Officer

Head of Corporate Social Responsibility Div., Head of R&D Center,
Head of Hiratsuka Factory

Takao Oishi

Director and Managing Corporate Officer

Vice President of Multiple Business,
Head of Multiple Business Global Sales & Marketing Div.

Fumio Morita

Director and Managing Corporate Officer

In charge of Sports Business Div., Corporate Finance & Accounting Dept.,
IT & Management System Planning Dept., Global Procurement Div.,
President of Yokohamagomu Finance Co., Ltd.

Hideto Katsuragawa

Director and Corporate Officer

Head of Tire Business Planning Div., Head of Tire Overseas Sales & Marketing Div.

Tetsuya Kuze

Director and Corporate Officer

Chief Tire Technical Officer, Head of Consumer Tire Development Div.,
President of Yokohama Motorsports International Co., Ltd.

Hideichi Okada

Director

Board of Corporate Auditors

Takashi Fukui

Masayoshi Daio

Naozumi Furukawa

Yoshiki Sato

Go Kajitani

Corporate Officers

Koichi Tanaka

Senior Managing Corporate Officer

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

Hirohiko Takaoka

Managing Corporate Officer

In charge of Domestic Replacement Tire Sales,
President of Yokohama Tire Japan Co., Ltd.

Yasushi Tanaka

Managing Corporate Officer

Assistant to President of Tire Business, Head of North America Tire Plant Div.

Shigeo Komatsu

Managing Corporate Officer

Head of Global Procurement Div., President of Yokohama Mold Co., Ltd.

Toshiyuki Nishida

Managing Corporate Officer

Chief Multiple Business Production and Technical Officer,
Head of Multiple Business Production and Technical Planning Div.

Takaharu Fushimi

Managing Corporate Officer

Head of O.E. Tire Sales & Marketing Div.,
President of Yokohama Continental Tire Co., Ltd.

Tadashi Suzuki

Corporate Officer

President of Yokohama Tire Philippines, Inc.

Hirohisa Hazama

Corporate Officer

Chief Quality Assurance Officer, Head of Multiple Business Quality Assurance Div.

Yasushi Kikuchi

Corporate Officer

Head of Tire Technical Development Div.

Kazuya Nakazawa

Corporate Officer

President of Yokohama Industrial Products Japan Co., Ltd.

Atao Kishi

Corporate Officer

Head of Commercial Tire Development Div.

Shigeru Nakano

Corporate Officer

President of LLC Yokohama R.P.Z.

Shigetoshi Kondo

Corporate Officer

Head of Tire Logistics Div., President of Hamagomu Logistics Co., Ltd.

Koichi Tsuruno

Corporate Officer

Head of Global HR Dept., President of Yokohama Pier Support Co., Ltd.,
Director of Yokohama Business Association Corporation

Financial Section

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Financial Review

Business environment

The global business environment in fiscal 2012 (January 1–December 31) was generally adverse, as the financial crisis dragged on in Europe, as economic growth slowed in emerging economies, and as a territorial dispute occasioned Chinese boycotts of Japanese products. Business conditions were formidable in Japan, too, as evidenced by corporate travails in the electronics sector. Sales were generally strong, however, in the tire sector, where early snows stimulated demand for winter category tires. Yokohama Rubber and its subsidiaries undertook vigorous marketing and other measures in pursuit of sustainable business expansion.

Sales, expenses, and earnings

As noted elsewhere in this report, 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. Year-on-year comparisons of operating results are therefore impossible, and this report dispenses with any such comparisons.

Currency exchange rates are an influential factor in Yokohama's fiscal performance. The average yen/dollar exchange rate in 2012 was ¥80, compared with ¥80 in the nine-month fiscal term ended December 31, 2011, and the average yen/euro exchange rate was ¥103, compared with ¥111 in the previous fiscal term.

Net sales totaled ¥559.7 billion in fiscal 2012. In the Tire Group, Yokohama posted strong sales in original equipment tires in Japan, and its business in winter category tires was strong in the Japanese market for replacement tires. In the Multiple Business (diversified products) Group, the Company posted strong sales in automotive hoses and in marine hoses. Sales in the Tire Group and in the Multiple Business Group benefited from Yokohama's success in gaining market acceptance for price increases.

Cost of sales totaled ¥377.6 billion as prices for natural rubber and other raw materials trended downward, and the gross profit margin was 32.5%. Selling, general and administrative expenses totaled ¥132.4 billion, equivalent to 23.7% of net sales.

Operating income totaled ¥49.7 billion, reflecting Yokohama's success in implementing price increases, the Company's progress in reducing costs, and the downward trend in raw material costs. Operating return on sales was 8.9%.

Other income, net of other expenses, totaled ¥2.1 billion. That figure consists principally of an exchange gain associated with the weakening of the yen against the US dollar.

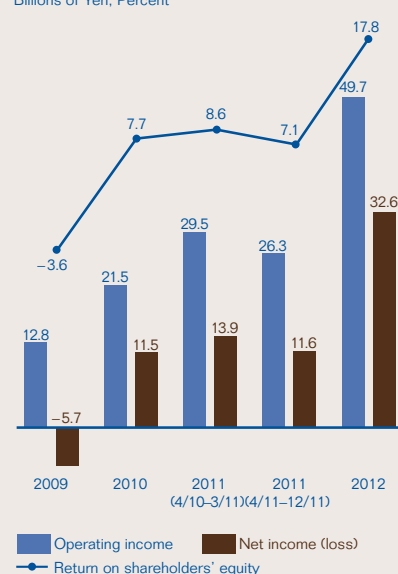
Income before income taxes and minority interests totaled ¥51.8 billion, and net income totaled ¥32.6 billion. Net return on sales was 5.8%.

Results by Segment

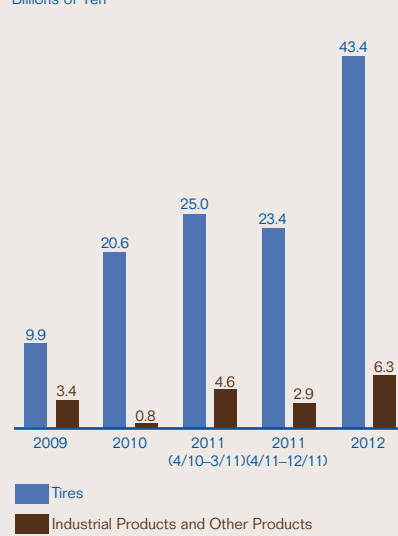
By business

Sales totaled ¥444.6 billion in tires, and operating income totaled ¥43.4 billion. Sales of original equipment tires were strong in unit volume and in yen value. They rebounded from the previous fiscal term, when vehicle sales declined in the wake of the Great East Japan Earthquake. Business in original equipment tires also benefited from government incentives for purchases of fuel-saving, low-emission vehicles. In the replacement tire market, Yokohama posted strong sales in winter category tires. Overseas,

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



Operating Income by Business Segment
Billions of Yen



business in replacement tires was weak in North America, in Europe, and in China, but Yokohama posted strong sales in original equipment tires as the Company won fitments on new models.

Sales totaled ¥91.9 billion in industrial products, including high-pressure hoses, sealants and adhesives, conveyor belts, antiseismic products, marine hoses, and marine fenders, and operating income totaled ¥5.1 billion. In high-pressure hoses, business was weak in China on account of slumping demand but was strong in automotive hoses in Thailand and in the United States. Business was strong in industrial materials, led by vigorous sales of marine hoses and conveyor belts. In sealants and adhesives, business was strong in automotive adhesives.

Sales totaled ¥23.3 billion in other products, including aircraft fixtures and components and golf equipment, and operating income totaled ¥1.3 billion. Business in aircraft fixtures and components was weak overall despite strong sales of replacement lavatory modules for commercial airliners. Sales of golf equipment declined on account of weak demand and escalating price competition.

By region

Sales in Japan totaled ¥375.3 billion, and operating income totaled ¥42.5 billion. Yokohama posted strong sales in original equipment tires, and its business in winter category tires was robust in the replacement market.

Sales in North America totaled ¥110.9 billion, and operating income totaled ¥5.7 billion. Yokohama's North American business was strong in original equipment tires and in automotive hoses, though its sales of replacement tires were weak amid softening demand.

Sales in Asian nations other than Japan totaled ¥33.6 billion, and operating income totaled ¥3.6 billion. Weakening demand in China diminished Yokohama's sales in that nation, but the Company posted strong sales in automotive hoses in Thailand amid growth in vehicle production.

Sales in other regions, principally Europe and Oceania, totaled ¥39.8 billion, and Yokohama posted an operating deficit of ¥600 million. The operating deficit reflected slackening demand in Europe and start-up costs at Yokohama's Russian tire plant.

Financial Position

Total assets at fiscal year-end increased ¥42.0 billion over the previous fiscal year-end, to ¥543.8 billion. Current assets increased ¥11.4 billion, to ¥268.8 billion. That increase reflected the weakening of the yen against the US dollar toward the fiscal year-end, which amplified the yen-denominated value of foreign currency sales receivables and overseas inventories.

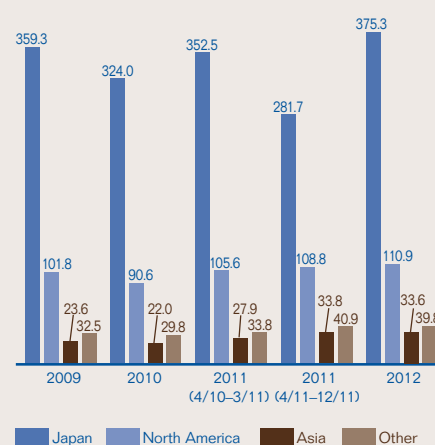
Total fixed assets increased ¥30.7 billion, to ¥275.0 billion at fiscal year-end. That increase resulted principally from the weakening of the yen against the US dollar, which amplified the value of overseas fixed assets, and rising equity prices, which increased the value of Yokohama's holdings of investment securities.

Total liabilities declined ¥1.0 billion, to ¥332.5 billion at fiscal year-end. That decline reflected a decline of ¥15.7 billion in interest-bearing debt, which offset an increase in accrued income taxes that resulted from the Company's increased profitability.

Total net assets increased ¥43.1 billion, to ¥211.3 billion at fiscal year-end. That increase resulted as Yokohama posted ¥32.6 billion in net income, as rising equity prices increased the value of the Company's

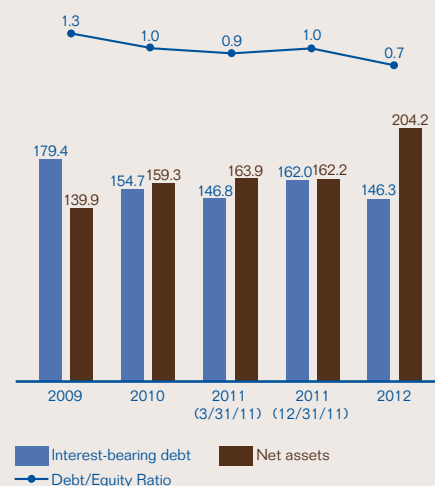
Net Sales by Region

Billions of Yen



Interest-Bearing Debt, Net Assets*, and Debt/Equity Ratio**

Billions of Yen, Times



* Less minority interests

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

holdings of investment securities and as the weakening of the yen against the US dollar resulted in a gain on foreign currency translation adjustments.

Interest-bearing debt declined ¥15.7 billion, to ¥146.3 billion at fiscal year-end. The ratio of interest-bearing debt to total net assets declined from 1.0 at the previous fiscal year-end to 0.7, which was within management's stated ceiling of 1.0.

Cash Flow

Net cash provided by operations in fiscal 2012 totaled ¥59.2 billion. That total consisted principally of ¥51.8 billion in income before income taxes and minority interests. Net cash used in investing activities totaled ¥30.5 billion. That total consisted principally of purchases of fixed assets in connection with fortifying production capacity in Japan and overseas. Free cash flow totaled ¥28.6 billion. Yokohama employed its free cash flow principally for repayments of interest-bearing debt, for payments of dividends, and for repurchases of shares. Net cash used in financing activities totaled ¥30.7 billion. Cash and cash equivalents at fiscal year-end totaled ¥21.1 billion.

Capital Expenditures

Capital expenditures totaled ¥28.1 billion in fiscal 2012, and depreciation totaled ¥25.0 billion. The total for capital expenditures included ¥25.0 billion of investment in tire operations, principally for expanding production capacity overseas, and ¥1.8 billion of investment in industrial products, principally for expanding production capacity for high-pressure hoses. Capital expenditures totaled less than the ¥55.1 billion that Yokohama had allocated for those expenditures because the Company deferred some planned investment on account of deteriorating business conditions overseas. Yokohama funded its capital expenditures with a combination of internally generated funds and borrowings. The Company did not record any significant disposals or sales of equipment in fiscal 2012.

R&D Expenditures

Expenditures on R&D in fiscal 2012 totaled ¥12.8 billion. That total included ¥1.6 billion in work on basic technologies, ¥7.8 billion in applied development in tires, ¥2.4 billion in applied development in industrial products, and ¥1.0 billion in applied development in other products.

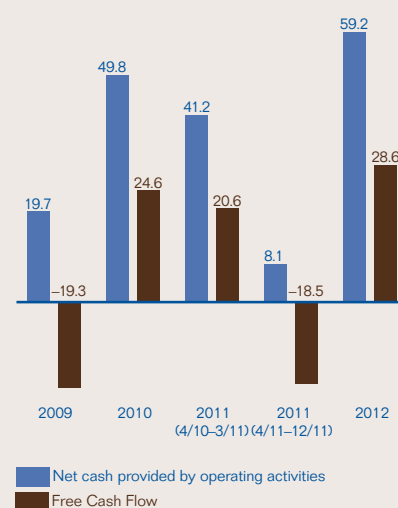
Dividends

Yokohama abides by a policy of maintaining stable dividends while retaining sufficient liquidity to fortify its financial position and fund investment in growth. The Company paid annual dividends of ¥20 per share for fiscal 2012—an interim dividend of ¥8 and a year-end dividend of ¥12. Yokohama will use retained earnings to fund investment and R&D.

Fiscal 2013 Outlook

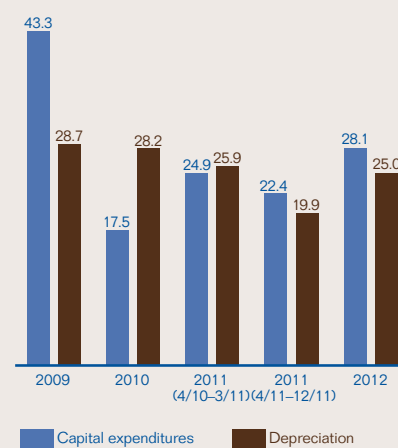
Economic recovery is gaining momentum in Japan in 2013, spurred by the rapid weakening of the yen against the US dollar and rising equity prices. Still clouding the business outlook, however, are the continuing economic crisis in Europe and sluggish growth in emerging economies. Yokohama's fiscal projections for 2013 call for net sales of ¥630.0 billion, operating income of ¥59.0 billion, and net income of ¥36.0 billion. The Company has predicated those projections on average exchange rates of ¥90 to the US dollar and ¥120 to the euro.

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



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

Capital Expenditures and Depreciation
Billions of 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, 2012.

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, 2012, the Company's interest-bearing debt was equivalent to 27.5% 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.

Eleven-Year Summary

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries

For the year ended December 31, 2012, the nine months ended December 31, 2011, and the years ended March 31, 2003—2011

	2012/12	2011/12	2011/3	2010
Net sales	¥ 559,700	¥ 465,134	¥ 519,742	¥ 466,358
Operating income	49,696	26,291	29,491	21,455
Income before income taxes and minority interests	51,768	16,604	21,880	18,969
Net income (loss)	32,611	11,619	13,924	11,487
Depreciation	25,007	19,871	25,885	28,184
Capital expenditures	28,070	22,433	24,944	17,471
R&D expenditures	12,825	9,307	12,748	13,280
Interest-bearing debt	146,285	161,998	146,773	154,675
Total net assets	211,350	168,286	170,872	163,382
Total assets	543,829	501,786	478,916	466,973
Per share (yen):				
Net income (loss): Basic	¥ 97.87	¥ 34.68	¥ 41.55	¥ 34.27
Net assets	631.64	484.04	489.27	475.26
Cash dividends	20.00	7.00	10.00	10.00
Key financial ratios:				
Operating return on sales (%)	8.9	5.7	5.7	4.6
Return on shareholders' equity (%)	17.8	7.1	8.6	7.7
Capital turnover (times)	1.1	0.9	1.1	1.0
Interest-bearing debt to shareholders' equity (times)	0.7	1.0	0.9	1.0
Interest coverage (times)	20.7	14.3	13.4	8.0
Number of employees	19,412	19,272	18,465	17,566

						Millions of Yen
2009	2008	2007	2006	2005	2004	2003
¥ 517,263	¥ 551,431	¥ 497,396	¥ 451,911	¥ 419,789	¥ 401,718	¥ 400,448
12,808	33,119	21,070	21,947	20,955	21,073	23,184
(3,166)	20,478	26,038	22,673	16,337	16,931	18,778
(5,654)	21,060	16,363	21,447	11,322	10,331	10,144
28,684	27,238	22,166	20,491	19,616	19,199	19,040
43,341	27,292	40,638	29,067	27,533	23,735	22,708
15,277	15,289	14,649	14,557	14,265	13,818	12,520
179,379	165,614	167,474	163,022	151,758	159,700	167,832
144,159	181,538	186,528	174,609	139,534	130,622	114,719
473,376	526,192	536,322	502,014	432,717	429,350	412,626
¥ (16.87)	¥ 62.81	¥ 48.79	¥ 62.75	¥ 32.95	¥ 29.95	¥ 29.38
417.45	525.96	542.10	508.64	398.24	373.23	327.61
10.00	13.00	12.00	10.00	8.00	8.00	8.00
2.5	6.0	4.2	4.9	5.0	5.2	5.8
(3.6)	11.8	9.3	14.0	8.6	8.6	8.9
1.0	1.0	1.0	1.0	1.0	1.0	0.9
1.3	0.9	0.9	1.0	1.1	1.2	1.5
4.3	9.0	7.0	10.1	11.2	9.2	7.9
16,772	16,099	15,423	14,617	13,464	13,264	12,979

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Assets			
Current Assets:			
Cash and deposits	¥ 21,400	¥ 21,751	\$ 247,170
Trade receivables:			
Notes and accounts (Note 6)	148,098	142,132	1,710,531
Inventories (Note 3)	78,991	75,801	912,350
Deferred income taxes (Note 17)	10,355	8,182	119,600
Other current assets	11,214	10,772	129,518
Allowance for doubtful receivables	(1,225)	(1,160)	(14,147)
Total current assets	268,833	257,478	3,105,022
Property, Plant and Equipment, at Cost (Notes 4, 5 and 11):			
Land	34,733	34,606	401,168
Buildings and structures	145,834	140,897	1,684,382
Machinery and equipment	427,081	401,973	4,932,786
Leased assets	2,892	2,873	33,408
Construction in progress	16,790	11,661	193,927
	627,330	592,010	7,245,671
Less accumulated depreciation	(441,297)	(417,401)	(5,096,987)
Total property, plant and equipment, net	186,033	174,609	2,148,684
Investments and Other Assets:			
Investment securities (Note 14)	67,310	50,871	777,436
Deferred income taxes (Note 17)	6,190	5,394	71,492
Other investments and other assets	16,161	14,175	186,662
Allowance for doubtful receivables	(698)	(741)	(8,063)
Total investments and other assets	88,963	69,699	1,027,527
Total assets	¥ 543,829	¥ 501,786	\$ 6,281,233

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Liabilities and Net Assets			
Current Liabilities:			
Bank loans	¥ 73,738	¥ 82,239	\$ 851,676
Current maturities of long-term debt (Note 4)	19,205	7,147	221,812
Commercial paper	—	9,000	—
Trade notes and accounts payable (Note 6)	77,601	86,962	896,288
Electronically recorded obligations—operating	2,800	—	32,337
Accrued income taxes	16,375	4,776	189,126
Accrued expenses	28,543	26,330	329,667
Allowance for loss on disaster	—	89	—
Allowance for sales returns	799	702	9,231
Other current liabilities (Notes 6 and 17)	15,545	14,799	179,563
Total current liabilities	234,606	232,044	2,709,700
Long-Term Liabilities:			
Long-term debt (Note 4)	53,342	63,613	616,105
Deferred income taxes (Note 17)	8,806	3,800	101,711
Reserve for pension and severance payments (Note 16)	18,701	18,402	215,996
Other long-term liabilities	17,024	15,641	196,632
Total long-term liabilities	97,873	101,456	1,130,444
Total liabilities	332,479	333,500	3,840,144
Contingent liabilities (Note 7)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares as of December 31, 2012 and 2011			
Issued: 342,598,162 shares as of December 31, 2012 and 2011:			
	38,909	38,909	449,401
Capital surplus	31,953	31,953	369,057
Retained earnings (Note 9)	145,607	117,016	1,681,761
Treasury stock, at cost: 19,377,418 shares as of December 31, 2012, and 7,548,581 shares as of December 31, 2011	(11,294)	(4,753)	(130,449)
Total shareholders' equity	205,175	183,125	2,369,770
Accumulated Other Comprehensive Income (Loss):			
Unrealized gains on securities	20,331	11,322	234,818
Foreign currency translation adjustments	(14,938)	(26,389)	(172,537)
Adjustments related to pension obligations of consolidated overseas subsidiaries	(6,409)	(5,882)	(74,021)
Total accumulated other comprehensive income (loss)	(1,016)	(20,949)	(11,740)
Minority Interests			
	7,191	6,110	83,059
Total net assets	211,350	168,286	2,441,089
Total liabilities and net assets	¥ 543,829	¥ 501,786	\$ 6,281,233

Consolidated Statements of Income

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the year ended December 31, 2012, and the nine months ended December 31, 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)	2012 (01.01.12– 12.31.12)
Net sales	¥ 559,700	¥ 465,134	\$ 6,464,544
Cost of sales (Notes 5 and 8)	377,632	327,271	4,361,654
Gross profit	182,068	137,863	2,102,890
Selling, general and administrative expenses (Notes 5 and 8)	132,372	111,572	1,528,897
Operating income	49,696	26,291	573,993
Other income (expenses)			
Interest and dividend income	1,926	1,317	22,245
Interest expense	(2,494)	(1,937)	(28,808)
Exchange gain (loss)	3,955	(5,252)	45,680
Gain on sale of fixed assets	—	264	—
Loss on sale and disposal of fixed assets	(598)	(881)	(6,901)
Pension and severance costs (Notes 2 and 16)	—	(3,019)	—
Other, net	(717)	(179)	(8,286)
	2,072	(9,687)	23,930
Income before income taxes and minority interests	51,768	16,604	597,923
Income taxes (Notes 2 and 17):			
Current	20,725	6,634	239,380
Deferred	(2,119)	(2,306)	(24,480)
	18,606	4,328	214,900
Income before minority interests	33,162	12,276	383,023
Minority interests in net income of consolidated subsidiaries	(551)	(657)	(6,365)
Net income	¥ 32,611	¥ 11,619	\$ 376,658

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the year ended December 31, 2012, and the nine months ended December 31, 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)	2012 (01.01.12– 12.31.12)
Income before minority interests	¥ 33,162	¥ 12,276	\$ 383,023
Other comprehensive income (loss) (Note 13)			
Unrealized gains on securities	9,012	(5,104)	104,094
Foreign currency translation adjustments	12,093	(4,897)	139,667
Adjustment related to pension obligations of consolidated overseas subsidiaries	(527)	(1,022)	(6,088)
Share of other comprehensive income of associates accounted for by the equity method	149	(50)	1,722
Total other comprehensive income (loss)	¥ 20,727	¥ (11,073)	\$ 239,395
Comprehensive income	¥ 53,889	¥ 1,203	\$ 622,418
Comprehensive income attributable to owners of the Company	52,544	933	606,880
Comprehensive income attributable to minority interests	1,345	270	15,538

Per Share Amounts:

For the year ended December 31, 2012, and the nine months ended December 31, 2011

	Yen		U.S. Dollars (Note 1)
	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)	2012 (01.01.12– 12.31.12)
Net income: Basic	¥ 97.87	¥ 34.68	\$ 1.13
Net income: Diluted	—	—	—
Cash dividends	¥ 20.00	¥ 7.00	\$ 0.23

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries

For the year ended December 31, 2012, and the nine months ended December 31, 2011

Millions of Yen

	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Accumu- lated Other Comprehensive Income (Loss)	Minority Interests	Total Net Assets
Balance at April 1, 2011	342,598,162	¥ 38,909	¥ 31,953	¥ 108,083	¥ (4,746)	¥ 174,199	¥ (10,263)	¥ 6,936	¥ 170,872
Net income	—	—	—	11,619	—	11,619	—	—	11,619
Cash dividends paid	—	—	—	(3,016)	—	(3,016)	—	—	(3,016)
Increase in retained earnings due to inclusion of a consolidated subsidiary	—	—	—	330	—	330	—	—	330
Repurchase of treasury stock, net	—	—	—	(0)	(7)	(7)	—	—	(7)
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(5,104)	—	(5,104)
Foreign currency translation adjustments	—	—	—	—	—	—	(4,560)	—	(4,560)
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	(1,022)	—	(1,022)
Increase in minority interests	—	—	—	—	—	—	—	(826)	(826)
Balance at January 1, 2012	342,598,162	38,909	31,953	117,016	(4,753)	183,125	(20,949)	6,110	168,286
Net income	—	—	—	32,611	—	32,611	—	—	32,611
Cash dividends paid	—	—	—	(4,020)	—	(4,020)	—	—	(4,020)
Repurchase of treasury stock, net	—	—	—	—	(6,541)	(6,541)	—	—	(6,541)
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	9,009	—	9,009
Foreign currency translation adjustments	—	—	—	—	—	—	11,451	—	11,451
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	(527)	—	(527)
Increase in minority interests	—	—	—	—	—	—	—	1,081	1,081
Balance at December 31, 2012	342,598,162	¥ 38,909	¥ 31,953	¥ 145,607	¥ (11,294)	¥ 205,175	¥ (1,016)	¥ 7,191	¥ 211,350

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Accumu- lated Other Comprehensive Income (Loss)	Minority Interests	Total Net Assets
Balance at January 1, 2012	\$ 449,401	\$ 369,057	\$ 1,351,540	\$ (54,898)	\$ 2,115,100	\$(241,962)	\$ 70,574	\$ 1,943,712
Net income	—	—	376,658	—	376,658	—	—	376,658
Cash dividends paid	—	—	(46,437)	—	(46,437)	—	—	(46,437)
Repurchase of treasury stock, net	—	—	—	(75,551)	(75,551)	—	—	(75,551)
Accumulated other comprehensive income (loss)								
Net unrealized gains and losses on securities	—	—	—	—	—	104,049	—	104,049
Foreign currency translation adjustments	—	—	—	—	—	132,261	—	132,261
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	(6,088)	—	(6,088)
Increase in minority interests	—	—	—	—	—	—	12,485	12,485
Balance at December 31, 2012	\$ 449,401	\$ 369,057	\$ 1,681,761	\$ (130,449)	\$ 2,369,770	\$ (11,740)	\$ 83,059	\$ 2,441,089

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the year ended December 31, 2012, and the nine months ended December 31, 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)	2012 (01.01.12– 12.31.12)
Operating Activities:			
Income before income taxes and minority interests	¥ 51,768	¥ 16,604	\$ 597,923
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization (Notes 2 and 5)	25,007	19,871	288,835
Increase (decrease) in reserve for pension and severance payments	302	2,128	3,484
Other, net	(397)	2,469	(4,604)
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(654)	(31,092)	(7,550)
Inventories	1,971	(7,929)	22,764
Notes and accounts payable	(9,251)	7,541	(106,845)
Other, net	200	1,890	2,316
Interest and dividends received	1,924	1,335	22,217
Interest paid	(2,518)	(1,887)	(29,084)
Income taxes paid	(9,176)	(2,806)	(105,978)
Net cash provided by operating activities	59,176	8,124	683,478
Investing Activities:			
Purchases of property, plant and equipment	(26,055)	(23,206)	(300,938)
Purchases of marketable securities and investment securities	(2,281)	(1,729)	(26,346)
Proceeds from sales of marketable securities, investment securities and property	184	441	2,122
Other, net	(2,393)	(2,161)	(27,633)
Net cash used in investing activities	(30,545)	(26,655)	(352,795)
Financing Activities:			
Increase (decrease) in short-term bank loans	(10,609)	12,187	(122,528)
Increase (decrease) in commercial paper	(9,000)	6,000	(103,950)
Proceeds from long-term debt	8,267	5,306	95,481
Decrease in long-term debt	(7,936)	(7,111)	(91,664)
Payment of cash dividends	(4,021)	(3,015)	(46,445)
Other, net	(7,366)	(525)	(85,075)
Net cash provided by (used in) financing activities	(30,665)	12,842	(354,181)
Effect of exchange rate changes on cash and cash equivalents	1,582	(977)	18,275
Increase (decrease) in cash and cash equivalents	(452)	(6,666)	(5,223)
Cash and cash equivalents at beginning of year	21,567	28,161	249,098
Effect of changes in consolidation scope on cash and cash equivalents	—	72	—
Cash and cash equivalents at end of year	¥ 21,115	¥ 21,567	\$ 243,875

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries

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 ¥86.58 = US\$1.00, the approximate exchange rate prevailing on December 31, 2012.

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 declining-balance method based on the estimated useful lives of the respective assets.

i. Reserve for Severance Payments and Employee Benefit Plans

Employees who terminate their service with the Companies are, under most circumstances, entitled to lump-sum severance payments determined by reference to their current basic rate of pay and length of service. The Company and certain consolidated subsidiaries have noncontributory pension plans for termination caused by age limit.

The Companies accounted for these liabilities based on the projected benefit obligations and plan assets at the balance sheet date.

Unrecognized actuarial gain and loss are amortized starting in the year following the year in which the gain or loss is recognized, primarily by the straight-line method over a period of 10 years, which is shorter than the average remaining service period of employees.

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 is amended.

(2) Planned date of application

The Company and its consolidated subsidiaries will adopt the accounting standards from the end of the fiscal year ending December 31, 2014. But, 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) Effect 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 year ended December 31, 2012, and the nine months ended December 31, 2011.

3. Inventories

Inventories at December 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Finished products	¥ 52,757	¥ 49,358	\$ 609,345
Work in process	7,110	7,311	82,118
Raw materials and supplies	19,124	19,132	220,887
	¥ 78,991	¥ 75,801	\$ 912,350

4. Long-Term Debt

Long-term debt at December 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
1.688% straight bonds due 2013	¥ 10,000	¥ 10,000	\$ 115,500
1.68% straight bonds due 2014	10,000	10,000	115,500
Loans, principally from banks and insurance companies	52,547	50,760	606,917
	72,547	70,760	837,917
Less current maturities	19,205	7,147	221,812
	¥ 53,342	¥ 63,613	\$ 616,105

Assets pledged to secure bank loans and long-term debt at December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Property, plant and equipment	¥ 43,442	¥ 44,430	\$ 501,753

5. Depreciation and Amortization

Depreciation and amortization expenses for the year ended December 31, 2012, and the nine months ended December 31, 2011, were allocated as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)	2012 (01.01.12– 12.31.12)
Selling, general and administrative expenses	¥ 2,741	¥ 2,125	\$ 31,663
Manufacturing costs	22,266	17,746	257,172

6. Notes Maturing on December 31, 2012 and 2011

Because December 31, 2012 and 2011, 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
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Notes receivable	¥ 1,253	¥ 1,124	\$ 14,470
Notes payable	1,375	1,676	15,878
Other current liabilities (notes payable—facilities)	132	225	1,525

7. Contingent Liabilities

Contingent liabilities at December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Guarantees	¥ 2,941	¥ 3,470	\$ 33,973

8. Research and Development Expenses

Research and development expenses charged to manufacturing costs and to selling, general and administrative expenses for the year ended December 31, 2012, and the nine months ended December 31, 2011, were ¥12,825 million (\$148,124 thousand) and ¥9,307 million, respectively.

9. 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.

10. Supplementary Cash Flow Information

A reconciliation of cash and deposits presented in the consolidated balance sheets as of December 31, 2012 and 2011, and cash and cash equivalents reported in the consolidated statements of cash flows for the year ended December 31, 2012, and the nine months ended December 31, 2011, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Cash and deposits	¥ 21,400	¥ 21,751	\$ 247,170
Time deposits with maturities of more than three months	(285)	(184)	(3,296)
Cash and cash equivalents	¥ 21,115	¥ 21,567	\$ 243,875

11. 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, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Within one year	¥ 897	¥ 750	\$ 10,358
After one year	2,424	2,204	27,995
	¥ 3,321	¥ 2,954	\$ 38,353

12. 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 four years after December 31, 2012. 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 and 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, 2012 and 2011 are indicated in the balance sheets as part of 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 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 "15. 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, 2012 and 2011, 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

	2012 (12.31.12)			2011 (12.31.11)		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
(1) Cash and deposits	¥ 21,400	¥ 21,400	¥ —	¥ 21,751	¥ 21,751	¥ —
(2) Trade receivables: Notes and accounts	148,098	148,098	—	142,132	142,132	—
(3) Investment securities	60,098	60,098	—	45,550	45,550	—
Total assets	229,596	229,596	—	209,433	209,433	—
(1) Trade notes and accounts payable	77,601	77,601	—	86,962	86,962	—
(2) Electronically recorded obligations—operating	2,800	2,800	—	—	—	—
(3) Short-term loans payable	73,738	73,738	—	82,239	82,239	—
(4) Accrued expenses	28,543	28,543	—	26,330	26,330	—
(5) Commercial paper	—	—	—	9,000	9,000	—
(6) Bonds	20,000	20,202	202	20,000	20,309	309
(7) Long-term loans payable	52,547	52,949	402	50,760	51,240	480
(8) Long-term deposits received	3,194	3,565	371	3,194	3,511	317
Total liabilities	258,423	259,398	975	278,485	279,591	1,106
Derivative transactions*	(969)	(969)	—	338	338	—

Thousands of U.S. Dollars

	2012 (12.31.12)		
	Book Value	Fair Value	Difference
(1) Cash and deposits	\$ 247,170	\$ 247,170	\$ —
(2) Trade receivables: Notes and accounts	1,710,531	1,710,531	—
(3) Investment securities	694,130	694,130	—
Total assets	2,651,831	2,651,831	—
(1) Trade notes and accounts payable	896,288	896,288	—
(2) Electronically recorded obligations—operating	32,337	32,337	—
(3) Short-term loans payable	851,676	851,676	—
(4) Accrued expenses	329,667	329,667	—
(5) Commercial paper	—	—	—
(6) Bonds	231,000	233,331	2,331
(7) Long-term loans payable	606,917	611,565	4,648
(8) Long-term deposits received	36,892	41,181	4,289
Total liabilities	2,984,777	2,996,045	11,268
Derivative transactions*	(11,190)	(11,190)	—

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

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 "14. 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) 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.

(7) 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.

(8) Long-term deposits received

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

Derivative transactions

See "15. 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
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
	Book Value	Book Value	Book Value
Unlisted stock and others	¥ 7,213	¥ 5,320	\$ 83,306

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
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
	Within One Year	Within One Year	Within One Year
Deposits	¥ 19,916	¥ 21,164	\$ 230,033
Trade receivables: Notes and accounts	148,098	142,132	1,710,531
Total	¥ 168,014	¥ 163,296	\$ 1,940,564

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						
2012 (12.31.12)						
	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	9,205	24,226	11,701	7,380	12	24
Other liabilities with interest	73,738	—	3,194	—	—	—
Total	¥ 92,943	¥ 34,226	¥ 14,895	¥ 7,380	¥ 12	¥ 24

Millions of Yen						
2011 (12.31.11)						
	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	7,147	8,792	18,848	10,270	5,665	38
Other liabilities with interest	91,239	—	—	3,194	—	—
Total	¥ 98,385	¥ 18,792	¥ 28,848	¥ 13,464	¥ 5,665	¥ 38

Thousands of U.S. Dollars						
2012 (12.31.12)						
	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	\$ 115,500	\$ 115,500	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	106,312	279,810	135,149	85,235	138	274
Other liabilities with interest	851,676	—	36,892	—	—	—
Total	\$ 1,073,488	\$ 395,310	\$ 172,041	\$ 85,235	\$ 138	\$ 274

13. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the year ended December 31, 2012, is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012 (01.01.12– 12.31.12)	2012 (01.01.12– 12.31.12)
Unrealized gains on securities		
Arising during the year	¥ 13,847	\$ 159,928
Amount of recycling	—	—
Before tax-effect adjustment	13,847	159,928
Amount of tax-effect	4,835	55,834
Unrealized gains on securities	9,012	104,094
Foreign currency translation adjustments		
Arising during the year	12,093	139,667
Adjustment related to pension obligations of consolidated overseas subsidiaries		
Arising during the year	(1,552)	(17,925)
Amount of recycling	685	7,906
Before tax-effect adjustment	(867)	(10,019)
Amount of tax-effect	(340)	(3,931)
Adjustment related to pension obligations of consolidated overseas subsidiaries	(527)	(6,088)
Share of other comprehensive income of associates accounted for by the equity method		
Arising during the year	149	1,722
Total other comprehensive income	¥ 20,727	\$ 239,395

14. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at December 31, 2012 and 2011, were as follows:

Millions of Yen								
	2012 (12.31.12)				2011 (12.31.11)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale:								
Stock	¥ 28,660	¥ 60,098	¥ 32,308	¥(870)	¥ 27,959	¥ 45,550	¥ 19,321	¥(1,730)
Thousands of U.S. Dollars								
	2012 (12.31.12)							
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses				
Securities classified as available for sale:								
Stock	\$ 331,024	\$ 694,130	\$ 373,149	\$ (10,043)				

Sales of securities classified as available-for-sale securities and an aggregate gain and loss for the year ended December 31, 2012, and the nine months ended December 31, 2011, are immaterial.

Note: Unlisted stocks, whose book value as of December 31, 2012, on the consolidated balance sheet is ¥1,203 million (\$13,896 thousand), are not included in the above table. It is extremely difficult to ascertain fair value for lack of market price.

15. Derivative Instruments

Fair value information of derivative instruments, for which deferral hedge accounting has not been applied, at December 31, 2012 and 2011, was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2012 (12.31.12)			2011 (12.31.11)			2012 (12.31.12)		
	Contract Amount	Fair Value	Unrealized Gains	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains
Forward exchange contracts:									
RUB	¥ 3,905	¥ 436	¥ 436	¥ 2,355	¥ 201	¥ 201	\$ 45,100	\$ 5,041	\$ 5,041
Euro	1,958	227	227	1,943	142	142	22,610	2,625	2,625
U.S. dollar	1,956	118	118	2,453	(2)	(2)	22,590	1,364	1,364
Others	2,596	188	188	1,842	(4)	(4)	29,991	2,172	2,172
	¥ 10,415	¥ 969	¥ 969	¥ 8,593	¥ 337	¥ 337	\$ 120,291	\$ 11,202	\$ 11,202

	Millions of Yen						Thousands of U.S. Dollars		
	2012 (12.31.12)			2011 (12.31.11)			2012 (12.31.12)		
	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Losses
Interest rate swap agreements	¥ 13	¥ 5	¥ (0)	¥ 21	¥ (0)	¥ (0)	\$ 150	\$ 58	\$ (2)

Fair value information of derivative instruments, for which deferral hedge accounting has been applied, at December 31, 2012, and December 31, 2011, was as follows:

	Millions of Yen					
	2012 (12.31.12)			2011 (12.31.11)		
	Contract Amount	Over One Year	Fair Value	Contract Amount	Over One Year	Fair Value
Forward exchange contracts with allocation method:						
Long-term deposits received	¥ 3,194	¥ 3,194	*	¥ 3,194	¥ 3,194	*

	Thousands of U.S. Dollars		
	2012 (12.31.12)		
	Contract Amount	Over One Year	Fair Value
Forward exchange contracts with allocation method:			
Long-term deposits received	\$ 36,892	\$ 36,892	*

*Amounts settled by the allocation method of currency swaps are handled together with those of the long-term deposits received, which are regarded as the hedged items. See "12. Financial Instruments" for their fair value.

16. Pension and Severance Plans

The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Projected benefit obligations	¥ (32,419)	¥ (32,848)	\$ (374,446)
Fair value of plan assets	9,884	7,870	114,162
Funded status	(22,535)	(24,978)	(260,284)
Unrecognized actuarial gain and loss	3,561	6,203	41,134
Unrecognized prior service cost	273	373	3,154
Net amount recognized	¥ (18,701)	¥ (18,402)	\$ (215,996)

The components of net pension and severance costs for the year ended December 31, 2012, and the nine months ended December 31, 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)	2012 (01.01.12– 12.31.12)
Service cost	¥ 1,959	¥ 1,382	\$ 22,622
Interest cost	481	465	5,558
Expected return on plan assets	—	—	—
Recognized actuarial losses	349	253	4,034
Recognized prior service cost	100	74	1,150
Pension and severance cost due to change in method for calculating retirement benefit obligations	—	3,018	—
Net periodic benefit cost	2,889	5,192	33,364
Gain on change of pension and severance plan	—	(200)	—
Contribution of defined contribution benefit plan	607	435	7,020
	¥ 3,496	¥ 5,427	\$ 40,384

Assumptions used as of December 31, 2012 and 2011, were as follows:

	2012 (12.31.12)	2011 (12.31.11)
Discount rate	mainly 1.6%	mainly 1.6%
Expected return rate on plan assets	0.00%	0.00%

17. Deferred Income Taxes

Significant components of the deferred income tax assets and liabilities at December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Deferred tax assets:			
Liabilities for pension and severance payments	¥ 10,966	¥ 12,223	\$ 126,655
Net operating loss carry forwards	200	389	2,306
Unrealized profits	4,600	2,600	53,128
Accrued expenses	984	1,002	11,364
Loss on revaluation of investment securities	34	58	397
Other	10,494	9,281	121,206
Gross deferred tax assets	27,278	25,553	315,056
Less valuation allowance	(755)	(924)	(8,718)
Total deferred tax assets	26,523	24,629	306,338
Deferred tax liabilities:			
Unrealized gains on securities	(11,072)	(6,155)	(127,878)
Liabilities for pension and severance payments	(3,019)	(3,446)	(34,868)
Gain on receipt of stock set by pension plan	(1,842)	(2,103)	(21,273)
Property, plant and equipment	(1,272)	(1,501)	(14,694)
Other	(1,579)	(1,704)	(18,244)
Total deferred tax liabilities	(18,784)	(14,909)	(216,957)
Net deferred tax assets	¥ 7,739	¥ 9,720	\$ 89,381

A reconciliation of the statutory income tax rate to the effective income tax rates for the year ended December 31, 2012, and the nine months ended December 31, 2011, was as follows:

	2012 (01.01.12– 12.31.12)	2011 (04.01.11– 12.31.11)
Statutory income tax rate	40.3%	40.3%
Permanently nondeductible expenses	0.7	1.6
Permanently nontaxable income	(0.8)	(1.5)
Tax deduction for research and development	(2.1)	(1.9)
Valuation allowance	(0.2)	(14.7)
Reversal of tax effect due to change in corporate income tax rate	—	3.3
Other	(2.0)	(1.0)
Effective income tax rates	35.9%	26.1%

18. 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 its 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 year ended December 31, 2012, and the nine months ended December 31, 2011, is as follows:

	Millions of Yen						Consolidated Amount
	Tires	Industrial Products	Reportable Segment Total	Others	Total	Adjustments	
2012 (01.01.12–12.31.12)							
Sales to third parties	¥ 444,592	¥ 91,851	¥ 536,443	¥ 23,257	¥ 559,700	¥ —	¥ 559,700
Intergroup sales and transfers	1,850	93	1,943	4,238	6,181	(6,181)	—
Total sales	446,442	91,944	538,386	27,495	565,881	(6,181)	559,700
Segment income	¥ 43,369	¥ 5,087	¥ 48,456	¥ 1,252	¥ 49,708	¥ (12)	¥ 49,696
Segment assets	¥ 433,641	¥ 60,908	¥ 494,549	¥ 58,436	¥ 552,985	¥ (9,156)	¥ 543,829
Other items							
Depreciation and amortization	¥ 20,980	¥ 2,632	¥ 23,612	¥ 732	¥ 24,344	¥ 663	¥ 25,007
Investment in equity method affiliates	¥ 1,524	¥ —	¥ 1,524	¥ —	¥ 1,524	¥ —	¥ 1,524
Increase of tangible and intangible fixed assets	¥ 25,006	¥ 1,836	¥ 26,842	¥ 588	¥ 27,430	¥ 640	¥ 28,070
2011 (04.01.11–12.31.11)							
Sales to third parties	¥ 379,220	¥ 68,179	¥ 447,399	¥ 17,735	¥ 465,134	¥ —	¥ 465,134
Intergroup sales and transfers	1,371	71	1,442	3,074	4,516	(4,516)	—
Total sales	380,591	68,250	448,841	20,809	469,650	(4,516)	465,134
Segment income	¥ 23,366	¥ 1,686	¥ 25,052	¥ 1,245	¥ 26,297	¥ (6)	¥ 26,291
Segment assets	¥ 393,704	¥ 60,934	¥ 454,638	¥ 57,222	¥ 511,860	¥ (10,074)	¥ 501,786
Other items							
Depreciation and amortization	¥ 16,645	¥ 2,163	¥ 18,808	¥ 581	¥ 19,389	¥ 482	¥ 19,871
Amortization of goodwill	¥ 441	¥ —	¥ 441	¥ —	¥ 441	¥ —	¥ 441
Investment in equity method affiliates	¥ 1,376	¥ —	¥ 1,376	¥ —	¥ 1,376	¥ —	¥ 1,376
Increase of tangible and intangible fixed assets	¥ 19,520	¥ 2,103	¥ 21,623	¥ 461	¥ 22,084	¥ 349	¥ 22,433

Thousands of U.S. Dollars

	Tires	Industrial Products	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
2012 (01.01.12–12.31.12)							
Sales to third parties	\$ 5,135,044	\$ 1,060,884	\$ 6,195,928	\$ 268,616	\$ 6,464,544	\$ —	\$ 6,464,544
Intergroup sales and transfers	21,368	1,075	22,443	48,952	71,395	(71,395)	—
Total sales	5,156,412	1,061,959	6,218,371	317,568	6,535,939	(71,395)	6,464,544
Segment income	\$ 500,915	\$ 58,760	\$ 559,675	\$ 14,455	\$ 574,130	\$ (137)	\$ 573,993
Segment assets	\$ 5,008,555	\$ 703,495	\$ 5,712,050	\$ 674,931	\$ 6,386,981	\$ (105,748)	\$ 6,281,233
Other items							
Depreciation and amortization	\$ 242,317	\$ 30,399	\$ 272,716	\$ 8,455	\$ 281,171	\$ 7,664	\$ 288,835
Investment in equity method affiliates	\$ 17,601	\$ —	\$ 17,601	\$ —	\$ 17,601	\$ —	\$ 17,601
Increase of tangible and intangible fixed assets	\$ 288,816	\$ 21,214	\$ 310,030	\$ 6,795	\$ 316,825	\$ 7,389	\$ 324,214

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, 2012 of ¥9,156 million (\$105,748 thousand) were the elimination of intersegment transactions of ¥34,408 million (\$397,413 thousand) and “corporate” assets of ¥25,252 million (\$291,664 thousand). “Corporate” assets primarily consist of accumulated working capital and investments in securities.

The corresponding amounts for the nine months ended December 31, 2011, of ¥10,074 million (\$116,352 thousand) were the elimination of intersegment transactions of ¥30,851 million (\$356,325 thousand) and “corporate” assets of ¥20,777 million (\$239,974 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 year ended December 31, 2012, and the nine months ended December 31, 2011

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
	2012 (01.01.12–12.31.12)	2011 (04.01.11–12.31.11)	2012 (01.01.12–12.31.12)
Japan	¥ 308,918	¥ 245,428	\$ 3,568,002
United States of America	110,997	95,607	1,282,017
Others	139,785	124,099	1,614,525
Total	¥ 559,700	¥ 465,134	\$ 6,464,544

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
	2012 (12.31.12)	2011 (12.31.11)	2012 (12.31.12)
Japan	¥ 104,761	¥ 105,838	\$ 1,209,986
Thailand	23,495	22,059	271,364
Others	57,777	46,712	667,334
Total	¥ 186,033	¥ 174,609	\$ 2,148,684

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 year ended December 31, 2012, and the nine months ended March 31, 2011

The Company omitted this information because of its immateriality for the year ended December 31, 2012.

There is no applicable item for the nine months ended December 31, 2011.

5. Amortization of goodwill and the amortization balance by reportable segment for the year ended December 31, 2012, and the nine months ended December 31, 2011

The Company omitted, this information because of its immateriality for the year ended December 31, 2012.

Information has been omitted as the classification is the same as that for reportable segments for the nine months ended December 31, 2011.

6. Gains on negative goodwill by reportable segment for the year ended December 31, 2012, and the nine months ended March 31, 2011

The Company omitted this information because of its immateriality for the year ended December 31, 2012.

There is no applicable item for the nine months ended December 31, 2011.

Report of Independent Auditors



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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, 2012, 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, 2012, 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 28, 2013
Tokyo, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Investor Information

As of December 31, 2012

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

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

Stock Exchange Listings:

Tokyo, Osaka, 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:

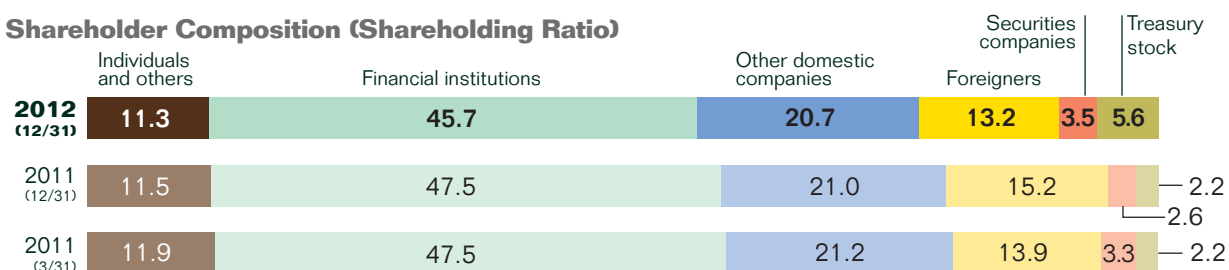
http://www.yrc-pressroom.jp/ir_en/

Stock Information

As of December 31, 2012

Authorized number of shares: 700,000,000
 Number of shares issued and outstanding: 342,598,162—unchanged from December 31, 2011
 Number of shareholders: 14,706—down 465 from December 31, 2011

Shareholder Composition (Shareholding Ratio)



Major Shareholders

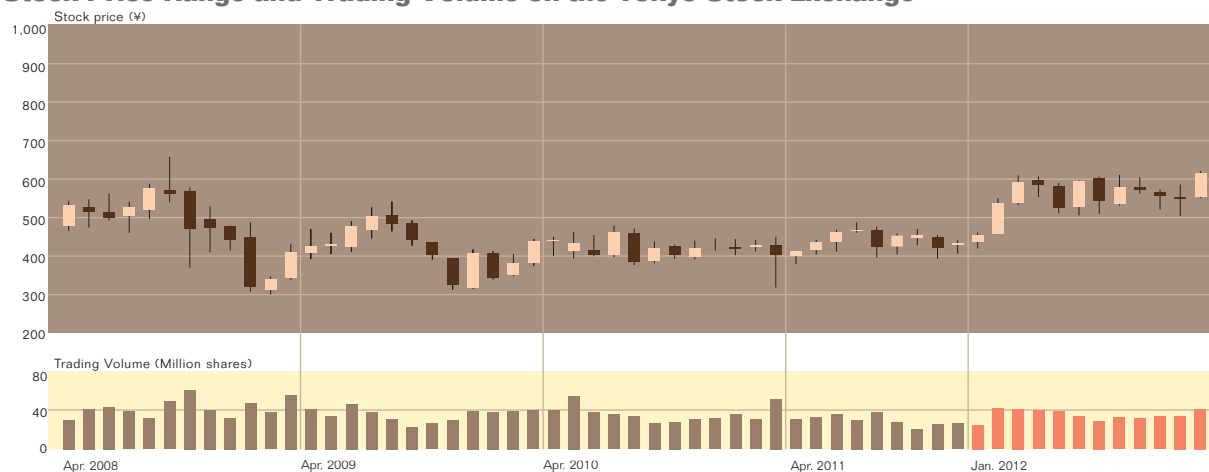
Name	Number of shares (thousands)	Percentage of total shares (%)
ZEON CORPORATION	29,307	8.5
ASAHI MUTUAL LIFE INSURANCE COMPANY	27,260	7.9
Japan Trustee Services Bank, Ltd. (trust account)	23,311	6.8
The Master Trust Bank of Japan, Ltd. (trust account)	20,897	6.0
Furukawa Electric Co., Ltd.	7,571	2.2

Note: Treasury stock of 19,377 thousand shares has been excluded in preparing the list of major shareholders.

Common Stock Price Trends

	2012	2011 (4/11–12/11)	2011 (4/10–3/11)	2010	2009
Stock Price (Yen):					
High	¥ 624	¥ 489	¥ 480	¥ 542	¥ 658
Low	421	380	318	314	301
Fiscal Year-End	620	432	403	440	409
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



The Yokohama Rubber Co., Ltd. 36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan Phone: 81-(0)3-5400-4531