ANNUAL REPORT 2016

The Yokohama Rubber Co., Ltd. Year ended December 31, 2015

GEAR UP TO GO

CONTENTS

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

TO OUR STAKEHOLDERS

Our net sales attained a record high level in 2015, rising 0.7%, to ¥629.9 billion. Net income, however, declined 10.4%, to ¥36.3 billion, on a 7.7% decline in operating income, to ¥54.5 billion. The downturn in earnings occurred as a unit decline in Japanese vehicle production and escalating price competition in our principal tire markets offset the effects of declining prices for raw materials and the weakening of the yen.

The economic environment in 2015 was a composite of contrasting trends. Economic recovery continued in Japan, though consumer spending was inconsistent. Rising incomes in the United States highlighted growing economic vitality there, and the economic picture in Europe brightened gradually. China's economic growth, however, continued to slow.

We maintained the aggregate annual dividend at effectively the same level as in the previous year. A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding. Our interim dividend of ¥13 and our post-share-merger year-end dividend of ¥26 thus corresponded to 2014's aggregate annual dividend of ¥26.

We at Yokohama continue working to fulfill the goals of our medium-term management plan, Grand Design 100, which we adopted in 2006. Grand Design 100 extends to our corporate centennial, in 2017. It comprises four three-year phases, and 2015 was the first year of the culminating Phase IV.

In Phase IV, we are working to culminate Grand Design 100 on a positive note and to set the stage for continuing growth. That means maximizing customer value and expanding our global scope to remain a leader in the tire and rubber industry for another 100 years. Our chief financial targets in Phase IV are to achieve annual net sales of ¥770.0 billion and annual operating income of ¥80.0 billion by 2017 and to thereby attain an operating profit margin of at least 10.4%.

Our projections for 2016 call for a 3.5% increase in net sales, to ¥652.0 billion; a 0.9% increase in operating income, to ¥55.0 billion; and a 6.4% decline in net income, to ¥34.0 billion. Underlying those projections are the expectation of continued economic recovery in Japan, supported by stimulus measures implemented by the government and by the Bank of Japan; the expectation of slowing economic growth in principal emerging economies; and the concern about possible adverse movements in crude oil prices and in currency exchange rates.

We at Yokohama remain committed to achieving global growth in accordance with our Grand Design 100 management plan. And we welcome your careful attention to our progress.

May 2016

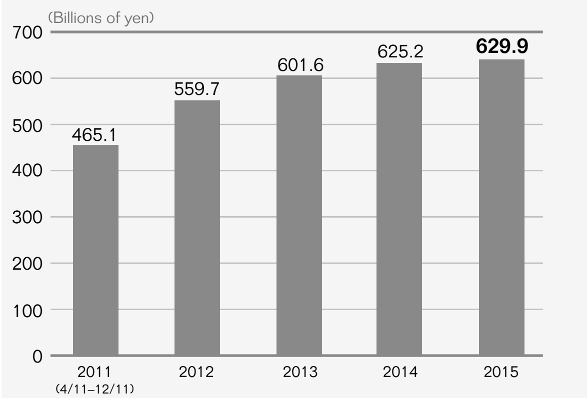
Tadanobu Nagumo (*right*)
Chairman and Representative Member of the Board

Hikomitsu Noji
President and Representative Member of the Board

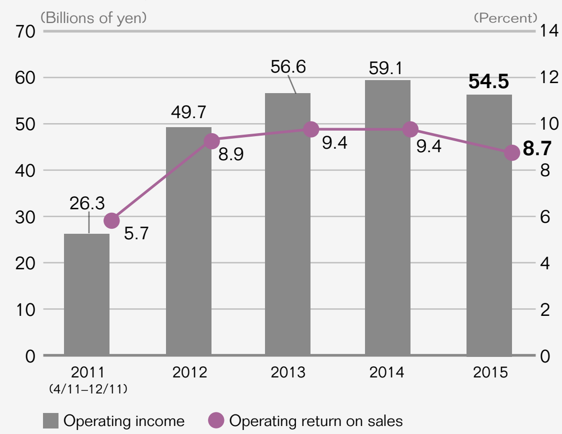
FINANCIAL HIGHLIGHTS

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

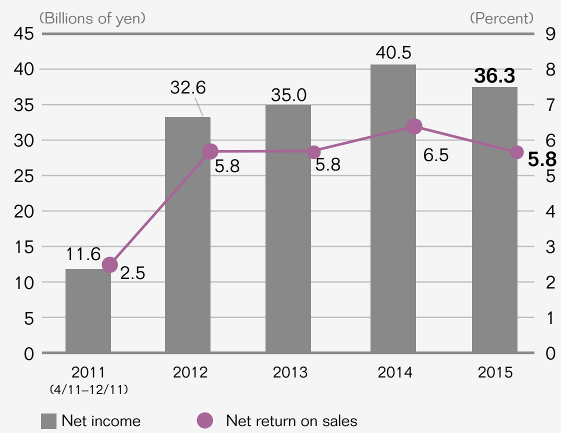
Net Sales



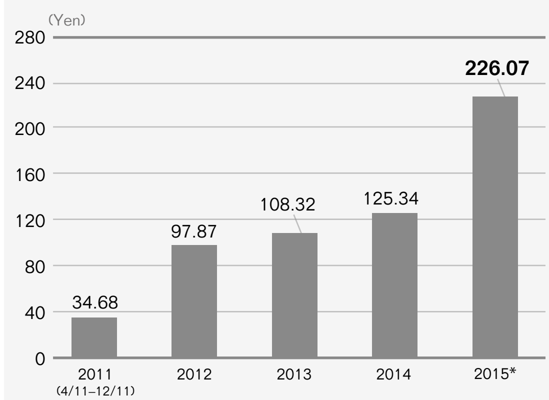
Operating Income and Operating Return on Sales



Net Income and Net Return on Sales

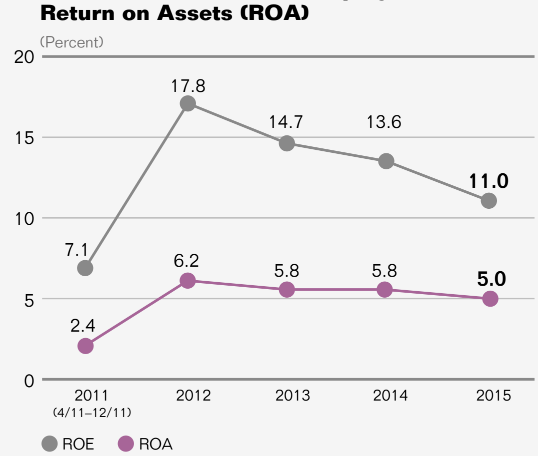


Net Income per Share

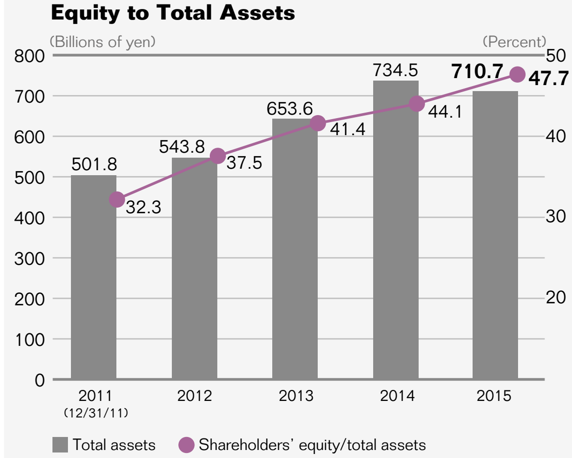


* A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding, and the year-end dividend reflects that merger.

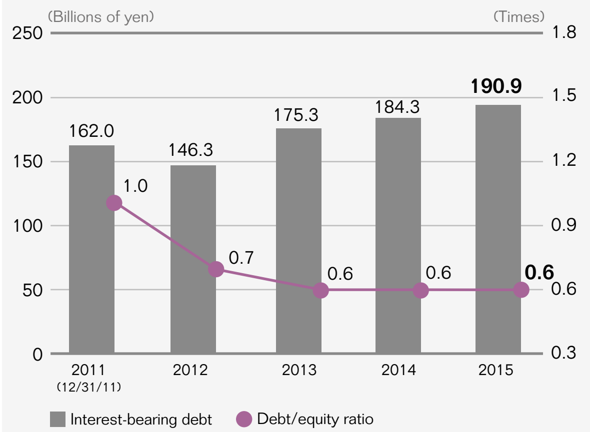
Return on Shareholders' Equity (ROE) and Return on Assets (ROA)



Total Assets and Ratio of Shareholders' Equity to Total Assets

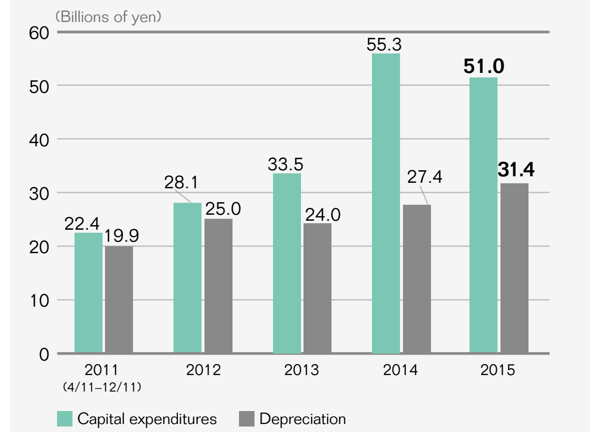


Interest-Bearing Debt and Debt/Equity Ratio*

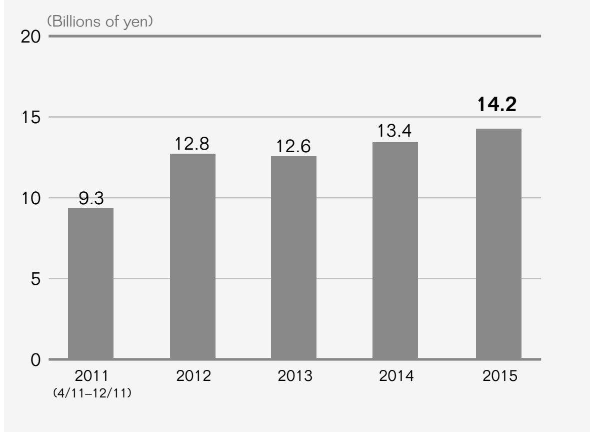


*Interest-bearing debt divided by net assets less minority interests

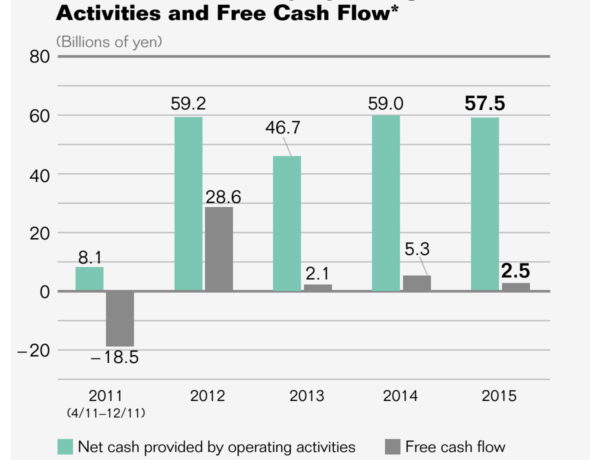
Capital Expenditures and Depreciation



R&D Expenditures

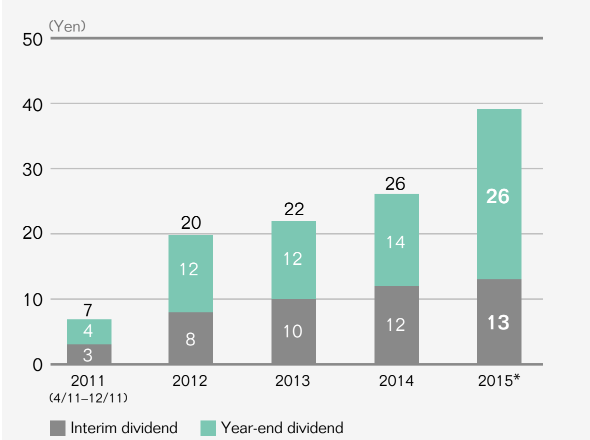


Net Cash Provided by Operating Activities and Free Cash Flow*



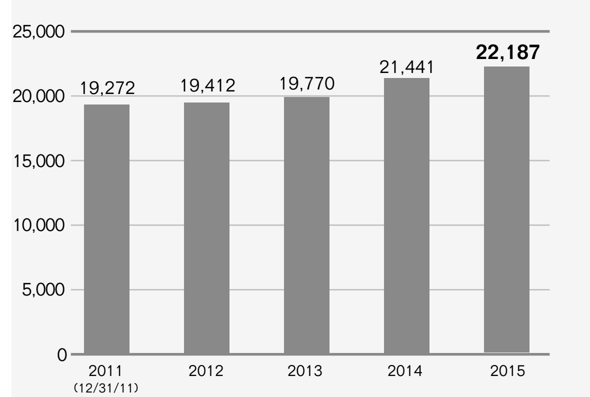
*Net cash provided by operating activities less net cash used in investing activities

Cash Dividends per Share



*A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding, and the year-end dividend reflects that merger. The aggregate annual dividend accords with the projection announced by Yokohama in February 2015, adjusted for the share merger.

Employees



Grand Design 100 Medium-Term Management Plan

We launched the medium-term management plan Grand Design 100 in 2006 as a roadmap for the 12 years to our centennial in 2017. The plan comprises four three-year phases. Two thousand fifteen is the first year of the concluding phase of Grand Design 100.

— GD100 Vision and Basic Policy —

By Our Centenary in 2017

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

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

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

Basic Policy

Deliver the best products at competitive prices and on time

Assert world-class strengths in technologies for protecting the environment

Foster a customer-oriented corporate culture that honors rigorous standards of corporate ethics

*Targets as established in 2006. Yokohama is on track to attain the target for operating profit margin by 2017 but has extended the time horizon for attaining the targets for net sales and operating income.

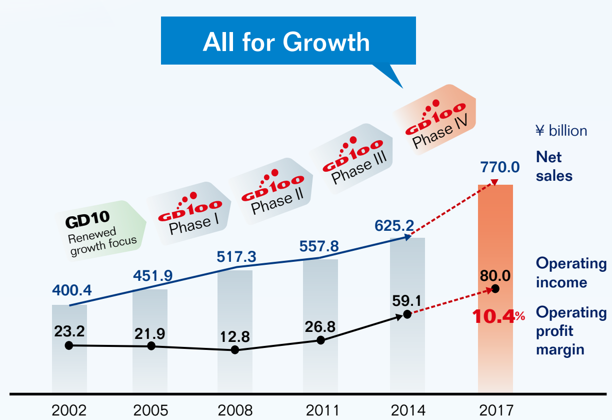
Grand Design 100 Phase IV 2015–2017

● Theme:

All for Growth

Focusing our energy on growth

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



Basic Approach in Phase IV

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

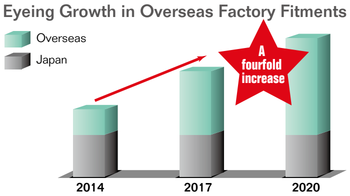
- Channel all our activity companywide into maximizing customer satisfaction
- Offer distinctive, Yokohama-like products
- Undertake vigorous investment based on a strong financial position

Tire Strategy

Allocate More Resources to Winning Business with Automakers

In appealing to automakers, we will deploy world-class fuel-saving technology to serve the automakers' needs and to thus win more technological approvals and more vehicle fitments worldwide. Our efforts will include working to double the overseas share of our original equipment (OE) business by 2020, compared with 2014.

Eyeing Growth in Overseas Factory Fitments

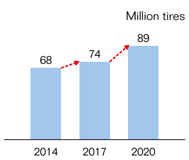


A factory fitment for the ADVAN Sport V105

Strengthen Our Presence in Our Principal Markets

We will rely increasingly on local production to strengthen our presence in the world's largest markets—China, Europe, and North America—and in markets where we have an especially strong position, such as Japan and Russia. We have earmarked ¥120.0 billion for investment in expanding tire production capacity during the three years of Phase IV. That investment will increase our annual production capacity to 89 million tires in 2020, from the 74 million planned for 2017 and the 68 million at 2014 year-end.

Production capacity



Expand Business in Commercial Tires

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

Yokohama 51-inch radial tires on a dump truck

Multiple Business (diversified products) Strategy

Expand Business Globally in Automotive Components

We are building production and sales networks to serve automakers worldwide. And we will apply high-value-added technologies to automotive hoses and sealants.

Automotive hoses

Build on Market Leadership in Marine Products

Our strategy in marine products centers on fortifying our already-large global market share in pneumatic marine fenders and in marine hoses. With the 2016 start-up of newly built plant in Indonesia, we will have three production platforms for marine hoses and two for pneumatic marine fenders.

Marine hoses

Strengthen Our Position in the Mining and Construction Sectors Worldwide

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

Conveyor belts

Foster Growth in New Ventures Based on Original Technologies

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

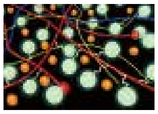
Hard coatings (such as for blocking blue light)

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

Technology Strategy

Open a New Phase for Yokohama Technology

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



Computer rendering of molecular structure

Earn Customer Satisfaction with Yokohama Quality

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

Lay a Next-Generation Technological Foundation

Joint R&D with other companies and organizations will speed our work in developing next-generation technologies.

Simulation of fluid acoustics around a tire

Common Strategy for All Operations

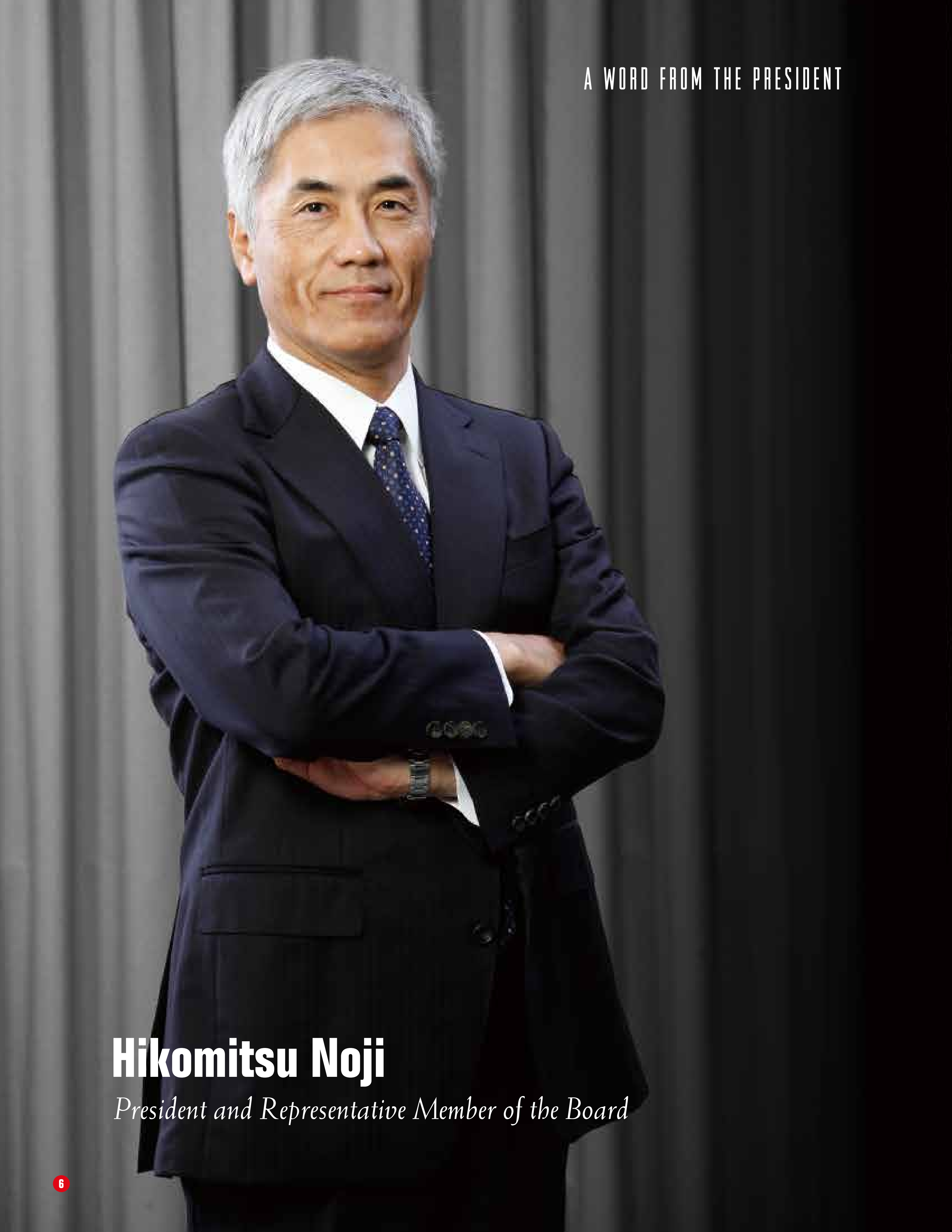
In Phase IV, we will tap external resources through stepped-up activity in corporate acquisitions and alliances. We will work to reduce costs by ¥30 billion during Phase IV through our *mudadori* cost-cutting activities, under way since 2006. In addition, we will continue working to foster human resources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

Corporate Social Responsibility

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

Seven Priorities

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



Hikomitsu Noji

President and Representative Member of the Board

Pursuing Yokohama-Like Growth

Asserting Distinctive Leadership in Product Quality

Something that distinguishes Yokohama is the twofold capacity for offering world-class quality in tires while asserting distinctive personality in high-performance tire products. World-class quality is why Japanese, European, American, and Chinese automakers choose Yokohama tires for factory installation on high-end vehicle models. Distinctive personality is what sets the passenger-car tires of our ADVAN global flagship brand apart from their competitors on the racetrack and on premium-grade passenger cars.

World-class quality and distinctive high performance continue to earn fierce loyalty from Yokohama customers in our tire business. And those same qualities underpin our strengths in our Multiple Business operations, as in marine hoses, pneumatic marine fenders, and high-pressure hoses. Here is how we are building our growth strategy around uniquely Yokohama strengths.

The ADVAN Sport V105, a fusion of superior driving performance and remarkable comfort. A showcase of Yokohama high performance. Automakers' choice on a growing range of sports cars and high-performance luxury models

Tackling Phase IV of Grand Design 100

As noted elsewhere, we entered the culminating Phase IV of our Grand Design 100 medium-term management plan in 2015. The Grand Design 100 Phase IV priorities for our tire operations call for allocating more resources to winning business with automakers worldwide, strengthening our presence in principal markets, and expanding business in commercial tires. In our Multiple Business operations, we are working in Phase IV to expand business globally in automotive components, to build on our market leadership in marine products, to strengthen our position in the mining and construction sectors worldwide, and to foster growth in new ventures based on original technologies.

Tires: allocating more resources to winning business with automakers worldwide

Our activity in allocating more resources to winning business with automakers worldwide is generating steady results. Only a handful of tire manufacturers possess the capabilities necessary to fulfill the requirements posed by automakers for factory fitments. In addition to our continuing progress in winning fitments on vehicle models produced in Japan, we won new fitments on several high-end passenger car models from European automakers in 2015. Our fuel-saving tires captured mounting interest, meanwhile, from Chinese automakers, who face escalating fuel-economy regulations.

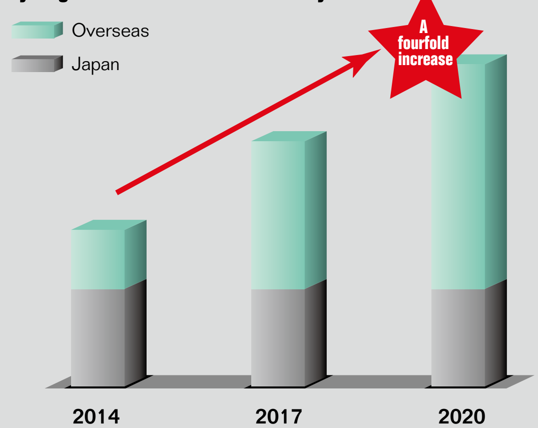
Factory fitments help ensure steady sales volume, and they contribute to replacement sales, as numerous car owners stay with the tire brand that came with their vehicle. They occasion technological advances, engender confidence in our products, and heighten our market visibility, which also contributes to replacement sales. We are therefore working systematically to expand our business in original equipment tires.

Our targets are to increase our annual unit deliveries to automakers overseas fourfold by 2020, compared with 2014, and to increase our global market share in original equipment to 10%. We therefore continue working to cultivate new relationships with automakers while reinforcing our established relationships.

Trends in original equipment demand tend to portend trends in replacement demand three and four years down the line. Automakers are opting increasingly for large-rim-diameter tires. So we are expanding our production capacity for passenger car tires of rim sizes of 18 inches and larger. The additional production capacity will come on line at our Shinshiro Plant, in Japan by 2018.

Our expanded capabilities for serving automakers have diminished the need for our original equipment marketing joint venture with Continental AG, Yokohama Continental Tire Co., Ltd. We therefore agreed to dissolve the joint venture as of March 31, 2016. Established in 2002 to serve Japanese and Korean automakers, Yokohama Continental Tire supplemented our Yokohama-brand offerings with Continental-brand tires. We will focus hereafter on serving automakers everywhere with tires under our own brand.

Eyeing Growth in Overseas Factory Fitments



Our Aim

Global OE 10

Our long-term goal is to build a 10% share of the global original equipment market.

A Chelsea FC touch for Yokohama advertising

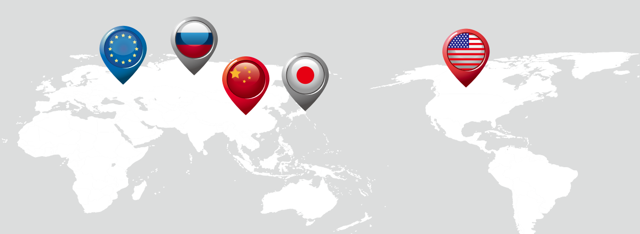
Tires: strengthening our presence in principal markets

The markets that we regard as "principal" are the world's largest tire markets—North America, Europe, and China—and two markets where we assert special strengths—Japan and Russia. Measures for strengthening our presence in our principal tire markets span marketing and manufacturing.

A marketing initiative of note is our partnership agreement with the Barclays Premier League champions, the Chelsea Football Club (Chelsea FC). That agreement took effect in July 2015 and covers five years. It places our name before the eyes of some 500 million Chelsea FC fans worldwide. And we build on the Chelsea FC relationship in advertising and promotions to strengthen our tires' association with technological excellence and superior driving performance and thereby expand our presence in our priority markets.

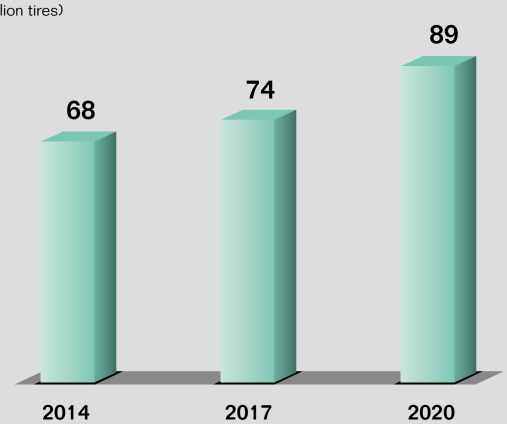
In manufacturing, Phase IV of our Grand Design 100 medium-term management plan provides for a hefty increase in our tire production capacity. We have earmarked ¥120 billion for investment in expanding tire production capacity during the three years of Phase IV and beyond. Our Phase IV target is to increase our annual production capacity to 74 million tires by 2017 year-end, compared with 68 million tires at 2014 year-end. And we aim to increase our production capacity to 89 million tires a year by the end of 2020. Plant-expansion projects for achieving those targets are under way in the Philippines, in China, and in Japan.

Fortifying Yokohama Marketing in Principal Markets



Annual Production Capacity

(Million tires)



Tires: expanding business in commercial tires

Our business in commercial tires gained important momentum with the October 2015 opening of our truck and bus tire plant in Mississippi. That highly automated plant has a production capacity of one million tires a year, and its 200-hectare site offers ample room for future expansion as warranted.

North America is our second-largest market for truck and bus tires, after Japan. And our tires earn high marks for retreadability, which is especially important to North American customers. We have served the truck and bus sector in North America primarily with replacement tires, but we are stepping up our approach to manufacturers of truck tractors and trailers and of buses.

Our commercial tire business gained further momentum after the end of the fiscal year. We announced in March 2016 our plans to acquire the Amsterdam-based Alliance Tire Group, a manufacturer of off-highway tires. That acquisition will bolster our global market presence notably in tires for agricultural and forestry machinery. We are especially excited about the prospects engendered by this acquisition in the agricultural sector, where tire demand is surging. See pages 12 and 13 of this report for additional information about the acquisition of the Alliance Tire Group.

Yokohama's new truck and bus tire plant in Mississippi

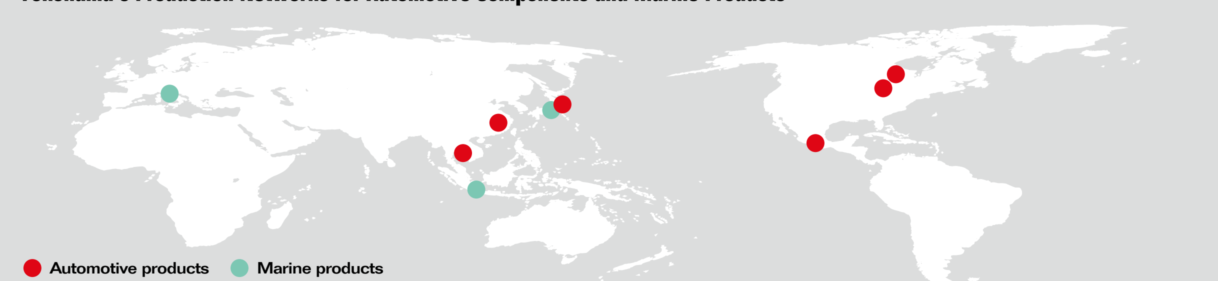
The opening of Yokohama Tire Manufacturing Mississippi, LLC.(YTMM), in West Point, Mississippi, on October 5

Multiple Business products: aiming for overseas growth

We aim to increase the overseas share of sales in our Multiple Business operations to 50% by as soon as 2020, from about 41% in 2015. Achieving that goal will depend chiefly on addressing the two strategic emphases of expanding business globally in automotive components and building on our market leadership in marine products. Our production network for automotive components comprises plants for automotive hoses in five nations—including a Mexican supplier added in January 2015—and plants for automotive sealants in four nations. In product development, we recently pioneered an advance in hoses for handling next-generation refrigerants in automotive air conditioners. Japanese automakers have begun using our new hoses in vehicle models for the European market, and we have received inquiries about the hoses from European automakers. Yet another initiative in automotive components has broadened our business in oil hoses for diesel turbochargers. We have begun supplying those hoses to vehicle plants in Thailand.

Building on market leadership in marine products means leveraging our first- or second-largest global market shares in pneumatic marine fenders and marine hoses. We expanded our global footprint in marine hoses with the September 2014 acquisition of an Italian manufacturer of those products. And we will expand our footprint further with the 2016 startup of production of marine hoses and pneumatic marine fenders in Indonesia.

Yokohama's Production Networks for Automotive Components and Marine Products



Optimizing Our Human Resources Globally

Bringing a global perspective to hiring, training, and promoting is a mounting emphasis in human resources management at Yokohama. For the past seven years, select employees in Japan have received overseas assignments immediately on joining the company. That program has been extremely effective in fostering cross-cultural insight and understanding.

We are laying a foundation to support a robust and multinational interchange of managers among our operations worldwide. That includes upgrading our training programs and unifying our management systems.

Bolstering Corporate Governance

Sound corporate governance and unfailing compliance with rigorous standards of corporate ethics are overriding priorities at Yokohama. In that spirit, we hold periodic conferences devoted to the themes of ethical compliance, global production, and environmental protection and attended by representatives of Yokohama Group companies worldwide. A core emphasis at the gatherings is on laying a foundation to support globally consistent performance in regard to the conference themes.

We are putting in place operational protocols, meanwhile, designed to prevent malfeasance. Our technology and marketing divisions are in the vanguard of implementing those protocols.

Independent perspectives on the Board of Directors are important in upgrading corporate governance. And we secured authorization at the March 2016 General Meeting of Shareholders to increase the number of independent members of our Board of Directors to three, from two.

My colleagues and I are committed to achieving the paramount Phase IV goal of Grand Design 100: "Maximize customer value and expand our global scope to remain a leader in the tire and rubber industry for another 100 years." I thank you for your attention to our progress in fulfilling that commitment.

"Maximize customer value and expand our global scope to remain a leader in the tire and rubber industry for another 100 years."

Acquisition to Boost Momentum in Commercial Tires

We announced on March 25, 2016, that we would acquire Alliance Tire Group, a manufacturer of off-highway tires. Alliance Tire Group companies manufacture tires at two plants in India and at one plant in Israel and market the tires worldwide.

The acquisition consists of purchasing all the outstanding shares of Alliance Tire Group B.V., the holding company of the Alliance Tire Group companies. We will purchase the shares from the majority owner, the global investment company KKR, and from the minority owners. We expect to complete the requisite filings in connection with antitrust regulations in the United States and in other nations and to finalize the acquisition by July 1, 2016. The price of the Alliance Tire Group shares to be purchased is US$1,179 million, subject to post-purchase adjustment.

Summary of Alliance Tire Group B.V.

Company name:
Alliance Tire Group B.V.

Head office:
Prins Bernhardplein 200 (1097JB), Amsterdam, Netherlands

Main business:
Manufacture and sale of tires for agricultural, forestry, industrial, and construction machinery

Production sites:
Two plants in India (subsidiary) and one plant in Israel (subsidiary)

Year established:
November 17, 2006

Annual sales:
US$529 million (2015)

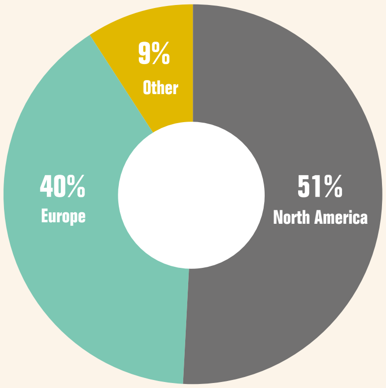
Operating profit:
US$95 million (2015)

Yokohama chairman Tadanobu Nagumo discussing the Alliance Tire Group acquisition at a press conference in Tokyo on March 25, 2016

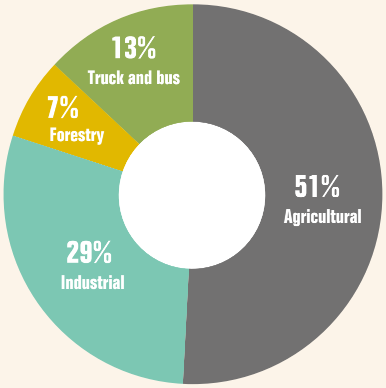
Expanding business in commercial tires is an emphasis in tire strategy in the ongoing Phase IV (2015–2017) of our medium-term management plan, Grand Design 100, and we are therefore stepping up our activity in developing and marketing ultralarge radial tires for mining and construction equipment. Alliance Tire Group specializes in manufacturing and marketing radial and bias tires for agricultural, forestry, industrial, and construction and mining machinery and it markets those tires in about 120 nations, focusing on Europe and North America.

The acquisition of Alliance Tire Group will expand our business in commercial tires and further the globalization of that business. Most notably, it will augment our line of commercial tires with a new presence in tires for agricultural equipment and forestry machinery. Demand for agricultural equipment tires is poised to increase as global population growth raises demand for foodstuffs and as the mechanization of agriculture broadens in an effort to raise productivity.

Alliance Tire Group Sales by Region in 2015



Alliance Tire Group Sales by Product Category in 2015

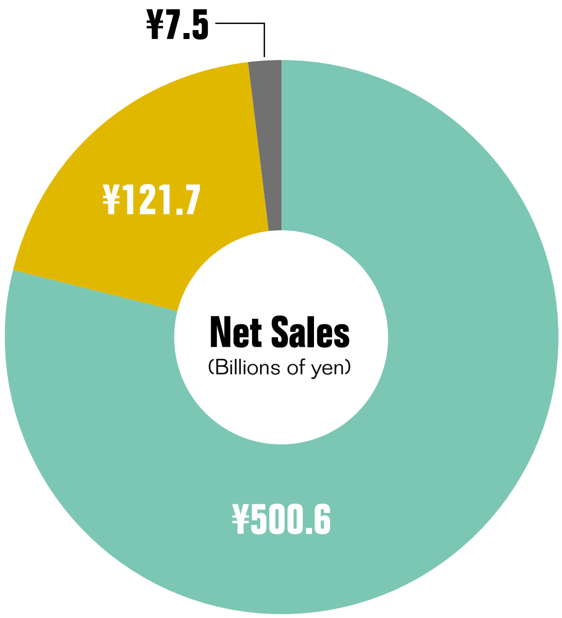


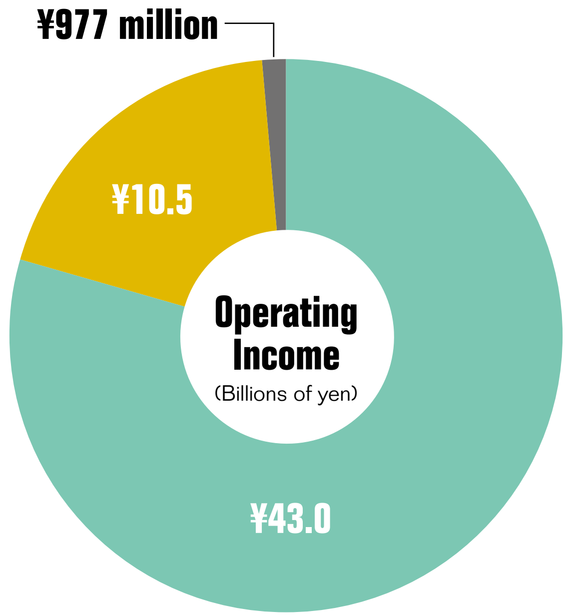
Alliance Tire Group's Principal Product Brands

Brand	ALLIANCE ENGINEERED TO KEEP YOU AHEAD	GALAXY APPLICATION SPECIFIC, PURPOSE BUILT.	PRIMEX EXPERT FOR THE EXTREME
Features	• Well-established agricultural tire brand, launched in Israel in 1950 • More than 1,000 sizes • Strong in Europe	• Launched in 1970s, mainly for construction • Strong in North America	• Mainly for forestry and mining • Strong in North America
Applications	• Agricultural • Forestry • Industrial • Construction	• Construction • Agricultural • Industrial	• Forestry • Construction • Industrial

YOKOHAMA AT A GLANCE

Tires Multiple Business Other products



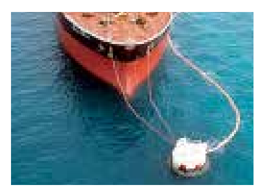
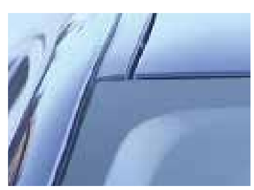


Tire Operations




Principal Products
Tires for passenger cars and light trucks, for trucks and buses, for construction and mining equipment, and for motor sports; tire tubes, aluminum alloy wheels, and other peripheral products

Multiple Business Operations


Principal Products
High-pressure hoses, conveyor belts, marine hoses and pneumatic marine fenders, antiseismic products and roadway joints, Hamatite-brand sealants and adhesives, coatings for electronic equipment, aircraft fixtures and components

BUSINESS RESULTS AND TRENDS

TIRE GROUP

Sales

¥500.6 billion

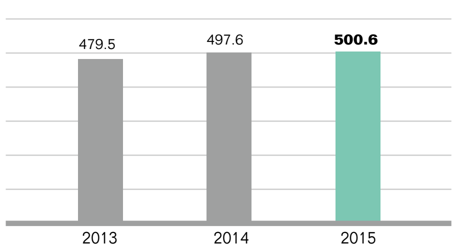
UP 0.6 %

Operating Income

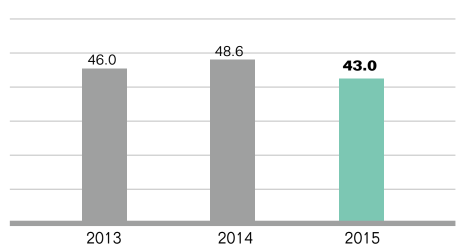
¥43.0 billion

DOWN 11.4 %

Sales
(Billions of yen)



Operating Income
(Billions of yen)



Sales and Earnings Performance in 2015

Operating income in the Tire Group declined 11.4% in 2015, to ¥43.0 billion, on a 0.6% increase in sales, to ¥500.6 billion. The group accounted for 78.9% of consolidated operating income and for 79.5% of consolidated net sales.

Japan: Original Equipment Tires

Our business in Japan's original equipment market declined in unit volume and in yen value on account of the decline in unit vehicle production. We partly offset the sales impact of the market shrinkage by winning new fitments on several vehicle models. Those fitments centered on premium-grade models and fuel-saving models, and we earned them by promoting our strengths in fuel-saving tires.

The Yokohama BluEarth E70, automakers' choice for factory fitment on several fuel-saving models

The GEOLANDAR H/T G056, a summer tire for sport-utility vehicles

Japan: Replacement Tires

Our tire business in the Japanese replacement market also declined in unit volume and in yen value. That was on account of escalating price competition and a warm winter, which diminished demand for our studless snow tires. We partly offset the sales impact of those adverse factors by launching appealing new products. Notable products included the BluEarth RV-02, a summer tire for minivans that features fuel-saving performance; the GEOLANDAR H/T G056, a summer tire for sport-utility vehicles; and the iceGUARD 5 PLUS passenger car tire, a new advance in icy-surface handling for our iceGUARD studless snow tires.

Overseas

Price competition was an issue in overseas markets, too, but we nonetheless achieved overall growth in tire business outside Japan. We maintained strong sales momentum in North America and recorded sales growth in China. The October 2015 start of production at our new Mississippi plant for truck and bus tires reinforced our market presence in North America.

Outlook for 2016

We project that operating income in the Tire Group will increase 3.2% in 2016, to ¥44.4 billion, on a 4.1% increase in sales, to ¥521.0 billion. Those projections reflect our expectations of growth in tire sales overseas, a decline in raw material prices, and an improvement in capacity utilization rates at our plants.

GEOLANDAR H/T G056

BUSINESS RESULTS AND TRENDS

MULTIPLE BUSINESS GROUP

Sales

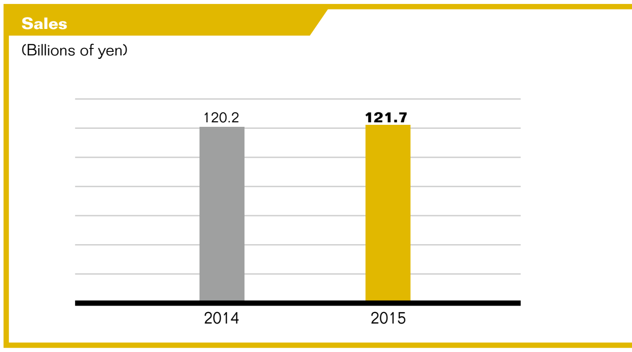
¥121.7 billion

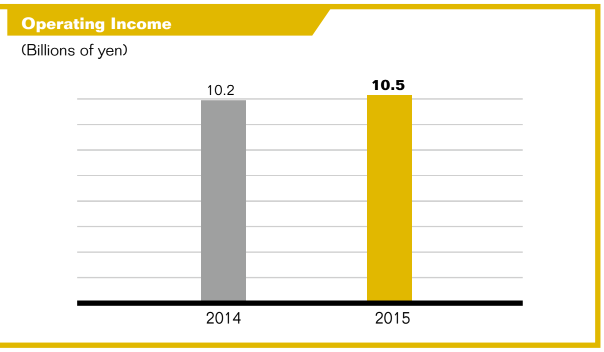
UP 1.2%

Operating Income

¥10.5 billion

UP 2.9%





Note:
The Multiple Business Group, established in 2015, comprises the operations formerly categorized as "Industrial Products" and the aircraft fixtures and components business formerly included in "Other Products." We have restated our results by business segment for 2014 to reflect this change retroactively.

Sales and Earnings Performance in 2015

Operating income in the Multiple Business Group increased 2.9% in 2015, to ¥10.5 billion, on a 1.2% increase in sales, to ¥121.7 billion. The group accounted for 19.3% of consolidated operating income and for an identical percentage of consolidated net sales.

High-pressure Hoses

Our business in high-pressure hoses declined, largely on account of the global slowdown in natural resources development and slowing economic growth in China. Also affecting business adversely was a demand downturn in Japan's construction equipment sector. That downturn followed a 2014 surge in demand associated with toughened exhaust emissions. Demand in the construction sector also slumped in China and in Southeast Asia. In the automotive sector, Japanese demand declined amid the decline in unit production of vehicles, and Southeast Asian demand declined in reflection of the shift to electrically controlled power steering.

Industrial Materials

We posted sales growth in industrial materials. Leading that growth were gains in overseas business in marine hoses and in Japanese business in antiseismic products and other civil engineering products.

Marine hoses

Hamatite-brand Sealants and Adhesives and Coatings for Electronic Equipment

Sales increased in our business unit that handles Hamatite-brand sealants and adhesives and electronic equipment coatings. Gains in overseas business in automotive adhesives more than offset weak Japanese sales of construction sealants.

Aircraft Fixtures and Components

Our business in aircraft fixtures and components expanded. That increase reflected expanded business in items for commercial airliners.

Outlook for 2016

We project that operating income in the Multiple Business Group will decline 7.0% in 2016, to ¥9.8 billion, on a 1.1% increase in sales, to ¥123.0 billion.

A Yokohama lavatory module for a commercial airliner

GOLF
Equipment

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

New egg (top)
and SUPER egg

Highlights of 2015

Two New Lines of Clubs for All Golfers to Get the Most Distance

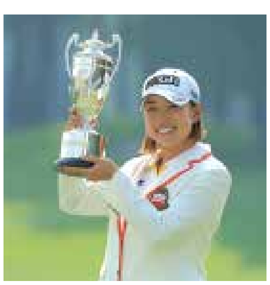
Our popular egg family of golf clubs gained two new lines for all golfers to get the most distance in 2015. The New egg clubs, launched in September, provide excellence distance while complying with professional tournament rules. Our SUPER egg clubs, launched in October and unavailable for tournament competition, incorporate high-repulsion heads for even greater distance. Both of the new lines of clubs have proved popular in their target markets.

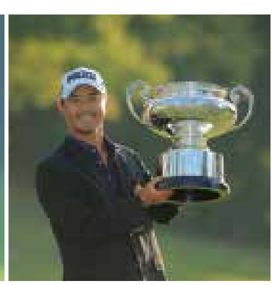
Tournament Wins for Two Yokohama-sponsored Golfers

Two professional golfers sponsored by Yokohama captured wins at prominent tournaments in Japan in 2015. Erina Hara won the DAITO KENTAKU eheyanet ladies in August, and Satoshi Kodaira won the Japan Open Golf Championship in October.

Yokohama Tire Golf Tournament PRGR Ladies Cup

We hosted the eighth Yokohama Tire Golf Tournament PRGR Ladies Cup in March 2015. That stop on the Japanese pro tour focuses attention on our continuing contributions to golf through the PRGR brand.


Erina Hara


Satoshi Kodaira

Rie Tsuji, a Yokohama-sponsored professional golfer, at the 2015 PRGR Ladies Cup

CORPORATE PHILOSOPHY AND CORPORATE SOCIAL RESPONSIBILITY

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

In 2006, we drew up a medium-term management plan, Grand Design 100, and set a clear target of becoming a global company with ¥1 trillion in net sales by 2017. Also, since our Basic Philosophy has been compiled based on the strong awareness of the expectations and needs arising from the international community, the plan places a strong emphasis on CSR by adopting these two basic points; to assert world-class strengths in technologies for protecting the environment and fostering a customer-oriented corporate culture as our first priority by respecting higher standards of corporate ethics. In 2008, we reformed our corporate structure by establishing the CSR Division, followed by announcing our vision of CSR management both internally and externally. Our vision, to build a trusted identity as a contributing member of the global community, incorporates our desire to change the letter "R" in CSR to "Reliability", instead of the original "Responsibility." By doing so, we are hoping to make the concept more accessible and practical in our daily operations.

Corporate Philosophy (Launched in 1990)

Basic Philosophy

To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products.

Management Policies

- Take on the challenge of new technologies to produce new value.
- Develop proprietary business fields to expand the scope of business.
- Create a workplace that values, improves and energizes people.
- Deal fairly with society and value harmony with the environment.

Action Guidelines

- Develop ourselves so that we may give our personal best.
- Trust, challenge and improve one another.
- Nurture a welcoming, open spirit.

Corporate Slogan

Excellence by nature

CSR Management Vision (Launched in 2008)

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

CSR Action Guidelines

- Identify continually changing social trends.
- Ascertain the items that can contribute.
- Act swiftly to earn affirm trust.
- Practice CSR in one's own work.

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

GD100 Vision and Basic Policy

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

Long-Term Financial Targets (FY2017)

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

Basic Policy

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

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

Basic Policy

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

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

Seven Pillars of Core Subjects

The entire Yokohama Rubber Group, including all domestic and overseas subsidiaries, observes as action guidelines the 10 Principles of the United Nations Global Compact and the ISO 26000 seven core subjects, in accordance with PDCA carried out.

UN Global Compact's 10 Principles

Human Rights

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

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

Labour

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

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

Principle 5: the effective abolition of child labour; and

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

Environment

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

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

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

Anti-Corruption

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

THE GLOBAL COMPACT
WE SUPPORT

ISO 26000 Seven Core Subjects

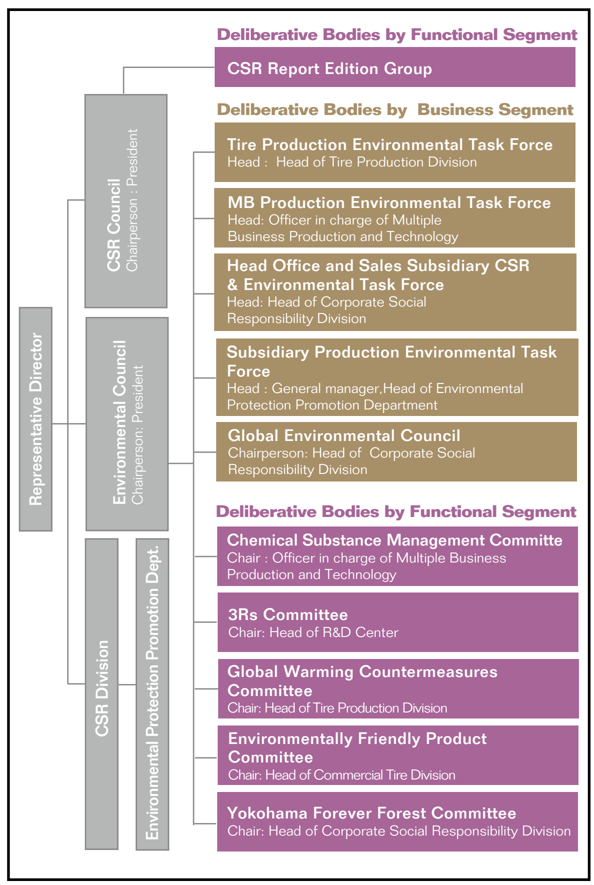
1. Organizational governance
2. Human rights
3. Labor practices
4. The environment
5. Fair operating practices
6. Consumer issues
7. Community involvement and development

CSR and Environmental Management Promotion Framework

Overseeing our measures for fulfilling corporate social responsibility is our CSR Council, headed by our company president. Safeguarding the environment is a central emphasis, of course, in those measures, and we have established the Environmental Council, headed by our company president, to oversee our work in maintaining environmental quality. Each council meets twice yearly to establish priorities and to evaluate our progress in tackling those priorities. They evaluate our progress in reference to our seven pillars of critical issues and issue instructions as appropriate for making improvements in our approach.

Fulfilling our corporate social responsibility is a global undertaking in the Yokohama Group, and representatives of group companies worldwide gather annually for a global environmental conference. In addition, we have begun holding regional gatherings of the managers responsible for environmental protection at Yokohama Group companies. The first regional gatherings took place in China and Thailand 2014, and we held a North American gathering in 2015.

CSR and Environmental Promotion Framework



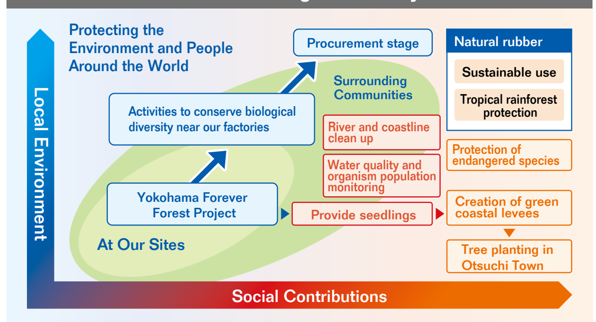
An Environmental Facet of Corporate Social Responsibility: Conserving Biodiversity in the Name of Maintaining a Rich Ecology

Basic Approach

We at Yokohama Rubber rely in our business on natural rubber and on other fruit of the natural bounty of the Earth. Our plants use large amounts of water, meanwhile, for cooling equipment, and they release large amounts of heat and carbon dioxide. We recognize that the environmental impact of our operations poses a threat to biological diversity, and we are therefore working systematically to offset that threat.

Our efforts on behalf of biodiversity are in accordance with guidelines that we adopted in July 2010. They include shaping our operations with an eye to maximizing environmental sustainability and undertaking initiatives beyond our business operations in support of conserving biodiversity.

Overview of Yokohama Rubber's Activities to Conserve Biological Diversity



Stance and Targets

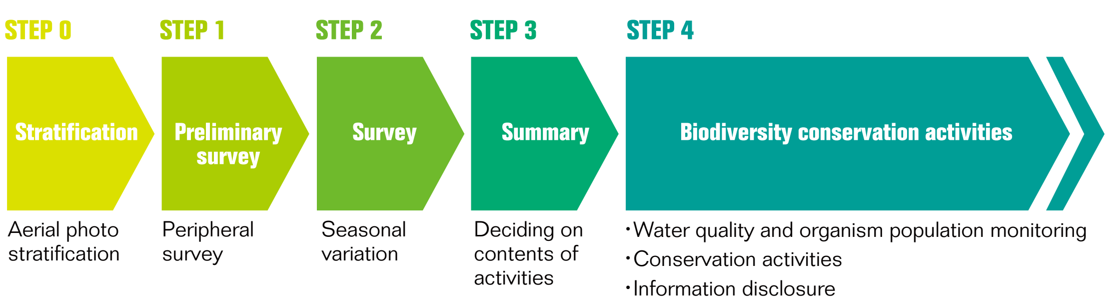
Cultivating a commitment to environmental stewardship among employees and an awareness of the importance of biodiversity is central to our work in fulfilling our corporate social responsibility. In that spirit and in the spirit of contributing to the well-being of our host communities, we launched the Yokohama Forever Forest project in 2007. That project provides for planting 500,000 trees at Yokohama subsidiaries and affiliates worldwide by 2017.

Measures

We abide by a stepwise approach in tackling a growing range of activities for conserving biodiversity. Our preparatory work at each plant consists of securing an overall grasp of ecological conditions in the waters, the verdure, the nature sanctuaries, and the residential communities around the plant.The biodiversity-conservation work gets under way in steps one and two with the conducting of preliminary and full-fledged surveys of water quality and other ecological factors and with the assembling of species maps of the flora and fauna in the vicinity. In step three, we identify a set of species to survey from the perspective of sustainable biodiversity. Step four unfolds with the project participants monitoring the plant's environmental impact on a year-round basis, selecting species for protecting in the interest of conserving biodiversity, and reporting their results.

Our Yokohama Forever Forest team reported, for example, that project participants had planted 466,390 trees by the end of 2015—93% of the target for 2017. The project participants monitor tree growth at their planting sites and calculate the resultant absorption of carbon dioxide by measuring the tree heights and the trees' chest-height diameters. They also conduct surveys of wild birds to determine the ecological functionality of the plantings.

Process Flow for Biodiversity-Preservation Activities



Momentum in Japan and Beginnings Abroad

Biodiversity-conservation activities at Yokohama got started in November 2010 at our Mie Plant, and seven of our Japanese plants have attained a full-cycle momentum of surveying their ecology, tackling improvements, monitoring the progress, and reporting the results. We extended our biodiversity initiative beyond Japan in September 2013. Yokohama Tire Manufacturing (Thailand) Co., Ltd., and Yokohama Rubber (Thailand) Co., Ltd., have also advanced to full-cycle biodiversity-conservation work. Biodiversity-conservation activities got under way in April 2015, meanwhile, at Yokohama Tire Philippines, Inc., and at Hangzhou Yokohama Tire Co., Ltd. And those activities have advanced to step-two survey work.

Conducting ecological monitoring near the Nagano Plant in July 2015 at the confluence of the Oshimagawa and Tenryugawa Rivers.

Surveying marshland ecology in October 2015 along a river near Hangzhou Yokohama Tire's plant

Throughout the Supply Chain

Our people in Indonesia and in Thailand monitor the impact of activity in our supply chain on biodiversity. They conduct biodiversity surveys at suppliers of natural rubber.

Discussing approaches to ecological monitoring at a Thai rubber plantation

Community Interaction

Some of our plants hold open houses to acquaint members of the community with our activity in conserving biodiversity. For example, our Hiratsuka Factory has hosted Think Eco Hiratsuka community panel discussions on the subject of biodiversity annually since 2014. Yokohama Tire Manufacturing (Thailand) hosted an open house in October 2015 for civic leaders, municipal officials, and schoolteachers to explain its activity in preserving biodiversity and to show them a project site.

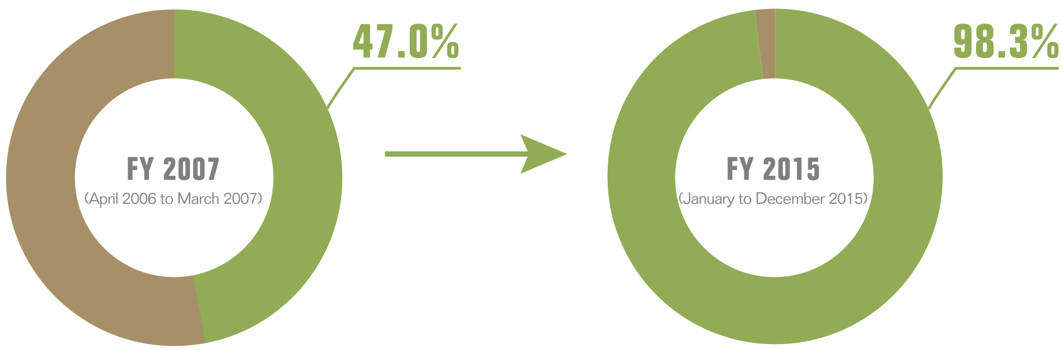
A biodiversity panel discussion at the Hiratsuka Factory in November 2015

A biodiversity open house at Yokohama Tire Manufacturing (Thailand) in October 2015

Deploying Environmentally Friendly Products

We evaluate products in regard to four environmental criteria: prevention of global warming, resource recycling, resource saving, and safety and comfort. Our guidelines mandate that all new products achieve an aggregate improvement of at least 5% over existing products and that they at least match existing products in regard to all four criteria. By the end of 2015, 98.3% of our products fulfilled our criteria for minimizing environmental impact, and we aim to increase that percentage to 100% by the end of 2017.

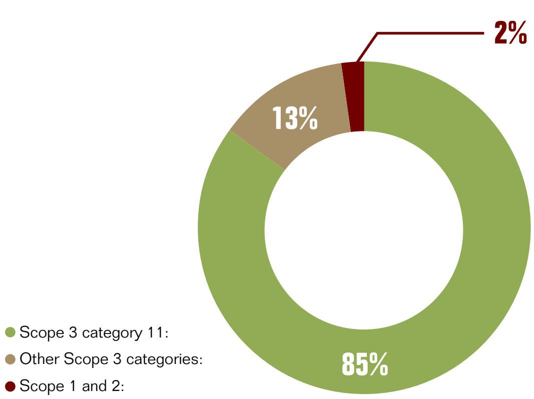
Proportion of Environmentally Friendly Products among All Products



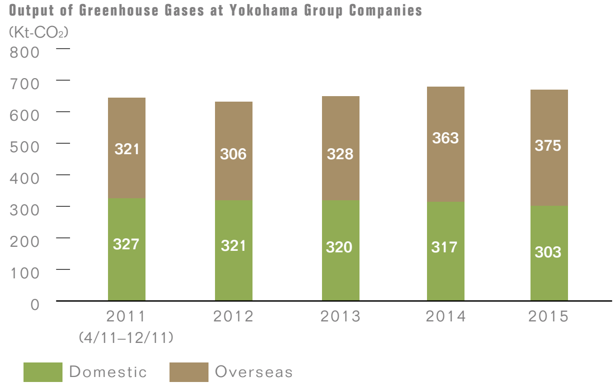
Reducing Output of Greenhouse Gases

Our medium-term target in Japan is to reduce our annual greenhouse emissions 25% by 2020, compared with 1990. In 2015, our overall reduction reached 20%. Our long-term target worldwide is to reduce our output of carbon dioxide more than 50% across our entire value chain by 2050, compared with 2005. That target encompasses indirect "Scope 3" emissions as defined under the Greenhouse Gas Protocol Corporate Standard, as well as emissions from our directly owned operations.

Emissions associated with product usage account for about 85% of our Scope 3 emissions. We are working to reduce those emissions by deploying fuel-saving performance in tires and other product features for minimizing environmental impact. Our efforts include working with suppliers and other partners to reduce emissions of greenhouse gases throughout our value chain.



Output of Greenhouse Gases at Yokohama Group Companies



Scope 3 Emissions at Yokohama Group Companies
(Kt-CO_2)

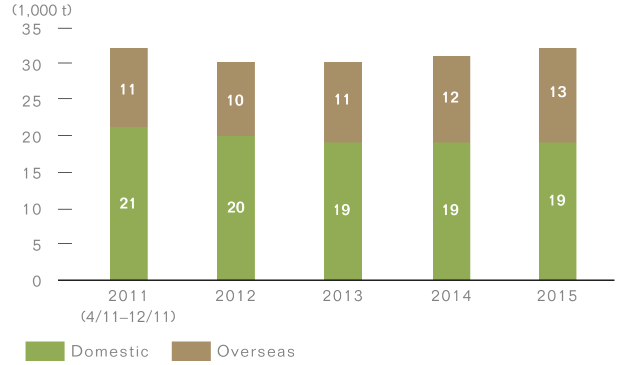
	Scope 3 category	2014	2015
1	Purchased products and services	2,342	2,364
2	Capital goods	475	302
3	Fuel and energy	103	108
4	Transportation and distribution (upstream)	148	148
5	Waste	2	2
6	Business travel	3	14
7	Commuting employees	18	18
8	Upstream leased assets	—	—
9	Downstream transportation and distribution	58	50
10	Processing of sold products	5	4
11	Use of products	26,155	20,273
12	Disposal of products	1,467	464
13	Downstream leased assets	0	0
14	Franchises	—	—
15	Investment	67	84
	Total	**30,844**	**23,832**

Reducing Output of Waste

We continued working in 2015 to reduce waste per unit of production (by value) at least 1% annually at our plants worldwide, and we exceeded that target for the fourth consecutive year.

Our efforts to eliminate landfill waste at our plants worldwide also continued in 2015. We have achieved zero output of landfill waste at all our plants in Japan and at 12 our16 overseas plants.

Output of Waste at Yokohama Group Companies



Public-Interest Activities in Japan and Overseas

Below are some examples of public-interest activities at our operations around the world in 2015.

JAPAN

Ibaraki Plant

Employees at our Ibaraki Plant cultivate plant seedlings on the plant grounds, and some of them distributed 1,380 seedlings at a local festival. They also distributed seedlings at community tree plantings.

Mie Plant

Our Mie Plant held an outdoor environmental workshop for fourth-grade students from an elementary school in the plant community. Employees from the plant and the children removed plants of invasive species along a nearby beach to protect the native species.

Mishima Plant

Third-grade students at an elementary school near our Mishima Plant received storytelling instruction about environmental stewardship from plant employees and took part in tree planting. In addition, the plant distributed tree seedlings to members of the community at a local festival.

OVERSEAS

Yokohama Tire Manufacturing Virginia, LLC

At Yokohama Tire Manufacturing Virginia, employees picked up litter in the plant community. Company employees also worked with other members of the community in collecting used electrical appliances for recycling.

SC Kingflex Corporation (Taiwan)

Employees from our Taiwanese subsidiary SC Kingflex participated in an oceanfront cleanup sponsored by Miaoli County. In addition, the company contributed to a fund for supporting environmental education at an elementary school in its host community and held a litter pickup on nearby mountain paths.

Yokohama Tyre Vietnam Inc.

An elementary school near Yokohama Tyre Vietnam received assistance from the company in planting trees and fortifying its curriculum. The company also furnished aid to a nearby orphanage. In another initiative, Yokohama Tyre Vietnam gave 710 notebooks to schoolchildren in Dong Nai Province. And it held charity activities on behalf of a center for disabled children in Ho Chi Minh City.

LLC Yokohama R.P.Z. (Russia)

Our Russian subsidiary, LLC Yokohama R.P.Z., supports afforestation under the United Nations' Green Wave project. That support included hosting elementary and junior high school students at a tree-planting event. The company also held open houses to foster awareness of environmental issues and to introduce the Yokohama commitment to environmental protection. And it called attention to Yokohama's fuel-saving tires at plant tours.

CORPORATE GOVERNANCE

Basic Approach

We in the Yokohama Group work in the spirit of our corporate philosophy to achieve continuing growth in corporate value and to thereby earn the unwavering confidence of all our stakeholders. Our efforts have included building a corporate governance framework for ensuring sound management that is fair and transparent, and we have worked continuously to reinforce that framework.

Framework

Our management framework centers on governance entities prescribed by Japan's Company Law: the Annual General Meeting of Shareholders, representative members of the Board, the Board of Directors, the Audit and Supervisory Board, and an independent public accountancy. We supplement those entities with officers, who are responsible for operational management, to speed the process of making and implementing decisions. Presently, the senior management team comprises 12 members of the Board, headed by the chairman of the Board and the president, and 16 officers, not including officers who serve concurrently as members of the Board. The members of the Board include 7 members who serve concurrently as officers and 3 independent members of the Board.

We reinforce our management framework with the Executive Committee, which comprises the chairman of the Board, other selected members of the Board, and other executives. That committee monitors our performance in fulfilling our business plans and deliberates matters pertinent to our business strategy.

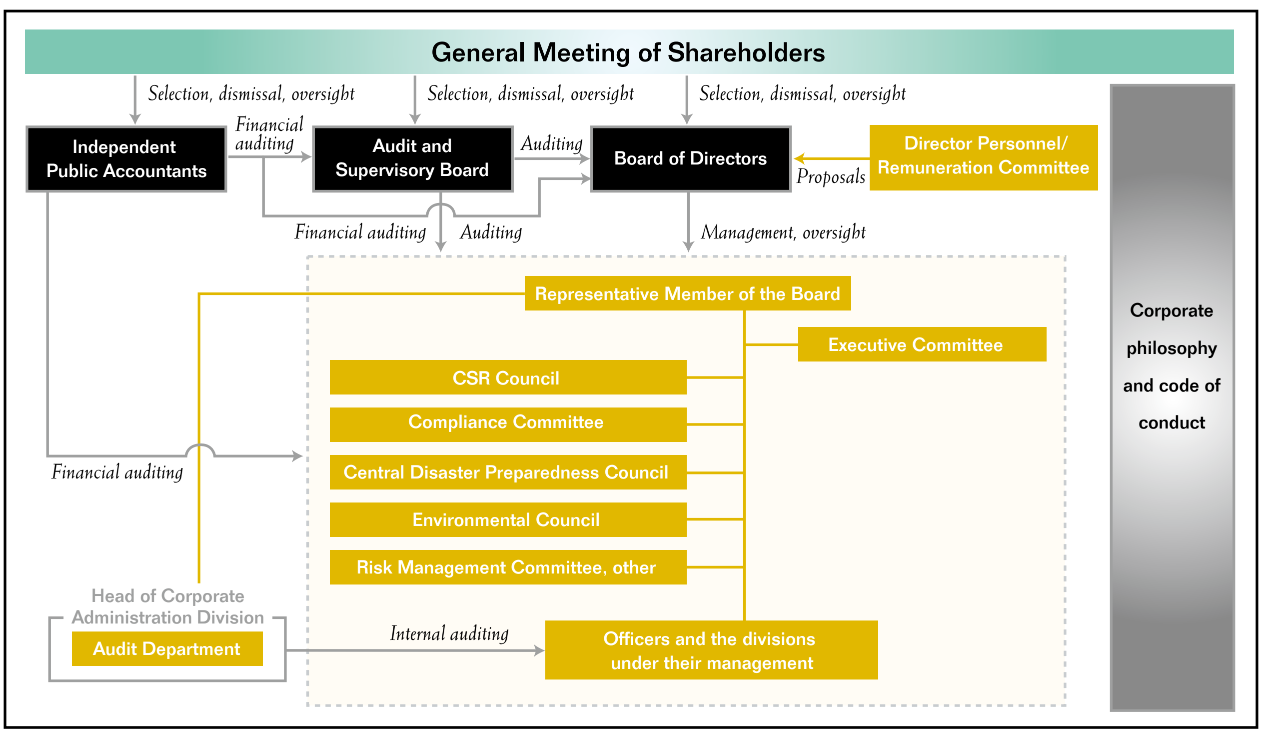
In the interest of clarifying management responsibility, we employ a one-year term for members of the Board. And we abide by the principles of transparency and fairness in personnel and remuneration decisions in regard to the Board. Our Director Personnel/Remuneration Committee reviews proposals for matters under its purview and makes recommendations to the Board of Directors , which makes the final decisions.

Audit and Supervisory Board members

Auditing at Yokohama is a tripartite undertaking by our Audit and Supervisory Board, which monitors management; an independent public accounting firm, which monitors the company's financial accounting; and our Audit Department, which conducts operational and financial auditing of the parent company and its principal subsidiaries and affiliates. We reinforce the auditing function by maintaining autonomy among those units.

The Audit and Supervisory Board comprises five members, including three recruited from outside the

The Yokohama Framework of Corporate Governance



company to help ensure objectivity in the auditing function. They participate in meetings of the Executive Committee and of other management gatherings where important matters are discussed and receive reports about the status of our business operations. The Audit and Supervisory Board members also obtain important information from the independent public accounting firm and from the 10-member Audit Department. We assign an assistant to the Audit and Supervisory Board members to help them carry out their work smoothly and effectively.

Independent Members of the Board and Independent Audit and Supervisory Board Members

Our Board and our Audit and Supervisory Board each include, as noted, three independent members recruited from outside the company. In appointing the independent members of the Board and the independent Audit and Supervisory Board members, we refer to guidelines established by the Tokyo Stock Exchange for ensuring independence.

The independent members of the Board receive reports from the Audit Department about the results of internal audits and about the maintenance and operation of our framework of internal controls. They also receive regular reports from the Audit and Supervisory Board members about pertinent matters. The independent members of the Board thereby secure a grasp of the status of the Yokohama Group and of issues faced by the group, and they express their views on matters of importance to their fellow members of the Board as they deem appropriate.

Our independent Audit and Supervisory Board members receive reports in the same manner as the independent members of the Board. They further fortify their capacity for conducting audits efficiently and effectively by exchanging information with our independent public accounting firm, with our Audit Department, and with corporate auditors at Yokohama subsidiaries.

Internal Controls

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

Risk Management

Spearheading risk-preparedness measures at Yokohama is our Risk Management Committee, chaired by the head of the Corporate Social Responsibility Division. That committee evaluates risk from a cross-sector perspective and devises precautionary measures. We have also established committees to manage risk, respond to incidents, establish guidelines, and distribute manuals in regard to ethical compliance, safety, disaster preparedness, environmental quality, information security, personal information management, and exports. Our Executive Committee and CSR Council receive timely reports from all of those committees.

Ethical Compliance

Compliance Committee and Corporate Compliance Department

A member of the Board 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 the Audit and Supervisory Board members. Responsible for enforcing ethical compliance is our Corporate Compliance Department. That department establishes guidelines for ethical behavior in the Yokohama Group and conducts training and awareness-raising activities in regard to ethical compliance for the members of the Board, our officers, and our employees.

Enforcement at subsidiaries and affiliates

Each principal Yokohama subsidiary and affiliate has prepared and observes ethical guidelines based on the action guidelines established by the Compliance Committee. The Corporate Compliance Department and compliance officers designated by that department at our Japanese subsidiaries and affiliates share information and develop a common grasp of issues. In addition, the Corporate Compliance Department makes timely reports to the Executive Committee about the status of ethical compliance in the Yokohama Group. The Audit Department, meanwhile, systematically monitors the auditing functions for accounting, operations, and ethical compliance at the subsidiaries and affiliates and reports its findings to the members of the Board, to the pertinent divisions, and to the Audit and Supervisory Board members.

Whistleblower hotlines

We also maintain hotlines to handle reports of suspected infractions from persons inside and outside the company. The hotlines handled 50 inquiries and consultations in 2015.

MEMBERS OF THE BOARD, AUDIT & SUPERVISORY BOARD MEMBERS, AND OFFICERS

As of March 30, 2016

Front row, from left: *Osamu Mikami, Shigeo Komatsu, Takao Oishi, Tadanobu Nagumo, Hikomitsu Noji, Hideto Katsuragawa, Yasushi Kikuchi*
Back row, from left: *Nobuo Takenaka, Hideichi Okada, Masataka Yamaishi, Shigeru Nakano, Naozumi Furukawa*

Members of the Board

Tadanobu Nagumo
Chairman and Representative Member of the Board

Hikomitsu Noji
President and Representative Member of the Board
President of Tire Business

Takao Oishi
Member of the Board and Senior Managing Officer
President of Multiple Business

Hideto Katsuragawa
Member of the Board and Senior Managing Officer
CEO of Yokohama Corporation of North America,
CEO of Yokohama Tire (Canada) Inc.

Shigeo Komatsu
Member of the Board and Managing Officer
Head of Corporate Administration Div.,
in charge of Corporate Social Responsibility Div.,
President of Yokohamagomu Finance Co., Ltd.,
President of Yokohama Rubber Singapore Pte. Ltd.

Yasushi Kikuchi
Member of the Board and Managing Officer
Chief Tire Technical Officer, Head of Global Procurement Div.,
in charge of R&D Center

Osamu Mikami
Member of the Board and Managing Officer
Head of Japan Replacement Tire Sales & Marketing Div.,
President of Yokohama Tire Japan Co., Ltd.

Masataka Yamaishi
Member of the Board and Officer
Head of Corporate Planning Div., Head of Tire Business Planning Div.,
in charge of IT & Management System Planning Div.,
President of Yokohama Motorsports International Co. Ltd.

Shigeru Nakano
Member of the Board and Officer
Chief Tire Production Officer,
Head of Tire Production Technology Div.,
Head of North America Tire Plant Div.

Naozumi Furukawa
Member of the Board

Hideichi Okada
Member of the Board

Nobuo Takenaka
Member of the Board

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

Audit & Supervisory Board Members

Hirohiko Takaoka

Masayoshi Daio

Yoshiki Sato

Akio Yamada

Atsushi Kamei

Officers

Toru Kobayashi
Executive Vice President
Assistant to President

Takaharu Fushimi
Managing Officer
Head of Tire Overseas Sales & Marketing Div.

Tetsuya Kuze
Managing Officer
Vice President of Yokohama Corporation of North America,
CEO of Yokohama Tire Manufacturing Mississippi, LLC.

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

Hirohisa Hazama
Managing Officer
Head of O.E. Tire Sales & Marketing Div.

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

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

Yasuhiro Kurokawa
Officer
President of Yokohama Tire Philippines, Inc.

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

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

Shinichi Takimoto
Officer
CEO of Yokohama Tire Corporation,
CEO of Yokohama Tire Mexico S. de R.L. de C.V.

Shuichi Tsukada
Officer
Head of Corporate Social Responsibility Div.,
Head of Corporate Compliance Dept.

Hitoshi Kobayashi
Officer
Head of Tire Production Div.,
Head of Hiratsuka Factory

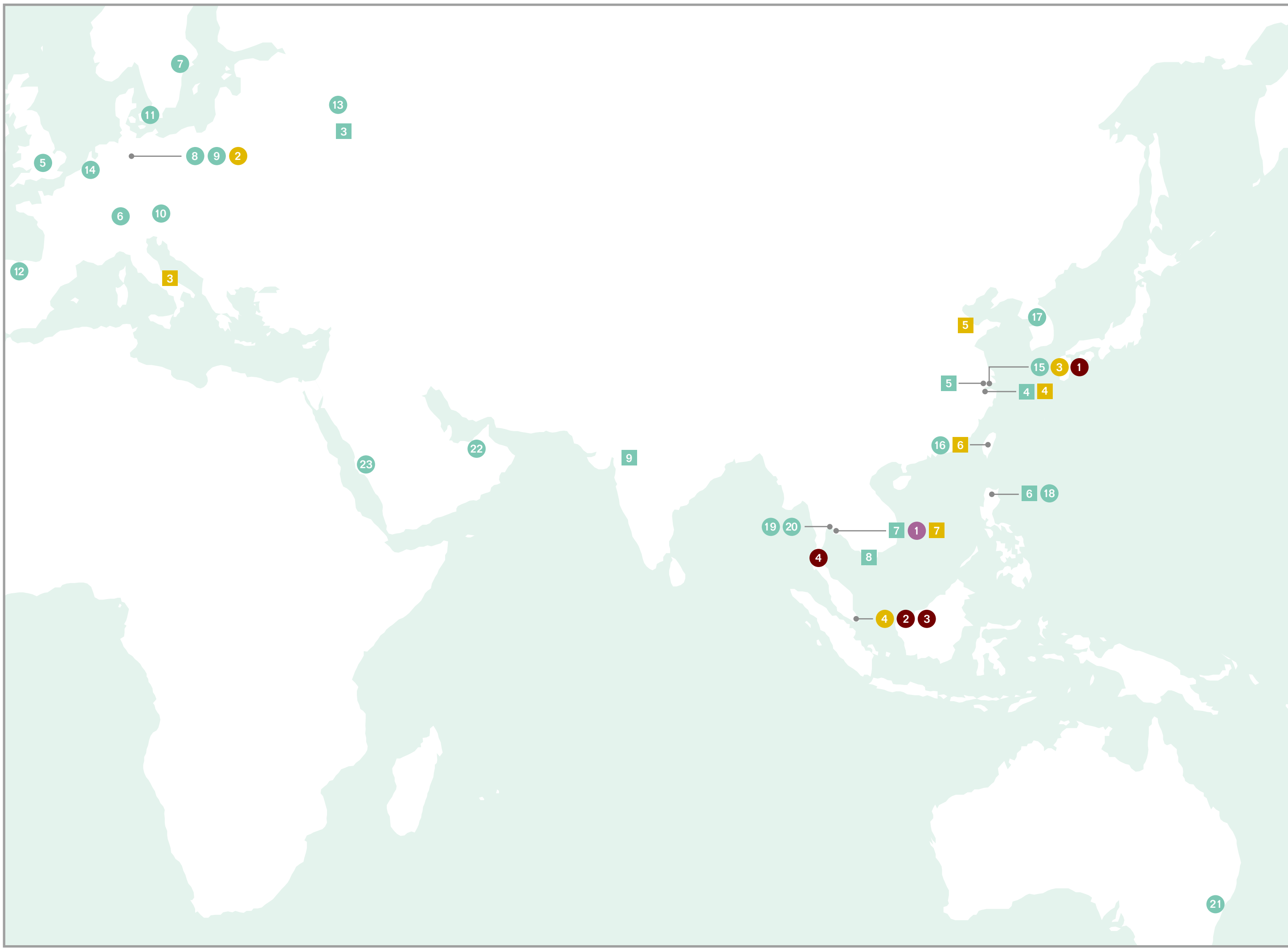
Jun Shimada
Officer
Assistant to President of Multiple Business,
in charge of Multiple Business Production and Technology

Takashi Shirokawa
Officer
Head of Tire Materials Development Div.,
Head of Tire Materials Development Dept. No.2

Tadaharu Yamamoto
Officer
Acting Head of Tire Business Planning Div.,
Head of Tire Business Planning Dept.

GLOBAL NETWORK

Overseas Subsidiaries and Affiliates



Tire Group

Production and Sales

Americas

1. Yokohama Tire Manufacturing Virginia LLC. (United States)
2. Yokohama Tire Manufacturing Mississippi, LLC. (United States)

Europe

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

Asia

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

Sales and Marketing Support

Americas

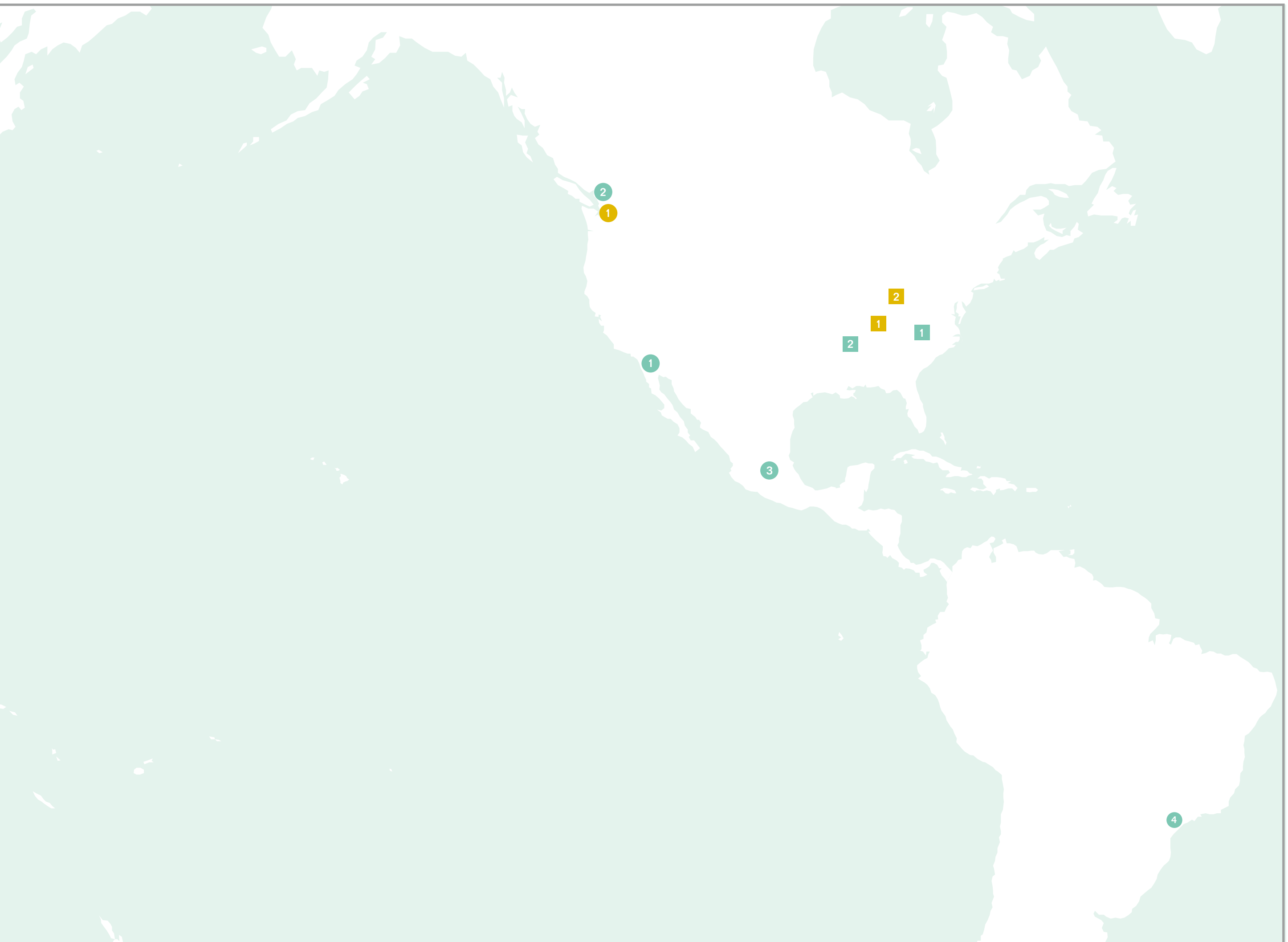
1. Yokohama Tire Corporation (United States)
2. Yokohama Tire (Canada) Inc. (Canada)
3. Yokohama Tire Mexico S. de R.L. de C.V. (Mexico)
4. Yokohama Rubber Latin America Indústria e Comércio Ltda. (Brazil)

Europe

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

Asia

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



Oceania

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

Middle East

22 Dubai Head Office (Dubai/Business coordination)

23 Jeddah Office (Saudi Arabia/Business coordination)

Proving Ground

1 Tire Test Center of Asia (Thailand)

Multiple Business Group

Production and Sales

Americas

1 Yokohama Industries Americas Inc. (United States)

2 Yokohama Industries Americas Ohio Inc. (United States)

Europe

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

Asia

4 Yokohama Industrial Products-Hangzhou Co., Ltd. (China)

5 Shandong Yokohama Rubber Industrial Products Co., Ltd. (China)

6 SC Kingflex Corporation (Taiwan)

7 Yokohama Rubber (Thailand) Co., Ltd. (Thailand)

Sales and Marketing Support

Americas

1 Yokohama Aerospace America, Inc. (United States)

Europe

2 Yokohama Industrial Products Europe, GmbH (Germany)

Asia

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

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

Other

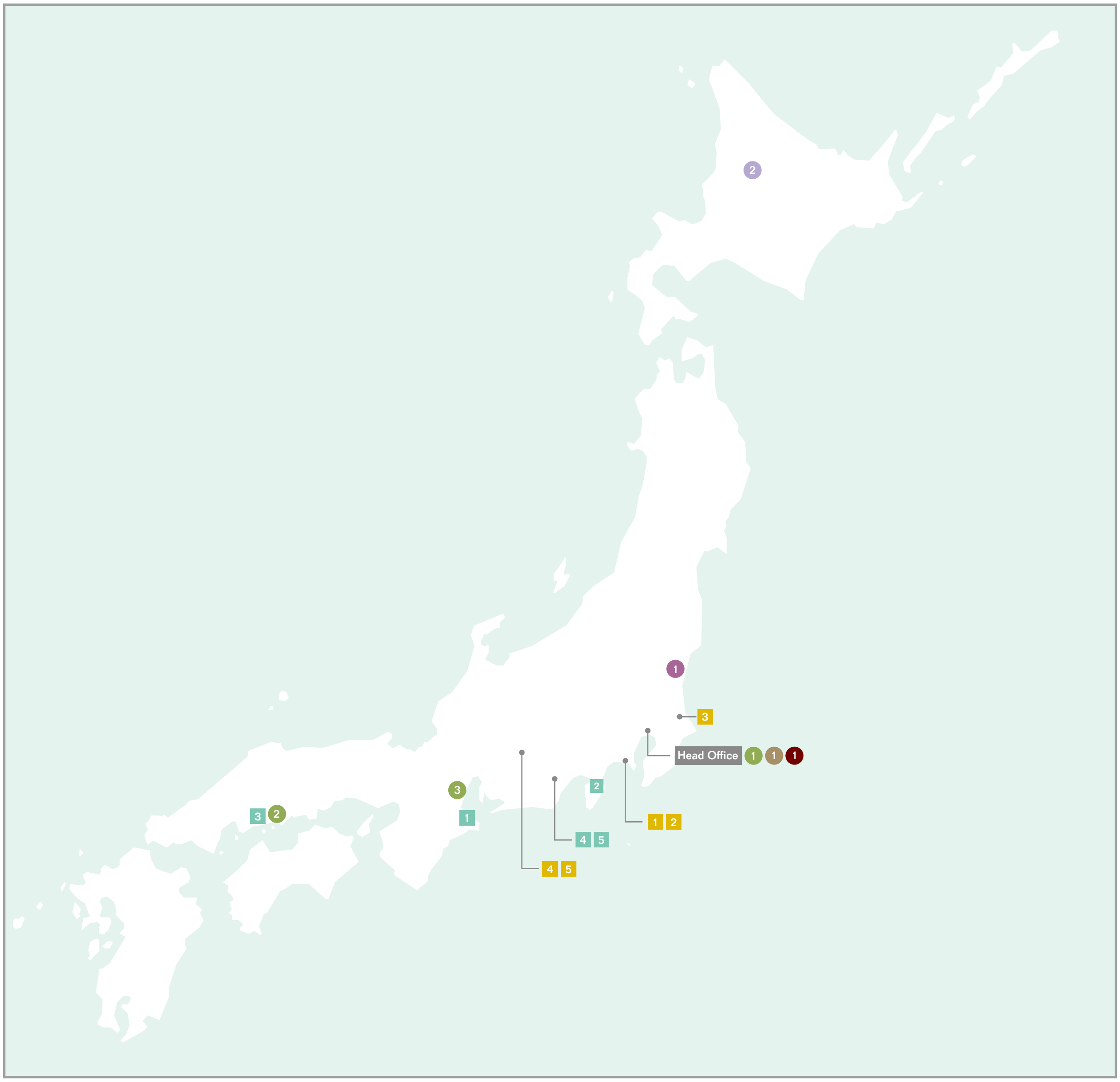
1 Yokohama Rubber (China) Co., Ltd. (China/Management company)

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

3 Singapore Branch (Singapore/Business coordination)

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

PRINCIPAL OPERATIONS IN JAPAN



Tire Group

Plants

1 Mie Plant
2 Mishima Plant
3 Onomichi Plant
4 Shinshiro Plant
5 Shinshiro-Minami Plant

Sales Subsidiaries and Affiliates

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

Proving Grounds

1 D-PARC
2 Tire Test Center of Hokkaido

Multiple Business Group

Plants

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

Sales Subsidiaries

1 Yokohama Industrial Products Japan Co., Ltd.

Other

1 PRGR Co., Ltd.

FINANCIAL SECTION

FINANCIAL REVIEW

Business Environment

The global business environment in fiscal 2015 ("2015," January 1–December 31) was a mix of divergent trends. Economic recovery continued in Japan, though consumer spending was inconsistent. Rising incomes in the United States highlighted growing economic vitality there, and the economic picture in Europe brightened gradually. China's economic growth, however, continued to slow.

In the tire sector, a unit decline in Japanese vehicle production and escalating price competition in tire markets offset the positive effect on earnings of declining prices for raw materials and the weakening of the yen. Yokohama Rubber and its subsidiaries ("Yokohama") responded to the challenging business environment with measures for promoting sales, for raising operational efficiency, and for lowering costs.

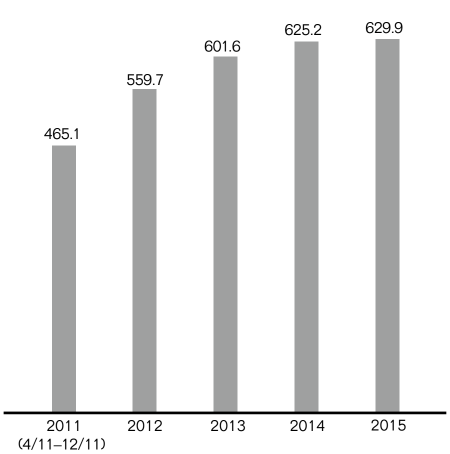
Sales, Expenses, and Earnings

Net sales increased 0.7% in 2015, to ¥629.9 billion, their highest level ever. Leading modest sales growth in Yokohama's Tires segment were gains in overseas markets. Yokohama posted strong sales growth in tires in North America and registered sales gains in China and in several other overseas tire markets. Yokohama also posted modest growth in its Multiple Business segment, led by gains in industrial products, in the business unit that handles Hamatite-brand sealants and adhesives and electronic equipment coatings, and in aircraft fixtures and components.

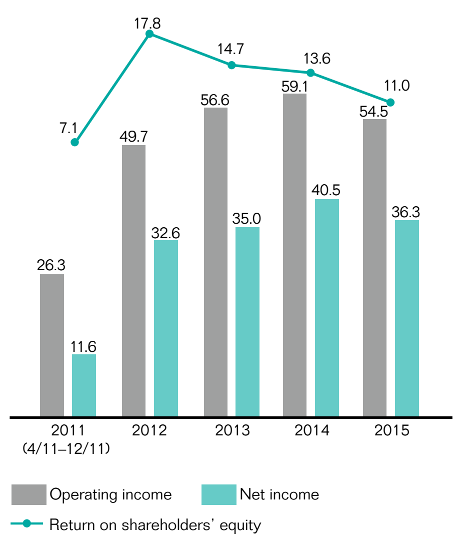
Gross profit increased 3.4%, to ¥224.7 billion, reflecting the downward trend in raw material prices. Selling, general and administrative expenses increased 7.6%, to ¥170.2 billion, reflecting the effects of the weakening of the yen, increased logistics expenses associated with unit sales growth in overseas tire markets, and an increase in the number of consolidated subsidiaries. Operating income declined 7.7%, to ¥54.5 billion, and operating return on sales was 8.7%, down from 9.4% in the previous year.

Other expenses, net-of other income, totaled ¥281 million. A loss on foreign currency translation adjustments occurred as the yen appreciated against the euro and the ruble. The average yen/dollar exchange rate was ¥121, compared with ¥106 in 2014; the average yen/euro exchange rate ¥134, compared with ¥140 in 2014; and the average yen/ruble exchange rate ¥2.0, compared with ¥2.8 in 2014. Net income declined 10.4%, to ¥36.3 billion.

Net Sales
Billions of Yen



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



Results by Business Segment

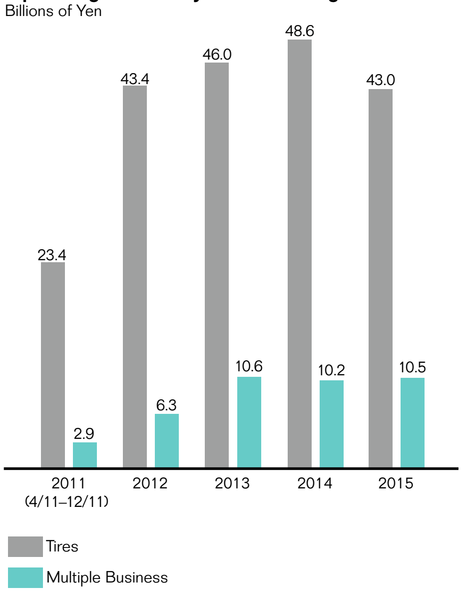
Sales in Yokohama's Tires segment increased 0.6%, to ¥500.6 billion, and operating income declined 11.4%, to ¥43.0 billion. The Company's business in Japan's original equipment market declined in unit volume and in yen value on account of the decline in unit vehicle production. Yokohama partly offset the sales impact of the market shrinkage by winning new fitments on several vehicle models. It promoted its strengths in fuel-saving tires in securing fitments on premium-grade models and fuel-saving models.

Yokohama's tire business in the Japanese replacement market also declined in unit volume and in yen value. That was on account of escalating price competition and a warm winter, which diminished demand for studless snow tires. Yokohama worked to maintain sales momentum in replacement tires with launches of new products in fuel-saving tires for minivans, in tires for sport-utility vehicles, and in studless snow tires. Price competition was an issue in overseas markets, too, but Yokohama nonetheless achieved overall growth in tire business outside Japan. It maintained strong sales momentum in North America and recorded sales growth in China.

In Yokohama's Multiple Business segment, sales increased 1.2%, to ¥121.7 billion, and operating income increased 2.9%, to ¥10.5 billion. That segment consists mainly of high-pressure hoses; industrial products, including conveyor belts, marine hoses, and pneumatic marine fenders; Hamatite-brand sealants and adhesives for construction and automotive applications; coatings for electronic equipment; and aircraft fixtures and components.

Yokohama's business in high-pressure hoses declined on account of the global slowdown in natural resources development and slowing economic growth in China. Growth in overseas business in marine hoses and in Japanese business in antiseismic products and other civil engineering products led a sales increase in industrial materials. Yokohama also posted sales growth in its business unit that handles Hamatite-brand sealants and adhesives and electronic equipment coatings. Expanded overseas business in automotive adhesives more than offset weakness in the Japanese market for construction sealants. Yokohama posted sales growth, too, in aircraft fixtures and components, led by expanded business in items for commercial airliners.

Operating Income by Business Segment
Billions of Yen



Note:
The Multiple Business Group, established in 2015, comprises the operations formerly categorized as "Industrial Products" and the aircraft fixtures and components business formerly included in "Other Products." In the graphs, Yokohama has restated the values for 2014 to reflect that change retroactively and has abided by the former segment breakdown for the years 2011 to 2013.

Financial Position

Total assets declined ¥23.8 billion, to ¥710.7 billion at fiscal year-end. Current assets declined ¥27.9 billion, to ¥324.5 billion, principally on account of declines in trade notes and accounts receivable, in inventories, and in cash and deposits. Total fixed assets increased ¥4.1 billion, to ¥386.2 billion, principally on account of an increase in property, plant and equipment associated with capital spending.

Total liabilities declined ¥37.7 billion, to ¥366.0 billion at fiscal year-end. Interest-bearing debt increased ¥6.6 billion, to ¥190.9 billion. The ratio of interest-bearing debt to total net assets declined slightly, to 0.56 at fiscal year-end, but remained below management's stated ceiling of 0.8.

Total net assets increased ¥13.9 billion, to ¥344.7 billion at fiscal year-end. That increase consisted primarily of net income of ¥36.3 billion, as offset by payments of cash dividends, a loss on foreign currency translation adjustments, and expenditures for the purchase of treasury stock.

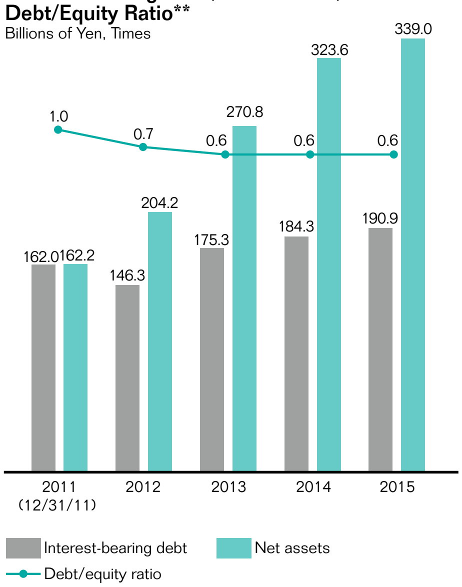
Cash Flow

Net cash provided by operations in 2015 totaled ¥57.5 billion, which consisted chiefly of ¥54.3 billion in income before income taxes and minority interests. Net cash used in investing activities totaled ¥55.1 billion, which consisted chiefly of ¥48.5 billion in capital spending for fortifying production capacity in Japan and overseas. Free cash flow totaled ¥2.5 billion. Net cash used in financing activities totaled ¥6.4 billion, reflecting a decrease of ¥18.1 billion in short-term bank loans. Cash and cash equivalents at year-end declined ¥3.4 billion from the previous year-end, to ¥41.1 billion.

Capital Expenditures

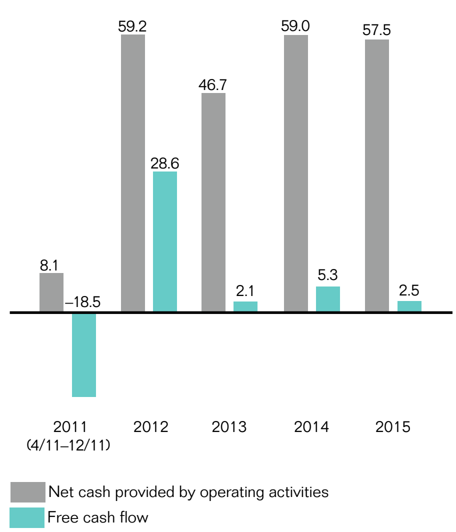
Capital expenditures in 2015 totaled ¥51.0 billion, and depreciation and amortization totaled ¥31.4 billion. The total for capital expenditures was less than management's planned capital spending of ¥65.8 billion. That was the result of decisions to postpone plant-expansion work in the Philippines and in China in accordance with demand trends.

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

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

R&D Expenditures

Yokohama conducts R&D on basic technologies at its Research and Development Integrated Center, in Hiratsuka, Kanagawa Prefecture. It conducts R&D linked directly to specific products through R&D units in its product groups. Expenditures on R&D in 2015 totaled ¥14.2 billion.

Dividends

Shareholders received an interim dividend of ¥13 per share for 2015, compared with ¥12 for 2014, and a year-end dividend of ¥26, compared with ¥14 for 2014. A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding, and the year-end dividend reflects that merger. The aggregate annual dividend accords with the projection announced by Yokohama in February 2015, adjusted for the share merger.

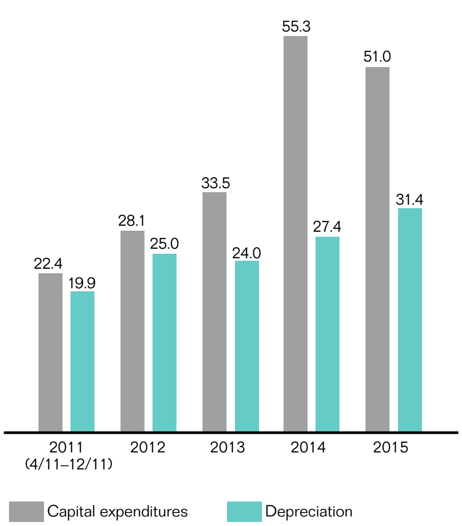
Fiscal 2016 Outlook

Yokohama's projections for 2016 call for a 3.5% increase in net sales, to ¥652.0 billion; a 0.9% increase in operating income, to ¥55.0 billion; and a 6.4% decline in profit attributable to owners of parent, to ¥34.0 billion. Underlying those projections are the expectation of continued economic recovery in Japan, supported by stimulus measures implemented by the government and by the Bank of Japan; the expectation of slowing economic growth in principal emerging economies; and the concern about possible adverse movements in crude oil prices and in currency exchange rates. In preparing these projections, Yokohama has assumed average exchange rates of ¥120 to the US dollar, ¥130 to the euro, and ¥1.5 to the ruble.

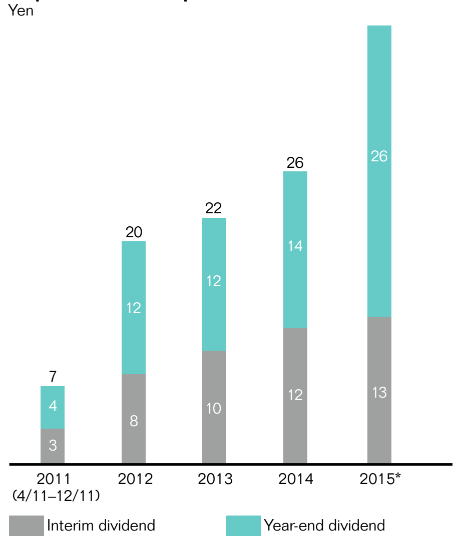
Projected Dividends in 2016

Management plans to pay an aggregate annual dividend of ¥52 per share for 2016. That would comprise an interim dividend of ¥26 per share and a year-end dividend of ¥26.

Capital Expenditures and Depreciation
Billions of Yen



Capital Dividends per Share
Yen



**A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding, and the year-end dividend reflects that merger. The aggregate annual dividend accords with the projection announced by Yokohama in February 2015, adjusted for the share merger.*

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, 2015.

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 natural rubber or for crude oil could raise the Company's manufacturing costs. Yokohama employs diverse measures to insulate its business from such increases, but increases in raw material prices that exceed the scope of those measures 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, 2015, the Company's interest-bearing debt was equivalent to 26.9% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position.

Securities
The Company owns marketable securities, mainly Japanese equities. A decline in the value of those securities could adversely affect the Company's financial performance and financial position.

Investment

In response to growing demand for automobile tires, the Company is investing in expanding its tire production capacity, especially in Asia. Changes in the regulatory environment, in economic conditions, in industrial circumstances, or in political and social stability in the host nations for the Company's investment could adversely affect the Company's business performance and financial position.

Retirement Benefit Obligations

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

Natural Disasters

Earthquakes and other natural disasters could damage the Company's plants and other facilities and could limit the Company's access to essential raw materials and services. That could adversely affect the Company's business performance and financial position.

Intellectual Property

The Company strives to protect its accumulated technological expertise from unauthorized use by third parties and its intellectual property rights from infringement, but it could, in some circumstances, be unable to prevent such unauthorized use or infringement. Conversely, third parties could claim that the Company's products or technologies infringe on their intellectual property rights. Unauthorized use of the Company's technological expertise, infringement of its intellectual property, or court rulings that its products or technologies infringe on third-party intellectual property rights could adversely affect the Company's business performance and financial position.

Product Quality

Management at the Company is committed to ensuring high and consistent product quality and maintains a framework and procedures for fulfilling that commitment, but product defects could occur despite the Company's best efforts in prevention. The occurrence of defects serious enough to occasion large product recalls could adversely affect the Company's business performance and financial position.

Laws, Regulations, and Litigation

The Company is subject to laws and regulations in the nations where it conducts business that pertain to such activities as investment, trade, currency exchange, competition, and environmental protection. New or amended laws or regulations that resulted in constraining the Company's operating latitude or in raising the Company's costs could adversely affect the Company's business performance and financial position. In addition, the Company could become the subject of litigation or of investigations by legal authorities in the nations where it operates. Serious litigation or the initiation of an investigation of the Company by legal authorities could adversely affect the Company's business performance and financial position.

ELEVEN-YEAR SUMMARY

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2015, 2014, 2013 and 2012, the nine months ended December 31, 2011, and the years ended March 31, 2006–2011

	2015	2014	2013	2012
Net sales	**¥ 629,856**	¥ 625,246	¥ 601,630	¥ 559,700
Operating income	**54,536**	59,067	56,647	49,696
Income before income taxes and minority interests	**54,255**	62,594	55,819	51,768
Net income (loss)	**36,308**	40,503	35,008	32,611
Depreciation	**31,359**	27,439	23,982	25,007
Capital expenditures	**50,997**	55,325	33,505	28,070
R&D expenditures	**14,221**	13,438	12,633	12,825
Interest-bearing debt	**190,915**	184,336	175,251	146,285
Total net assets	**344,689**	330,782	279,021	211,350
Total assets	**710,717**	734,512	653,584	543,829
Per share (yen):				
Net income (loss): Basic	**¥ 266.07**	¥ 125.34	¥ 108.32	¥ 97.87
Net assets	**2,114.11**	1,001.29	837.84	631.64
Cash dividends	**—***	26.00	22.00	20.00
Key financial ratios:				
Operating return on sales (%)	**8.7**	9.4	9.4	8.9
Return on shareholders' equity (%)	**11**	13.6	14.7	17.8
Capital turnover (times)	**0.87**	0.9	1.0	1.1
Interest-bearing debt to shareholders' equity (times)	**0.6**	0.6	0.6	0.7
Interest coverage (times)	**20.0**	18.4	20.6	20.7
Number of employees	**22,187**	21,441	19,770	19,412

* A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding, and the year-end dividend reflects that merger. The aggregate annual dividend accords with the projection announced by Yokohama in February 2015, adjusted for the share merger.

Millions of Yen

2011/12	2011/3	2010	2009	2008	2007	2006
¥ 465,134	¥ 519,742	¥ 466,358	¥ 517,263	¥ 551,431	¥ 497,396	¥ 451,911
26,291	29,491	21,455	12,808	33,119	21,070	21,947
16,604	21,880	18,969	(3,166)	20,478	26,038	22,673
11,619	13,924	11,487	(5,654)	21,060	16,363	21,447
19,871	25,885	28,184	28,684	27,238	22,166	20,491
22,433	24,944	17,471	43,341	27,292	40,638	29,067
9,307	12,748	13,280	15,277	15,289	14,649	14,557
161,998	146,773	154,675	179,379	165,614	167,474	163,022
168,286	170,872	163,382	144,159	181,538	186,528	174,609
501,786	478,916	466,973	473,376	526,192	536,322	502,014
¥ 34.68	¥ 41.55	¥ 34.27	¥ (16.87)	¥ 62.81	¥ 48.79	¥ 62.75
484.04	489.27	475.26	417.45	525.96	542.10	508.64
7.00	10.00	10.00	10.00	13.00	12.00	10.00
5.7	5.7	4.6	2.5	6.0	4.2	4.9
7.1	8.6	7.7	(3.6)	11.8	9.3	14.0
0.9	1.1	1.0	1.0	1.0	1.0	1.0
1.0	0.9	1.0	1.3	0.9	0.9	1.0
14.3	13.4	8.0	4.3	9.0	7.0	10.1
19,272	18,465	17,566	16,772	16,099	15,423	14,617

CONSOLIDATED BALANCE SHEET

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
As of December 31, 2015 and 2014

	Millions of Yen		Thousands of US Dollars (Note 1)
Assets	**2015** (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Current Assets:			
Cash and deposits	**¥ 42,270**	¥ 45,967	**$ 350,469**
Trade receivables:			
Notes and accounts (Note 4)	**155,171**	164,848	**1,286,549**
Electronically recorded monetary—operating	**7,264**	6,178	**60,230**
Inventories	**99,892**	108,355	**828,220**
Deferred income taxes	**8,842**	11,954	**73,315**
Other current assets	**11,869**	15,846	**98,406**
Allowance for doubtful receivables	**(763)**	(722)	**(6,326)**
Total current assets	**324,545**	352,426	**2,690,863**
Property, Plant and Equipment, at Cost (Notes 4)**:**			
Land	**39,244**	36,177	**325,379**
Buildings and structures	**184,904**	171,752	**1,533,076**
Machinery and equipment	**530,054**	501,604	**4,394,779**
Leased assets	**3,130**	2,956	**25,954**
Construction in progress	**23,336**	41,702	**193,484**
	780,669	754,191	**6,472,673**
Less accumulated depreciation	**(519,007)**	(504,756)	**(4,303,187)**
Total property, plant and equipment, net	**261,662**	249,435	**2,169,486**
Investments and Other Assets:			
Investment securities (Note 4)	**97,956**	104,150	**812,170**
Deferred income taxes	**2,858**	5,182	**23,697**
Other investments and other assets (Note 4)	**24,208**	23,868	**200,711**
Allowance for doubtful receivables	**(512)**	(551)	**(4,243)**
Total investments and other assets	**124,510**	132,650	**1,032,336**
Total assets	**¥ 710,717**	¥ 734,512	**$ 5,892,684**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen 2015 (12.31.15)	2014 (12.31.14)	Thousands of US Dollars (Note 1) 2015 (12.31.15)
Current Liabilities:			
Bank loans (Note 4)	**¥ 67,092**	¥ 87,368	**$ 556,269**
Current maturities of long-term debt	**15,814**	23,014	**131,119**
Commercial paper	**13,000**	22,000	**107,785**
Trade notes and accounts payable (Note 4)	**65,542**	80,641	**543,422**
Electronically recorded obligations—operating	**7,267**	8,450	**60,256**
Accrued income taxes	**2,537**	10,869	**21,035**
Accrued expenses	**36,814**	38,613	**305,235**
Allowance for sales returns	**678**	716	**5,623**
Other current liabilities (Notes 4)	**16,047**	20,915	**133,049**
Total current liabilities	**224,792**	292,585	**1,863,794**
Long-Term Liabilities:			
Long-term debt	**95,011**	51,955	**787,750**
Deferred income taxes	**20,189**	22,441	**167,392**
Net defined benefit liability	**12,823**	24,684	**106,316**
Other long-term liabilities	**13,213**	12,064	**109,551**
Total long-term liabilities	**141,236**	111,144	**1,171,010**
Total liabilities	**366,028**	403,729	**3,034,804**
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 400,000,000 shares as of December 31, 2015 and 2014			
Issued: 169,549,081 shares as of December 31, 2015 and 2014	**38,909**	38,909	**322,603**
Capital surplus	**31,222**	31,954	**258,868**
Retained earnings	**232,164**	206,462	**1,924,913**
Treasury stock, at cost: 9,207,255 shares as of December 31, 2015, and 9,728,576 shares as of December 31, 2014	**(12,111)**	(11,378)	**(100,415)**
Total shareholders' equity	**290,184**	265,948	**2,405,970**
Accumulated Other Comprehensive Income (Loss):			
Unrealized gains on securities	**39,473**	42,559	**327,277**
Foreign currency translation adjustments	**14,984**	19,855	**124,238**
Deferred gains or losses on hedges	**(156)**	—	**(1,295)**
Remeasurements of defined benefit plans	**(5,505)**	(4,805)	**(45,645)**
Total accumulated other comprehensive income	**48,796**	57,609	**404,576**
Minority Interests	**5,709**	7,225	**47,335**
Total net assets	**344,689**	330,782	**2,857,880**
Total liabilities and net assets	**¥ 710,717**	¥ 734,512	**$ 5,892,684**

CONSOLIDATED STATEMENT OF INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2014

	Millions of Yen		Thousands of US Dollars (Note 1)
	2015 (01.01.15– 12.31.15)	2014 (01.01.14– 12.31.14)	**2015** (01.01.15– 12.31.15)
Net sales	**¥ 629,856**	¥ 625,246	**$ 5,222,255**
Cost of sales (Note 5)	**405,150**	407,968	**3,359,173**
Gross profit	**224,706**	217,278	**1,863,082**
Selling, general and administrative expenses (Note 5)	**170,170**	158,212	**1,410,913**
Operating income	**54,536**	59,067	**452,168**
Other income (expenses)			
Interest and dividend income	**2,766**	2,850	**22,932**
Interest expense	**(2,858)**	(3,371)	**(23,697)**
Exchange gain (loss)	**(3,781)**	(891)	**(31,352)**
Gain on sale of fixed assets (Note 5)	**—**	5,028	**—**
Gain on sales of investment securities	**—**	2,615	**—**
Gain on contribution of securities to retirement benefit trust	**7,926**	—	**65,718**
Loss on sale and disposal of fixed assets (Note 5)	**(1,060)**	(851)	**(8,790)**
Impairment loss (Note 5)	**(1,946)**	—	**(16,136)**
Other, net	**(1,328)**	(1,851)	**(11,009)**
	(281)	3,527	**(2,334)**
Income before income taxes and minority interests	**54,255**	62,594	**449,836**
Income taxes:			
Current	**12,135**	20,800	**100,616**
Deferred	**5,604**	1,258	**46,461**
	17,739	22,058	**147,077**
Income before minority interests	**36,516**	40,536	**302,760**
Minority interests in net income (loss) of consolidated subsidiaries	**(208)**	(34)	**(1,725)**
Net income	**¥ 36,308**	¥ 40,503	**$ 301,034**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2014

	Millions of Yen		Thousands of US Dollars (Note 1)
	2015 (01.01.15–12.31.15)	2014 (01.01.14–12.31.14)	**2015** (01.01.15–12.31.15)
Income before minority interests	**¥ 36,516**	¥ 40,536	**$ 302,760**
Other comprehensive income (loss)			
Unrealized gains or losses on securities	**(3,080)**	3,984	**(25,541)**
Deferred gains or losses on hedges	**(156)**	—	**(1,295)**
Foreign currency translation adjustments	**(5,329)**	15,411	**(44,180)**
Remeasurements of defined benefit plans	**(701)**	—	**(5,810)**
Adjustment related to pension obligations of consolidated overseas subsidiaries	**—**	(959)	**—**
Share of other comprehensive income of associates accounted for by the equity method	**—**	7	**—**
Total other comprehensive income (Note 6)	**¥ (9,266)**	¥ 18,443	**$ (76,825)**
Comprehensive income	**¥ 27,250**	¥ 58,979	**$ 225,935**
Comprehensive income attributable to owners of the Company	**¥ 27,494**	¥ 59,073	**$ 227,959**
Comprehensive income attributable to minority interests	**(244)**	(93)	**(2,024)**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2014

	Millions of Yen							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Accumulated Other Comprehensive Income (Loss)	Minority Interests	Total Net Assets
Balance at January 1, 2014	¥ 38,909	¥ 31,953	¥ 173,761	¥ (11,358)	¥ 233,265	¥ 37,491	¥ 8,265	¥ 279,021
Net income	—	—	40,503	—	40,503	—	—	40,503
Cash dividends paid	—	—	(7,756)	—	(7,756)	—	—	(7,756)
Change of scope of consolidation	—	—	(45)	—	(45)	—	—	(45)
Purchase of treasury shares	—	—	—	(20)	(20)	—	—	(20)
Disposal of treasury shares	—	0	—	1	1	—	—	1
Accumulated other comprehensive income (loss)								
Net unrealized gains or losses on securities	—	—	—	—	—	3,973	—	3,973
Foreign currency translation adjustments	—	—	—	—	—	15,556	—	15,556
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	5,394	—	5,394
Remeasurements of defined benefit plans	—	—	—	—	—	(4,805)	—	(4,805)
Increase in minority interests	—	—	—	—	—	—	(1,040)	(1,040)
Balance at January 1, 2015	38,909	31,954	206,462	(11,378)	265,948	57,609	7,225	330,782
Cumulative effects of changes in accounting policies	—	—	338	—	338			338
Restated balance	38,909	31,954	206,801	(11,378)	266,286	57,609	7,225	331,120
Net income	—	—	36,308	—	36,308	—	—	36,308
Cash dividends paid	—	—	(8,693)	—	(8,693)	—	—	(8,693)
Change of scope of consolidation	—	—	47	—	47	—	—	47
Purchase of treasury shares	—	—	—	(3,033)	(3,033)	—	—	(3,033)
Disposal of treasury shares	—	0	—	0	1	—	—	1
Retirement of treasury shares	—	(1)	(2,299)	2,300	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	(731)	—	—	(731)	—	—	(731)
Accumulated other comprehensive income (loss)								
Net unrealized gains or losses on securities	—	—	—	—	—	(3,086)	—	(3,086)
Deferred gains or losses on hedges	—	—	—	—	—	(156)	—	(156)
Foreign currency translation adjustments	—	—	—	—	—	(4,871)	—	(4,871)
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	—	—
Remeasurements of defined benefit plans	—	—	—	—	—	(701)	—	(701)
Increase in minority interests	—	—	—	—	—	—	(1,516)	(1,516)
Balance at December 31, 2015	¥ 38,909	¥ 31,222	¥ 232,164	¥ (12,111)	¥ 290,184	¥ 48,796	¥ 5,709	¥ 344,689

	Thousands of US Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Accumulated Other Comprehen-sive Income (Loss)	Minority Interests	Total Net Assets
Balance at January 1, 2015	$ 322,603	$ 264,936	$ 1,711,819	$ (94,336)	$ 2,205,022	$ 477,651	$ 59,904	$ 2,742,577
Cumulative effects of changes in accounting policies	—	—	2,803	—	2,803			2,803
Restated balance	322,603	264,936	1,714,622	(94,336)	2,207,825	477,651	59,904	2,745,380
Net income	—	—	301,034	—	301,034	—	—	301,034
Cash dividends paid	—	—	(72,075)	—	(72,075)	—	—	(72,075)
Change of scope of consolidation	—	—	390	—	390	—	—	390
Purchase of treasury shares	—	—	—	(25,147)	(25,147)	—	—	(25,147)
Disposal of treasury shares	—	2	—	3	5	—	—	5
Retirement of treasury shares	—	(8)	(19,057)	19,066	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	(6,062)	—	—	(6,062)	—	—	(6,062)
Accumulated other comprehensive income (loss)								
Net unrealized gains or losses on securities	—	—	—	—	—	(25,584)	—	(25,584)
Deferred gains or losses on hedges	—	—	—	—	—	(1,295)	—	(1,295)
Foreign currency translation adjustments	—	—	—	—	—	(40,387)	—	(40,387)
Adjustments related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	—	—
Remeasurements of defined benefit plans	—	—	—	—	—	(5,810)	—	(5,810)
Increase in minority interests	—	—	—	—	—	—	(12,570)	(12,570)
Balance at December 31, 2015	$ 322,603	$ 258,868	$ 1,924,913	$ (100,415)	$ 2,405,970	$ 404,576	$ 47,335	$ 2,857,880

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2014

	Millions of Yen		Thousands of US Dollars (Note 1)
	2015 (01.01.15–12.31.15)	2014 (01.01.14–12.31.14)	**2015** (01.01.15–12.31.15)
Operating Activities:			
Income before income taxes and minority interests	**¥ 54,255**	¥ 62,594	**$ 449,836**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**31,359**	27,439	**260,006**
Gain on sales of investment securities	**—**	(2,615)	**—**
Loss (gain) on sales of non-current assets	**1,060**	(4,176)	**8,790**
Gain on securities contribution to employees' retirement benefits trust	**(7,926)**	—	**(65,718)**
Impairment loss	**1,946**	—	**16,135**
Increase (decrease) in net defined benefit liability	**76**	116	**634**
Other, net	**1,089**	70	**9,025**
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	**4,713**	333	**39,073**
Inventories	**7,176**	(11,561)	**59,495**
Notes and accounts payable	**(15,577)**	1,953	**(129,155)**
Other, net	**(224)**	6,288	**(1,859)**
Interest and dividends received	**2,738**	2,837	**22,698**
Interest paid	**(2,961)**	(3,361)	**(24,553)**
Income taxes paid	**(20,178)**	(20,923)	**(167,297)**
Net cash provided by operating activities	**57,544**	58,994	**477,110**
Investing Activities:			
Purchases of property, plant and equipment	**(48,481)**	(52,730)	**(401,962)**
Purchases of marketable securities and investment securities	**(3,393)**	(4,196)	**(28,130)**
Proceeds from sales of property, plant and equipment	**898**	6,365	**7,444**
Proceeds from sales of investment securities	**—**	3,246	**—**
Payments of loans receivable	**(584)**	(5,619)	**(4,840)**
Other, net	**(3,518)**	(807)	**(29,172)**
Net cash used in investing activities	**(55,078)**	(53,741)	**(456,659)**
Financing Activities:			
Increase (decrease) in short-term bank loans	**(18,144)**	10,862	**(150,435)**
Increase (decrease) in commercial paper	**(9,000)**	10,000	**(74,621)**
Proceeds from long-term debt	**48,062**	9,166	**398,491**
Decrease in long-term debt	**(24,846)**	(20,968)	**(206,003)**
Proceeds from issuance of bonds	**12,000**	10,000	**99,494**
Redemption of bonds	**—**	(10,000)	**—**
Payment of cash dividends	**(8,690)**	(7,748)	**(72,048)**
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation	**(1,715)**	—	**(14,221)**
Other, net	**(4,062)**	(1,385)	**(33,680)**
Net cash used in financing activities	**(6,395)**	(73)	**(53,023)**
Effect of exchange rate changes on cash and cash equivalents	**(759)**	1,483	**(6,290)**
Increase (decrease) in cash and cash equivalents	**(4,687)**	6,663	**(38,862)**
Cash and cash equivalents at beginning of year	**44,454**	35,863	**368,572**
Effect of changes in consolidation scope on cash and cash equivalents	**1,318**	1,927	**10,926**
Cash and cash equivalents at end of year (Note 8)	**¥ 41,084**	¥ 44,454	**$ 340,637**

See accompanying Notes to Consolidated Financial Statements.

1. Basis of presenting consolidated 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 were 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 additional information that is not required under accounting principles and practices generally accepted in Japan.

The US dollar amounts included herein are solely for the convenience of the reader and have been translated from the Japanese yen amounts at the rate of ¥120.61 = US$1.00, the approximate exchange rate prevailing on December 31, 2015.

1. Consolidated accounting

(1) Number of consolidated subsidiaries: 122
Changes during the fiscal year ended December 31, 2015, in the number of consolidated subsidiaries were as follows.
Increase: 6 companies, newly consolidated on account of establishment or increased importance
Principal company
Yokohama Mold Co., Ltd.
Decrease: 4 companies, removed on account of merger or liquidation
Principal company
Yokohama Hoses & Coupling (Hangzhou) Co., Ltd.

(2) Number of unconsolidated subsidiaries: 19
Principal company
Yokohama Motorsports International Co., Ltd.
The Company's 19 unconsolidated subsidiaries are not consolidated because each is insignificant in regard to the sum of total assets, net sales, net income, and retained earnings.

2. Equity-method accounting

(1) Numbers of unconsolidated subsidiaries and affiliated companies accounted for by the equity method
Unconsolidated subsidiaries: 0
Affiliated company: 1
Yokohama Continental Tire Co., Ltd.

(2) The Company has not accounted for Yokohama Motorsports International Co., Ltd., and 18 other unconsolidated subsidiaries or for Jatoma Building Co., Ltd., and 40 other affiliates by the equity method because those subsidiaries and affiliates are insignificant individually and in the aggregate in regard to net income and retained earnings.

3. Matters related to the fiscal year of the consolidated subsidiaries

The account settlement date of the consolidated subsidiaries is the same as the consolidated account settlement date.

4. Summary of significant accounting policies

(1) Valuation standards and methods for significant assets
(i) 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.
(ii) Derivative instruments
Derivative instruments whose fair value is readily determinable are carried at fair value.
(iii) 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.

(2) Depreciation and amortization

(i) Tangible fixed assets

Depreciation of tangible fixed assets is computed principally by the straight-line method based on the estimated useful lives of the respective assets. The useful lives are estimated principally as follows.

Buildings and structures: 5–50 years

Machinery and equipment: 2–10 years

(ii) Intangible fixed assets

Amortization of intangible fixed assets is computed principally by the straight-line method based on the estimated useful lives of the respective assets. Software for use by the Companies is amortized by the straight-line method over a useful life estimated at five years.

(iii) Leased assets

Depreciation of leased assets covered by finance lease agreements that do not provide for the transfer of ownership is computed by the straight-line method based on the assumption that the useful lives of the assets are equal to the lease periods and that the assets have no residual value at the conclusion of the lease agreements.

(3) Allowances

(i) Allowance for doubtful receivables

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

(ii) Allowance for directors' bonuses

To prepare for the payment of bonuses to directors, an allowance is provided for in the amount that is expected to be paid at the end of the fiscal year.

(iii) 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 expected to be returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(4) Retirement benefits

(i) Attribution method of retirement benefit estimates

The benefit formula is mainly applied for attributing the expected benefit to the current period in the calculation of the projected benefit obligation.

(ii) Method of amortization of actuarial differences and prior service costs

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

Unrecognized prior service cost and unrecognized actuarial gains and losses are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

(iii) Adoption of simplified method for small companies

Certain consolidated subsidiaries adopt a simplified method of using the amounts payable for voluntary retirement of employees associated with retirement benefits at the end of the fiscal year as retirement benefit obligations to calculate net defined benefit liability and retirement benefit expenses.

(iv) Retirement benefit plans in US subsidiaries

Retirement benefit costs to employees are estimated in accordance with the Statement of Financial Accounting Standards and allocated by employees' service period.

(5) 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 corresponding fiscal year-end rates, and the income and expense accounts of those companies are translated at the corresponding average rates for the fiscal year.

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

(6) Significant hedge accounting methods

(i) Hedge accounting methods

Hedge accounting is primarily in accordance with the deferred hedge method. The Companies employ the allocation method in accounting for currency swaps that fulfill the conditions for that method.

(ii) Hedging instruments and hedged items

a. Hedging instruments

Forward exchange contracts and currency swap transactions

b. Hedged items

Forecasted transactions denominated in foreign currencies and deposits received denominated in foreign currencies

(iii) Hedging policy

The Company's basic policy is to hedge against exchange rate fluctuation risk.

(iv) Hedge effectiveness assessment

The Companies evaluate the hedge effectiveness of forward exchange contracts by comparing the cumulative fluctuations in the values of the hedged items and the hedging instruments between the start of the hedging period and the date of the evaluation. Hedge effectiveness is not performed for currency swaps accounted for by the allocation method because the hedging instruments correspond to the hedged items in important respects and because the hedging is regarded as fully offsetting market fluctuations from the beginning of the hedging periods and continuously thereafter.

(7) Method and period for amortizing goodwill

The Company writes off goodwill of inconsequential amounts in its entirety when it occurs.

(8) Cash and cash equivalents reported on the consolidated statement of cash flows

Cash equivalents on the consolidated statement of cash flows consist of cash on hand; cash in banks that can be withdrawn at any time; and short-term investments that mature within three months, that entail minimal risk in regard to price fluctuations, and that are readily convertible to cash.

(9) Other important items of consideration in preparing the consolidated financial statements

Accounting for consumption tax

Consumption tax and local consumption tax on goods and services are not included in the revenue and expense amounts.

2. Changes in accounting policies

Application of accounting standards for retirement benefits

The Group has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan [ASBJ] Statement No. 26, May 17, 2012; hereafter referred as the "Accounting Standard for Retirement Benefits") and its accompanying implementation guidance, "Guidance on Accounting Standard for the Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) with respect to certain provisions prescribed in Paragraph 35 of the standard and in Paragraph 67 of the guidance. In applying these accounting standards, there was a change from the straight-line basis to the benefit formula basis as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation and service costs and for amending the determination method for the discount rate from one based on the period of years approximate to the average remaining service period of employees to one reflecting the estimated period of benefit payment.

Concerning the application of the "Accounting Standard for Retirement Benefits," based on the provisional treatment set out in Paragraph 37 of the accounting standard, the impact of such changes for the year ended December 31, 2015, was adjusted in the beginning balance of retained earnings.

As a result, for the year ended December 31, 2015, the beginning balance of net defined benefit assets decreased by ¥615 million (US$5,097 thousand) and that of retained earnings decreased by ¥338 million (US$2,805 thousand). The impact of these changes on the consolidated statement of income for the year ended December 31, 2015, was immaterial.

Early Adoption of Revised Accounting Standard for Business Combinations

The "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) became available for companies in Japan to adopt from fiscal years beginning on or after April 1, 2014. The Company has adopted those standards, except for the provisions of Section 39 of the "Revised Accounting Standard for Consolidated Financial Statements," effective the fiscal year ended December 31, 2015. In connection with that adoption, the Company has adopted the policy of reflecting changes in ongoing equity holdings in subsidiaries in capital surplus and the policy of charging corporate acquisition expenses against earnings in the year of the acquisition.

The Company has also adopted the policy of reflecting revisions of the allocable acquisition cost established in accordance with provisional accounting for business combinations effected on or after January 1, 2015, in the consolidated financial statements for the fiscal years in which the business combinations occur. The Company abides by the transitional handling prescribed in Section 58-2, Paragraph 4, of the "Revised Accounting Standard for Business Combinations"; in Section 44-5, Paragraph 4, of the "Revised Accounting Standard for Consolidated Financial Statements"; and in Section 57-4, Paragraph 4, of the "Revised Accounting Standard for Business Divestitures," and it will continue to apply the new policy in fiscal years subsequent to the year ended December 31, 2015. The adoption of this policy resulted in increases of ¥731 million (US$6,062 thousand) in operating income and in income before income taxes and minority interests and a decrease of ¥731 million (US$6,062 thousand) in capital surplus in the year ended December 31, 2015.

3. Changes in disclosure

Consolidated balance sheet

Electronically recorded monetary claims, included in notes and accounts under current assets until the year ended December 31, 2014, have become materially significant. The Company has therefore disclosed them as a separate item as of December 31, 2015, and it has restated the corresponding figures for the previous year to reflect this change. The electronically recorded monetary claims formerly included in notes and accounts and not disclosed as a separate item totaled ¥6,178 million as of December 31, 2014.

4. Supplementary information for consolidated balance sheet

1. Pledged assets and secured liabilities

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	**2014** (12.31.14)	**2015** (12.31.15)
Buildings and structures	**¥ 176**	¥ 189	**$ 1,461**
Land	**509**	509	**4,222**
Total	**686**	698	**5,684**

The above assets have been pledged as collateral for the following debt.

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	**2014** (12.31.14)	**2015** (12.31.15)
Short-term loans payable	**¥ 300**	¥ 300	**$ 2,487**

2. Unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Investment securities (stock)	**¥ 6,859**	¥ 4,253	**$ 56,872**
Investment in capital in other investments and other assets	**5,479**	8,578	**45,431**
(Investment in jointly controlled companies included in above)	**66**	67	**543**

3. Reduction entry amounts

Reduction entry amounts deducted from the acquisition cost of tangible fixed assets were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Gain on insurance adjustment	**¥ 77**	¥ 77	**$ 635**
Subsidies	**17**	—	**140**

4. Notes maturing on December 31, 2015 and 2014

Because December 31, 2015 and 2014, which were the account closing dates, were nonbusiness days for financial institutions, notes receivable and payable maturing on those dates were settled on the following business day. However, the Company recognized notes receivable and payable that matured on those dates as being settled. Information on notes receivable and payable treated as settled was as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Notes receivable	**¥ 921**	¥ 872	**$ 7,636**
Notes payable	**607**	849	**5,036**
Other current liabilities (notes payable—facilities)	**221**	232	**1,831**

5. Contingent liabilities

Contingent liabilities at December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Yokohama Industrial Products Italy S.r.l.	**¥ 479**		**$ 3,975**
PT Yokohama Industrial Products Manufacturing Indonesia	**3,652**		**30,282**
Yokohama Industrial Products – Hangzhou Co., Ltd.		1,678	
Y.T. Rubber Co., Ltd.		11	
Total	**4,132**	1,689	**34,257**

5. Supplementary information for consolidated statement of income

1. The figures presented for inventories at year-end include write-downs made to reflect diminished profitability. Valuation losses on inventory assets included in cost of sales were as follows:

Millions of Yen		Thousands of US Dollars
2015 (12.31.15)	**2014** (12.31.14)	**2015** (12.31.15)
¥ 525	¥ 678	**$ 4,353**

2. The principal components of selling, general and administrative expenses were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Sales commission	**¥ 25,670**	¥ 25,681	**$ 212,839**
Freightage and warehousing expenses	**39,311**	34,350	**325,932**
Advertising and promotion expenses	**18,804**	16,639	**155,905**
Provision of allowance for doubtful accounts	**35**	129	**294**
Employees' salaries and allowances	**37,753**	35,940	**313,013**
Retirement benefit expenses	**1,701**	1,570	**14,106**
Depreciation	**2,978**	3,044	**24,695**

3. Fiscal year ended December 31, 2014

The amount cited consists mainly of gains on sales of buildings and land.

4. Fiscal year ended December 31, 2014

The amount cited consists mainly of loss on disposal of buildings and machinery.

Fiscal year ended December 31, 2015

The amount cited consists mainly of loss on disposal of buildings, machinery, and intangible fixed assets (software).

5. Research and development expenses

Research and development expenses charged to manufacturing costs and to selling, general and administrative expenses for the years ended December 31, 2015 and 2014, were as follows:

Millions of Yen		Thousands of US Dollars
2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
¥ 14,222	¥ 13,438	**$ 117,917**

6. Impairment loss

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

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

Description	Classification	Location	Millions of Yen	Thousands of US Dollars
Business assets	Buildings and structures, machinery, equipment and vehicles	Russia	¥ 1,946	$ 16,136

(1) Background to the recognition of impairment loss

Profitability at the Company's Russian consolidated subsidiary LLC Yokohama R.P.Z. deteriorated on account of an economic downturn in Russia triggered by the decline in crude oil prices. The Company has therefore reduced the book value of the operating assets affected to the amount deemed recoverable, and it has recorded the resultant impairment loss as an extraordinary loss of ¥1,946 million (US$16,136 thousand).

(2) Methods of grouping assets

The Company groups assets by business sector at the parent company and by company among its consolidated subsidiaries.

(3) Method of computing the recoverable amount

The Company has computed the recoverable amount of the corresponding business assets in reference to their value in use by discounting anticipated future cash flows by a discount rate of 11.6%.

6. Supplementary information for consolidated statement of comprehensive income

1. Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Unrealized gains or losses on securities			
Arising during the year	**¥ 122**	¥ 8,758	**$ 1,015**
Amount of recycling	**(7,926)**	(2,615)	**(65,718)**
Before tax-effect adjustment	**(7,804)**	6,143	**(64,703)**
Amount of tax effect	**(4,723)**	2,159	**(39,162)**
Unrealized gains or losses on securities	**(3,080)**	3,984	**(25,541)**
Deferred gains or losses on hedges			
Arising during the year	**(229)**	—	**(1,901)**
Amount of recycling	**—**	—	**—**
Before tax-effect adjustment	**(229)**	—	**(1,901)**
Amount of tax effect	**(73)**	—	**(606)**
Deferred gains or losses on hedges	**(156)**	—	**(1,295)**
Foreign currency translation adjustments			
Arising during the year	**(5,329)**	15,411	**(44,180)**
Adjustment related to pension obligations of consolidated overseas subsidiaries			
Arising during the year	**—**	(2,183)	**—**
Amount of recycling	**—**	624	**—**
Before tax-effect adjustment	**—**	(1,559)	**—**
Amount of tax effect	**—**	(600)	**—**
Adjustment related to pension obligations of consolidated overseas subsidiaries	**—**	(959)	**—**
Remeasurements of defined benefit plans			
Arising during the year	**(1,144)**	—	**(9,485)**
Amount of recycling	**353**	—	**2,928**
Before tax-effect adjustment	**(791)**	—	**(6,557)**
Amount of tax effect	**(90)**	—	**(748)**
Remeasurements of defined benefit plans	**(701)**	—	**(5,810)**
Share of other comprehensive income of associates accounted for by the equity method			
Arising during the year	**—**	7	**—**
Total other comprehensive income (loss)	**(9,266)**	18,443	**(76,825)**

7. Supplementary information for consolidated statement of changes in net assets

Year ended December 31, 2015

1. Number and type of shares issued and outstanding and number and type of treasury stock

	Number of shares at beginning of year (thousands)	Increase during year (thousands)	Decrease during year (thousands)	Number of shares at end of year (thousands)
Shares issued and outstanding				
Common stock*	342,598	—	173,049	169,549
Treasury stock				
Common stock**	19,457	2,453	12,703	9,207

*The decrease in the number of shares issued and outstanding resulted from the retirement of 3,500 thousand shares of treasury stock on March 31, 2015, and from a one-for-two share consolidation conducted on July 1, 2015, which reduced the number of shares by 169,549 thousand.
**The increase in treasury stock occurred as a result of the repurchase of 2,431 thousand shares on the basis of a resolution by the Board of Directors; the repurchase of 20 thousand shares in fractional share units at the request of shareholders; and the repurchase, also at the request of shareholders, of 1,000 shares in fractional share units in connection with the one-for-two stock consolidation conducted on July 1, 2015. The decrease in treasury stock occurred as a result of the retirement of 3,500 thousand shares of treasury stock on March 31, 2015; a reduction of 9,202 thousand shares occasioned by the one-for-two share consolidation on July 1, 2015; and the sale of less than 1 thousand shares at the request of shareholders to obtain whole share units.

2. Dividends
(1) Dividend payments

Resolution	Type of share	Total dividend payment (millions of yen)	Dividend per share (yen)	Date of record	Effective date
General Meeting of Shareholders convened on March 27, 2015	Common stock	4,524 (US$38 thousand)	14 (US$0.1)	December 31, 2014	March 30, 2015
Board of Directors meeting convened on August 10, 2015	Common stock	4,169 (US$35 thousand)	13 (US$0.1)	June 30, 2015	August 31, 2015

Note: Because the interim dividend was applicable to shareholders of record as of June 30, 2015, it was payable to the number of shares issued and outstanding before the one-for-two share consolidation conducted on July 1, 2015.

(2) Dividends applicable to shareholders of record in the year ended December 31, 2015, and payable in the following fiscal year

Resolution	Type of share	Source of dividends	Total dividend payment (millions of yen)	Dividend per share (yen)	Date of record	Effective date
General Meeting of Shareholders convened on March 30, 2016	Common stock	Retained earnings	4,169 (US$35 thousand)	26 (US$0.2)	December 31, 2015	March 31, 2016

Year ended December 31, 2014

1. Number and type of shares issued and outstanding and number and type of treasury stock

	Number of shares at beginning of year (thousands)	Increase during year (thousands)	Decrease during year (thousands)	Number of shares at end of year (thousands)
Shares issued and outstanding				
Common stock	342,598	—	—	342,598
Treasury stock				
Common stock*	19,437	22	1	19,457

*The increase in treasury stock occurred as a result of the repurchase of fractional share units at the request of shareholders, and the decrease occurred as the result of the sale of shares, also at the request of shareholders, to fulfill share units.

2. Dividends
(1) Dividend payments

Resolution	Type of share	Total dividend payment (millions of yen)	Dividend per share (yen)	Date of record	Effective date
General Meeting of Shareholders convened on March 28, 2014	Common stock	3,878	12	December 31, 2013	March 31, 2014
Board of Directors meeting convened on August 8, 2014	Common stock	3,878	12	June 30, 2014	August 29, 2014

(2) Dividends applicable to shareholders of record in the year ended December 31, 2014, and payable in the following fiscal year

Resolution	Type of share	Source of funds	Total dividend payment (millions of yen)	Dividend per share (yen)	Date of record	Effective date
General Meeting of Shareholders convened on March 27, 2015	Common stock	Retained earnings	4,524	14	December 31, 2014	March 30, 2015

8. Supplementary information for consolidated statement of cash flows

A reconciliation of cash and deposits presented in the consolidated balance sheet as of December 31, 2015 and 2014, and of cash and cash equivalents reported in the consolidated statement of cash flows for the years ended December 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Cash and deposits	**¥ 42,270**	¥ 45,967	**$ 350,469**
Time deposits with maturities of more than three months	**(1,186)**	(1,514)	**(9,832)**
Cash and cash equivalents	**¥ 41,084**	¥ 44,454	**$ 340,637**

9. Leases

1. Finance leases

Finance lease agreements that do not provide for the transfer of ownership

(1) Leased assets

Tangible fixed assets

The leased tangible fixed assets consist principally of molds and warehouse equipment, including tools and fixtures, in the tire business.

(2) Depreciation method

As described in "Principles of Consolidation 4. Summary of Significant Accounting Policies, (2) Depreciation methods for significant depreciable assets."

2. Operating leases

Future lease payment obligations under noncancelable operating leases at December 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Within one year	**¥ 1,512**	¥ 1,553	**$ 12,534**
Over one year	**13,159**	10,174	**109,107**
Total	**¥ 14,671**	¥ 11,728	**$ 121,641**

10. Financial instruments

1. 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.

2. 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.

Some of the bank loans and corporate bonds have floating interest rates and are subject to interest rate fluctuation risk.

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

3. 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, 2015 and 2014, are indicated in the balance sheet as part of the allowance for doubtful receivables.

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

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

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

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

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

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

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

4. 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 “12. Derivative instruments” do not indicate the market risk related to derivative transactions.

5. Fair Value of Financial Instruments

The book value and fair value of financial instruments and the differences between them as of December 31, 2015 and 2014, 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					
	2015 (12.31.15)			2014 (12.31.14)		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
(1) Cash and deposits	**¥ 42,270**	**¥ 42,270**	**¥ —**	¥ 45,967	¥ 45,967	¥ —
(2) Trade receivables: Notes and accounts	**155,171**	**155,171**	**—**	171,026	171,026	—
(3) Electronically recorded monetary claims—operating	**7,264**	**7,264**	**—**	—	—	—
(4) Investment securities	**90,419**	**90,419**	**—**	98,635	98,635	—
Total assets	**295,124**	**295,124**	**—**	315,628	315,628	—
(1) Trade notes and accounts payable	**65,542**	**65,542**	**—**	80,641	80,641	—
(2) Electronically recorded obligations—operating	**7,267**	**7,267**	**—**	8,450	8,450	—
(3) Short-term loans payable	**67,092**	**67,092**	**—**	87,368	87,368	—
(4) Accrued expenses	**36,814**	**36,814**	**—**	38,613	38,613	—
(5) Commercial paper	**13,000**	**13,000**	**—**	22,000	22,000	—
(6) Deposits received	**—**	**—**	**—**	639	648	9
(7) Bonds	**32,000**	**31,318**	**(682)**	20,000	19,407	(593)
(8) Long-term loans payable	**78,825**	**78,739**	**(86)**	54,969	55,341	372
Total liabilities	**300,540**	**299,773**	**(768)**	312,679	312,468	(211)
Derivative transactions*	**(279)**	**(279)**	**—**	(462)	(462)	—

	Thousands of US Dollars		
	2015 (12.31.15)		
	Book Value	Fair Value	Difference
(1) Cash and deposits	$ 350,469	$ 350,469	$ —
(2) Trade receivables: Notes and accounts	1,286,549	1,286,549	—
(3) Electronically recorded monetary claims—operating	60,230	60,230	—
(4) Investment securities	749,680	749,680	—
Total assets	2,446,928	2,446,928	—
(1) Trade notes and accounts payable	543,422	543,422	—
(2) Electronically recorded obligations—operating	60,256	60,256	—
(3) Short-term loans payable	556,269	556,269	—
(4) Accrued expenses	305,235	305,235	—
(5) Commercial paper	107,785	107,785	—
(6) Deposits received	—	—	—
(7) Bonds	265,318	259,665	(5,653)
(8) Long-term loans payable	653,552	652,839	(713)
Total liabilities	2,491,836	2,485,470	(6,366)
Derivative transactions*	(2,309)	(2,309)	—

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

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

Assets

(1) Cash and deposits, (2) trade receivables: Notes and accounts and (3) Electronically recorded monetary claims—operating

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

(4) Investment securities

The fair value of securities is based on the market price on stock exchanges.

See note "Securities" regarding the differences between the amounts booked on the consolidated balance sheet 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.

(7) Bonds

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

(8) Long-term loans payable

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

Derivative instruments

See note "Derivative instruments."

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

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
	Book Value	Book Value	Book Value
Unlisted stock and others	**¥ 7,537**	¥ 5,516	**$ 62,490**

Note:
These financial instruments are not included in "(4) 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 US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
	Within One Year	Within One Year	Within One Year
Cash and Deposits	**¥ 42,034**	¥ 45,675	**$ 348,514**
Trade receivables: Notes and accounts	**155,171**	171,026	**1,286,549**
Electronically recorded monetary claims—operating	**7,264**	—	**60,230**
Total	**¥ 204,469**	¥ 216,701	**$ 1,695,294**

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					
	2015 (12.31.15)					
	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**	**¥ 22,000**
Long-term loans payable	**15,814**	**7,287**	**10,849**	**27,586**	**9,711**	**7,578**
Other liabilities with interest	**80,092**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 95,906**	**¥ 7,287**	**¥ 10,849**	**¥ 27,586**	**¥ 19,711**	**¥ 29,578**

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

	Thousands of US Dollars					
	2015 (12.31.15)					
	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	**$ —**	**$ —**	**$ —**	**$ —**	**$ 82,912**	**$ 182,406**
Long-term loans payable	**131,119**	**60,420**	**89,948**	**228,720**	**80,517**	**62,827**
Other liabilities with interest	**664,054**	**—**	**—**	**—**	**—**	**—**
Total	**$ 795,173**	**$ 60,420**	**$ 89,948**	**$ 228,720**	**$ 163,429**	**$ 245,233**

11. Securities

Cost, carrying amount, and unrealized gains and losses pertaining to available-for-sale securities at December 31, 2015 and 2014, were as follows:

	Millions of Yen							
	2015 (12.31.15)				2014 (12.31.14)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities with carrying amount exceeding their acquisition cost:								
Stock	**¥ 31,911**	**¥ 89,972**	**¥ 58,061**	**—**	¥ 32,145	¥ 97,914	¥ 65,769	—

	Thousands of US Dollars			
	2015 (12.31.15)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities with carrying amount exceeding their acquisition cost:				
Stock	**$ 264,578**	**$ 745,972**	**$ 481,393**	**—**

	Millions of Yen							
	2015 (12.31.15)				2014 (12.31.14)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities with carrying amount not exceeding their acquisition cost:								
Stock	**¥ 505**	**¥ 447**	**—**	**¥ (58)**	¥ 855	¥ 721	—	¥ (135)

	Thousands of US Dollars			
	2015 (12.31.15)			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities with carrying amount not exceeding their acquisition cost:				
Stock	**$ 4,190**	**$ 3,708**	**—**	**$ (482)**

Note:
Unlisted equity securities amounting to ¥678 million (US$5,618 thousand) in 2015 and ¥1,262 million (US$10,469 thousand) in 2014 are excluded from the above table, because there is no market price and it is very difficult to identify fair values.

Sales of securities classified as available-for-sale securities and the aggregate gains or losses for the years ended December 31, 2015 and 2014, are immaterial.

Fiscal 2015
Not applicable.

Fiscal 2014

	Millions of Yen		
	Proceeds from sales	Total gain	Total loss
Stock	¥ 3,240	¥ 2,615	—

12. Derivative instruments

1. Fair value information of derivative instruments, for which deferral hedge accounting has not been applied, at December 31, 2015 and 2014, was as follows:

(1) Currency derivatives

	Millions of Yen								Thousands of US Dollars		
	2015 (12.31.15)				2014 (12.31.14)				**2015** (12.31.15)		
	Contract Amount	Over One Year	Fair Value	Unrealized Gains (Losses)	Contract Amount	Over One Year	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:											
RUB	**¥ 1,408**	**—**	**¥ 174**	**¥ 174**	¥ 1,178	—	¥ 306	¥ 306	**$ 11,673**	**$ 1,443**	**$ 1,443**
EUR	**1,454**	**—**	**29**	**29**	1,862	—	(82)	(82)	**12,056**	**239**	**239**
USD	**2,568**	**—**	**37**	**37**	2,415	—	(43)	(43)	**21,293**	**305**	**305**
AUD	**678**	**—**	**(10)**	**(10)**	972	—	(13)	(13)	**5,619**	**(86)**	**(86)**
GBP	**364**	**—**	**15**	**15**	374	—	(24)	(24)	**3,015**	**125**	**125**
CND	**422**	**—**	**17**	**17**	392	—	(18)	(18)	**3,495**	**140**	**140**
Currency interest rate swap contracts:											
JPY receipt											
INR payment	**2,603**		**(310)**	**(310)**	2,731		(587)	(587)	**21,582**	**(2,574)**	**(2,574)**
	¥ 9,496		**¥ (49)**	**¥ (49)**	¥ 9,925		¥ (462)	¥ (462)	**$ 78,730**	**$ (408)**	**$ (408)**

Note:
Market values at the end of the fiscal year are calculated using prices quoted by financial institutions.

(2) Interest rate derivatives
Not applicable.

2. Fair value information of derivative instruments, for which deferral hedge accounting has been applied, at December 31, 2015 and 2014, was as follows:

(1) Currency derivatives

	Millions of Yen					
	2015 (12.31.15)			2014 (12.31.14)		
	Contract Amount	Over One Year	Fair Value	Contract Amount	Over One Year	Fair Value
Forward exchange contracts with allocation method:						
Deposits received	**¥ 10,288**	**¥ 8,107**	**¥ (229)**	¥ 639	¥ —	*
Long-term deposits received	**—**	**—**	**—**	—	—	—

	Thousands of US Dollars		
	2015 (12.31.15)		
	Contract Amount	Over One Year	Fair Value
Forward exchange contracts with allocation method:			
Deposits received	**$ 85,299**	**$ 67,219**	**$ (1,901)**
Long-term deposits received	**—**	**—**	**—**

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

(2) Interest rate derivatives
Not applicable.

13. Pension and severance plans

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

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

1. Defined benefit plans

(1) The changes in defined benefit obligation for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Balance at beginning of year	**¥ 60,851**	¥ 32,366	**$ 504,526**
Cumulative effects of changes in accounting policies	**¥ (615)**	—	**$ (5,097)**
Restated balance	**¥ 60,236**	¥ 32,366	**$ 499,429**
Current service cost	**2,757**	1,919	**22,861**
Interest cost	**1,110**	478	**9,199**
Actuarial gain and loss	**(3,528)**	(180)	**(29,255)**
Benefits paid	**(4,081)**	(2,779)	**(33,833)**
Others	**214**	29,047	**1,772**
Balance at end of year	**¥ 56,708**	¥ 60,851	**$ 470,173**

The above "Others" in 2014 includes a ¥29,068 million year-end balance of consolidated overseas subsidiaries, which was included in other long-term liabilities as of December 31, 2013.

(2) The changes in plan assets for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Balance at beginning of year	**¥ 36,167**	¥ 14,322	**$ 299,865**
Expected return on plan assets	**990**	—	**8,207**
Actuarial gain and loss	**(1,685)**	1,959	**(13,972)**
Contributions from employer	**9,549**	4	**79,169**
Benefits paid	**(1,126)**	(7)	**(9,333)**
Others	**(10)**	19,889	**(80)**
Balance at end of year	**¥ 43,885**	¥ 36,167	**$ 363,856**

The above "Others" in 2014 includes a ¥19,890 million year-end balance of consolidated overseas subsidiaries, which was included in other long-term liabilities as of December 31, 2013.

(3) Reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Funded defined benefit obligation	**¥ 44,058**	¥ 43,995	**$ 365,295**
Plan assets	**(43,885)**	(36,167)	**(363,856)**
	174	7,828	**1,439**
Unfunded defined benefit obligation	**12,649**	16,856	**104,877**
Net defined benefit liability	**¥ 12,823**	¥ 24,684	**$ 106,316**

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Liability for retirement benefits	**¥ 12,823**	¥ 24,684	**$ 106,316**
Net defined benefit liability	**¥ 12,823**	¥ 24,684	**$ 106,316**

(4) The components of net periodic benefit costs for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Service cost	**¥ 2,757**	¥ 1,919	**$ 22,861**
Interest cost	**1,110**	478	**9,199**
Expected return on plan assets	**(990)**	—	**(8,207)**
Recognized actuarial gain and loss	**181**	(368)	**1,505**
Amortization of prior service cost	**172**	106	**1,423**
Others	**(1)**	1	**(8)**
Net periodic benefit costs	**¥ 3,229**	¥ 2,136	**$ 26,774**

(5) Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Prior service cost	**¥ 75**	—	**$ 625**
Actuarial gain and loss	**(866)**	—	**(7,183)**
Total	**¥ (791)**	—	**$ (6,557)**

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Unrecognized prior service cost	**¥ (383)**	¥ (458)	**$ (3,176)**
Unrecognized actuarial gain and loss	**(6,723)**	(5,862)	**(55,742)**
Total	**¥ (7,106)**	¥ (6,321)	**$ (58,917)**

(7) Plan assets as of December 31, 2015 and 2014, were as follows:
(i) Components of plan assets

	2015 (12.31.15)	2014 (12.31.14)
Debt investments	**35%**	39%
Equity investments	**57**	46
Cash and cash equivalents	**6**	13
Others	**1**	2
Total	**100%**	100%

Of the above total, 58% and 45% of plan assets were held in retirement benefit trusts as of December 31, 2015 and 2014, respectively.

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

(8) Assumptions used as of December 31, 2015 and 2014, were set forth as follows:

	2015 (12.31.15)	2014 (12.31.14)
Discount rate	**Mainly 0.5%–5.0%**	Mainly 1.6%
Expected rate of return on plan assets	**Mainly 0.0%–5.0%**	Mainly 0.0%

2. Defined contribution plan

The required contributions for the defined contribution plan paid by the Company and its subsidiaries were ¥625 million (US$5,183 thousand) and ¥619 million for the years ended December 31, 2015 and 2014, respectively.

14. Deferred income taxes

Significant components of the deferred income tax assets and liabilities at December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Deferred tax assets:			
Deferred income taxes	**¥ 10,952**	¥ 12,985	**$ 90,807**
Unrealized profits	**4,338**	5,573	**35,971**
Accrued expenses	**1,559**	1,907	**12,927**
Loss on valuation of inventories	**760**	1,066	**6,301**
Loss carried forward	**2,909**	187	**24,119**
Other	**7,541**	7,108	**62,525**
Gross deferred tax assets	**28,060**	28,826	**232,649**
Less valuation allowance	**(1,351)**	(683)	**(11,199)**
Total deferred tax assets	**26,709**	28,142	**221,450**
Deferred tax liabilities:			
Unrealized gains on securities	**(18,469)**	(23,192)	**(153,130)**
Liabilities for pension and severance payments	**(5,257)**	(3,019)	**(43,583)**
Gain on receipt of stock set by pension plan	**(1,664)**	(1,842)	**(13,800)**
Reserve for advanced depreciation of non-current assets	**(1,268)**	(1,467)	**(10,517)**
Non-current assets	**(7,208)**	(3,191)	**(59,759)**
Other	**(1,519)**	(819)	**(12,597)**
Total deferred tax liabilities	**(35,385)**	(33,529)	**(293,386)**
Net deferred tax assets (liabilities)	**¥ (8,676)**	¥ (5,387)	**$ (71,936)**

Note:

Net deferred tax assets (liabilities) at December 31, 2015 and 2014, were included in the following consolidated balance sheet line items.

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Current assets: Deferred income taxes	**¥ 8,842**	¥ 11,954	**$ 73,315**
Investments and other assets: Deferred income taxes	**2,858**	5,182	**23,697**
Current liabilities: Other current liabilities	**(188)**	(82)	**(1,557)**
Long-term liabilities: Deferred income taxes	**(20,189)**	(22,441)	**(167,392)**

A reconciliation of the statutory income tax rates to the effective income tax rates for the years ended December 31, 2015 and 2014, was as follows:

	2015 (01.01.15–12.31.15)	2014 (01.01.14–12.31.14)
Statutory income tax rates	**35.3 %**	37.6 %
Inhabitant tax on per-capita basis	**0.2**	0.2
Permanently nondeductible expenses	**0.7**	0.6
Permanently nontaxable income	**(0.9)**	(1.0)
Tax deduction for research and development	**(2.1)**	(1.8)
Valuation allowance	**1.4**	0.2
Reversal of tax effect due to change in corporate income tax rate	**0.7**	0.5
Difference in effective tax rate for overseas subsidiaries	**(3.8)**	(1.8)
Other	**1.2**	0.7
Effective income tax rates	**32.7 %**	35.2 %

Revisions of deferred tax assets and deferred tax liabilities occasioned by change in effective corporate tax rate
The March 31, 2015, promulgation of the "Act on Partial Amendment of the Income Tax Act, Etc., "(Act No. 9 of 2015) and the "Act on Partial Amendment of the Local Taxation Act, Etc. (Act No. 2 of 2015) lowered the corporate tax rate from fiscal years that commence on or after April 1, 2015. In connection with that development, the Company has employed an effective statutory corporate tax rate of 32.7% in computing the portion of deferred tax assets and deferred tax liabilities expected to be eliminated in the year beginning January 1, 2016, and 31.9% for the portion expected to be eliminated in the year beginning January 1, 2017, and in subsequent years, compared with the rate of 35.3% employed previously. The change in the effective corporate tax rate has had the effect of reducing the Company's net deferred tax liabilities (deferred tax liabilities less deferred tax assets) by ¥1,562 million (US$12,954 thousand) and of increasing the Company's income taxes by ¥406 million (US$3,367 thousand) and the Company's unrealized gains on securities by ¥1,968 million (US$16,321 thousand) as of and for the year ended December 31, 2015.

15. Segment information

1. Outline of Reportable Segments

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

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

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

Changes in reportable segments

From the current fiscal year ended December 31, 2015, the former "Industrial products" segment and the aviation parts business in "Other" were changed to MB (multiple business). This was done to properly reflect the reality of the business management of the Group in line with the business strategy of the medium-term management plan. The segment information for the previous fiscal year reflects this change in segmentation.

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

The accounting methods for reportable segments are mostly the same as those described in "Summary of Significant Accounting Policies."

Segment income corresponds to operating income, and intersegment income and transfers are based on prevailing market prices.

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

Information on sales, income (loss), assets, and other items by reportable segments for the years ended December 31, 2015 and 2014, was as follows:

	Millions of Yen						
	Tires	MB	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
				2015 (01.01.15–12.31.15)			
Sales to third parties	**¥ 500,624**	**¥ 121,707**	**¥ 622,330**	**¥ 7,526**	**¥ 629,856**	**¥ —**	**¥ 629,856**
Intergroup sales and transfers	**1,865**	**96**	**1,961**	**15,120**	**17,081**	**(17,081)**	**—**
Total sales	**502,488**	**121,803**	**624,291**	**22,646**	**646,937**	**(17,081)**	**629,856**
Segment income	**¥ 43,037**	**¥ 10,534**	**¥ 53,571**	**¥ 977**	**¥ 54,549**	**¥ (13)**	**¥ 54,536**
Segment assets	**¥ 564,386**	**¥ 100,410**	**¥ 664,796**	**¥ 47,473**	**¥ 712,269**	**¥ (1,553)**	**¥ 710,717**
Other items							
Depreciation and amortization	**¥ 27,648**	**¥ 2,995**	**¥ 30,643**	**¥ 361**	**¥ 31,004**	**¥ 355**	**¥ 31,359**
Impairment loss	**¥ 1,946**	**¥ —**	**¥ 1,946**	**¥ —**	**¥ 1,946**	**¥ —**	**¥ 1,946**
Investment in equity method affiliates	**¥ 66**	**¥ —**	**¥ 66**	**¥ —**	**¥ 66**	**¥ —**	**¥ 66**
Increase of tangible and intangible fixed assets	**¥ 45,784**	**¥ 4,247**	**¥ 50,032**	**¥ 381**	**¥ 50,412**	**¥ 585**	**¥ 50,997**
				2014 (01.01.14–12.31.14)			
Sales to third parties	¥ 497,573	¥ 120,208	¥ 617,781	¥ 7,464	¥ 625,246	¥ —	¥ 625,246
Intergroup sales and transfers	1,997	184	2,181	3,561	5,743	(5,743)	—
Total sales	499,570	120,392	619,962	11,026	630,988	(5,743)	625,246
Segment income	¥ 48,578	¥ 10,235	¥ 58,812	¥ 238	¥ 59,050	¥ 17	¥ 59,067
Segment assets	¥ 575,330	¥ 96,070	¥ 671,400	¥ 44,612	¥ 716,011	¥ 18,500	¥ 734,512
Other items							
Depreciation and amortization	¥ 24,130	¥ 2,626	¥ 26,757	¥ 200	¥ 26,957	¥ 482	¥ 27,439
Investment in equity method affiliates	¥ 67	¥ —	¥ 67	¥ —	¥ 67	¥ —	¥ 67
Increase of tangible and intangible fixed assets	¥ 50,567	¥ 3,734	¥ 54,301	¥ 109	¥ 54,409	¥ 916	¥ 55,325

	Thousands of US Dollars						
	Tires	MB	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
				2015 (01.01.15–12.31.15)			
Sales to third parties	**$ 4,150,763**	**$ 1,009,093**	**$ 5,159,857**	**$ 62,398**	**$ 5,222,255**	**$ —**	**$ 5,222,255**
Intergroup sales and transfers	**15,460**	**799**	**16,259**	**125,360**	**141,619**	**(141,619)**	**—**
Total sales	**4,166,223**	**1,009,892**	**5,176,115**	**187,759**	**5,363,874**	**(141,619)**	**5,222,255**
Segment income	**$ 356,830**	**$ 87,340**	**$ 444,169**	**$ 8,104**	**$ 452,273**	**$ (104)**	**$ 452,168**
Segment assets	**$ 4,679,428**	**$ 832,521**	**$ 5,511,949**	**$ 393,609**	**$ 5,905,558**	**$ (12,874)**	**$ 5,892,684**
Other items							
Depreciation and amortization	**$ 229,237**	**$ 24,832**	**$ 254,069**	**$ 2,991**	**$ 257,061**	**$ 2,945**	**$ 260,006**
Impairment loss	**$ 16,135**	**$ —**	**$ 16,135**	**$ —**	**$ 16,135**	**$ —**	**$ 16,135**
Investment in equity method affiliates	**$ 543**	**$ —**	**$ 543**	**$ —**	**$ 543**	**$ —**	**$ 543**
Increase of tangible and intangible fixed assets	**$ 379,605**	**$ 35,217**	**$ 414,822**	**$ 3,156**	**$ 417,978**	**$ 4,851**	**$ 422,829**

Notes:

1. The “Other items” category incorporates operations not included in reportable segments, including sports products.
2. Adjustments are as follows:

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

(2) Segment asset adjustments for the year ended December 31, 2015, of elimination of intersegment transactions of ¥37,761 million (US$313,083 thousand) and “corporate assets” of ¥36,208 million (US$300,210 thousand). “Corporate assets” primarily consist of accumulated working capital and investments in securities.

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

16. Related information for the years ended December 31, 2015 and 2014

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
(1) Sales

	Millions of Yen		Thousands of US Dollars
	2015 (01.01.15–12.31.15)	2014 (01.01.14–12.31.14)	**2015** (01.01.15–12.31.15)
Japan	**¥ 297,116**	¥ 313,907	**$ 2,463,447**
United States of America	**154,647**	140,564	**1,282,207**
Others	**178,093**	170,774	**1,476,600**
Total	**¥ 629,856**	¥ 625,246	**$ 5,222,255**

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

(2) Property, plant and equipment

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
Japan	**¥ 109,922**	¥ 110,272	**$ 911,380**
United States of America	**53,606**	38,799	**444,461**
Philippines	**32,429**	33,283	**268,879**
China	**32,124**	26,837	**266,347**
Thailand	**22,889**	25,441	**189,781**
Others	**10,691**	14,804	**88,638**
Total	**¥ 261,662**	¥ 249,435	**$ 2,169,486**

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

4. Impairment losses on fixed assets by reportable segment for the years ended December 31, 2015 and 2014
There were no applicable items for the years ended December 31, 2015 and 2014.

5. Amortization of goodwill and the amortization balance by reportable segment for the years ended December 31, 2015 and 2014
The Company omitted this information because of its immateriality for the years ended December 31, 2015 and 2014.

6. Gains on negative goodwill by reportable segment for the years ended December 31, 2015 and 2014
The Company omitted this information because of its immateriality for the years ended December 31, 2015 and 2014.

17. Related party transactions

Significant transactions and balances with related parties as of and for the years ended December 31, 2015 and 2014, were as follows:

Year ended December 31, 2015

			Capital					Amounts			Amounts	
Type	Name of Related Company	Address	Millions of Yen	Principal Business	Ratio of Voting Rights Owning (owned)	Business Relationship	Transactions	Millions of Yen	Thousands of US Dollars	Accounts and Closing Balances	Millions of Yen	Thousands of US Dollars
Principal shareholder	**Zeon Corporation**	**Chiyoda-ku, Tokyo**	**¥24,211**	**Manufacturing**	**Directly (10.1%)**	**Purchases of products**	**Purchases of raw materials Interlocking directorate**	**¥12,055**	**$99,947**	**Trade accounts payable**	**¥6,990**	**$57,957**

Year ended December 31, 2014

Type	Name of Related Company	Address	Capital: Millions of Yen	Principal Business	Ratio of Voting Rights Owning (owned)	Business Relationship	Transactions	Amounts: Millions of Yen	Amounts: Thousands of US Dollars	Accounts and Closing Balances	Amounts: Millions of Yen	Amounts: Thousands of US Dollars
Principal share-holder	Zeon Corpora-tion	Chiyoda-ku, Tokyo	¥24,211	Manufac-turing	Directly (10.1%)	Purchases of products	Purchases of raw materials Interlocking directorate	¥16,094	$133,506	Trade accounts payable	¥10,207	$84,673

Terms of transactions and decision-making policy of the terms
(1) The purchase prices of raw materials were determined based on quotations from suppliers and market prices.
(2) The amount of the transactions stated above does not include consumption taxes, while the balance at year-end includes consumption taxes.

Significant transactions and balances with important subsidiaries
No applicable items.

Notes pertaining to the parent company and to important subsidiaries and affiliates
(1) Parent company
No applicable items.
(2) Important subsidiaries and affiliates
No applicable items.

18. Per share amounts

For the years ended December 31, 2015 and 2014

	Yen: **2015** (01.01.15–12.31.15)	Yen: 2014 (01.01.14–12.31.14)	US Dollars: **2015** (01.01.15–12.31.15)
Net assets per share of common stock	**¥ 2,114.11**	¥ 2,002.58	**$ 17.53**
Net income per share of common stock	**¥ 226.07**	¥ 250.67	**$ 1.87**

19. Subsequent event

The acquisition of Alliance Tire Group (making it a subsidiary of the Company)
The Company agreed on March 25, 2016, to purchase all of the shares of the holding company of the Alliance Tire Group companies, Alliance Tire Group B.V., collectively "ATG" hereafter and whose head office is located in the Netherlands, from KKR AT Dutch B.V., a subsidiary of the global investment company Kohlberg Kravis Roberts & Co. L.P., and from the other owners of the shares.

1. The reason for the share purchase
The Company is in Phase IV (2015–2017) of its Grand Design 100 (GD100) medium-term management plan. This plan has established the expansion of the business in commercial tires as a core pillar of Yokohama Rubber's tire business strategy, and the Company is accordingly devoting considerable resources to developing and expanding sales of ultra-large radial tires for mining and construction equipment.

ATG has developed a highly specialized business in the manufacture and sale of tires for agricultural, industrial, construction, and forestry machinery. ATG sells radial and bias tires for the aforementioned machinery in more than 120 countries around the world, with a focus on the North American and European markets.

The Company does not manufacture or sell tires for agricultural or forestry machinery. The acquisition of ATG will strengthen Yokohama Rubber's product lineup in commercial tires.

Agricultural equipment tire demand is expected to increase as a result of the growing use of agricultural machinery, which is crucial to improve agricultural efficiency to meet the increasing food needs for the world's growing population.

The ATG acquisition will strengthen the Yokohama Group's business in commercial tires and accelerate its ongoing globalization.

2. The names of the counterparties in the share purchase
KKR AT Dutch B.V., Yogesh Agencies and Investments Private Limited, International Finance Corporation, Mr. Zubin Dubash

3. The name, business, description, and paid-in capital of the company to be purchased

Name	Alliance Tire Group B.V.
Address	Prins Bernhardplein 200 (1097JB), Amsterdam, the Netherlands
Names and titles of representatives	Dirk Peter Stolp, Managing Director Linda Kuiters, Managing Director Lillian Yuen Ming Leong, Managing Director Alain Vourch, Managing Director Gert Jan Rietberg, Managing Director
Business description	Ownership of the shares of subsidiaries that engage in manufacturing and marketing tires for agricultural equipment, industrial machinery, construction equipment, and forestry equipment
Paid-in capital	€665,000
Established	November 17, 2006
Principal shareholders	KKR AT Dutch B.V. 87.48% Yogesh Agencies and Investments Private Limited 10.01% International Finance Corporation 2.25% Mr. Zubin Dubash 0.26%

4. The date of the purchase of shares
July 1, 2016 (planned)

Note:
The purchase is subject to the completion of filings in connection with antitrust regulations in the United States and in other jurisdictions

5. The number of shares to be purchased, the purchase price, and the composition of ownership after the purchase

The number of shares owned by the Company before the purchase	0 shares (voting rights: 0; percentage of voting rights: 0%)
The number of shares to be purchased	132,923 shares (voting rights: 1,329,230)
Expenditures for the purchase	Purchase price for the Alliance Tire Group B.V. shares: US$1,179 million (planned) Advisory fee: ¥1,500 million (estimate) Total: ¥137,100 million (estimate; assumed exchange rate: US$1 = ¥115)
The number of shares to be owned by the Company after the purchase	132,923 shares (voting rights: 1,329,230; percentage of voting rights: 100%)

Note:
The purchase price of the Alliance Tire Group B.V. shares will be adjusted after the purchase in accordance with a method prescribed in the share purchase agreement.

20. Supplementary consolidated information

Bonds

Issuer	Name of Issue	Issuance Date	Balance at Beginning of Year (millions of yen)	Balance at End of Year (millions of yen)	Interest Rate (percent)	Collateral	Maturity Date
The Company	Ninth unsecured corporate bond	October 31, 2013	10,000	10,000	0.509	Unsecured	October 30, 2020
The Company	Tenth unsecured corporate bond	October 31, 2014	10,000	10,000	0.355	Unsecured	October 29, 2021
The Company	Eleventh unsecured corporate bond	October 30, 2015	—	12,000	0.381	Unsecured	October 28, 2022
Total	—	—	20,000	32,000	—	—	—

Note:
Bonds that mature within five years of December 31, 2015, were as follows:

Millions of Yen				
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
—	—	—	—	10,000

Loans and lease obligations

	Balance at Beginning of Year (millions of yen)	Balance at End of Year (millions of yen)	Average Interest Rate (percent)	Dates Due
Short-term loans	87,368	67,092	1.5	—
Long-term loans due within one year	23,014	15,814	1.7	—
Lease obligations due within one year	549	540	—	—
Long-term loans, net of portion due within one year	31,955	63,011	1.0	February 23, 2016–September 10, 2022
Lease obligations, net of portion due within one year	795	900	—	January 1, 2017–August 31, 2023
Commercial paper and other interest-bearing debt due within one year	22,000	13,000	0.08	—
Total	165,681	160,356	—	—

Notes:
1. The Company uses lease rates and balances as of the year-end in computing the average interest rate.
2. No figures are provided for the average interest rate applicable to lease obligations because the amounts presented on the consolidated balance sheet for lease obligations include the interest-equivalent portions of the lease payments.
3. Long-term bank loans and lease obligations due within five years of December 31, 2015, excluding the current portion were as follows:

	Millions of Yen			
	Over One Year, Within Two Years	Over Two Years, Within Three Years	Over Three Years, Within Four Years	Over Four Years, Within Five Years
Long-term loans	7,287	10,849	27,586	9,711
Lease obligations	429	277	122	44

Asset retirement obligations
The Company has not disclosed detailed information on its asset retirement obligations at January 1, 2015, and at December 31, 2015, because those liabilities totaled less than 1% of the sum of the Company's liabilities and net assets at January 1, 2015, and at December 31, 2015.

Other
Cumulative results (total and per share) by quarter and quarterly results (per share) for the year ended December 31, 2015

	Millions of Yen			
Cumulative results	Three months ended March 31, 2015	Six months ended June 30, 2015	Nine months ended September 30, 2015	Fiscal 2015
Net sales	138,734	296,336	443,674	629,856
Income before income taxes and minority interests	9,229	23,703	25,443	54,255
Net income	5,830	16,235	18,271	36,308
Net income per share (Yen)	36.17	100.96	113.71	226.07

Quarterly results	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (Yen)	36.17	64.89	12.70	112.49

Note:
The Company carried out a one-for-two share merger effective July 1, 2015. It has computed and stated the figures for net income per share as if the share merger had been conducted on January 1, 2015.

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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, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 19 to the accompanying consolidated financial statements, which describes that, on March 25, 2016, The Yokohama Rubber Co., Ltd. agreed to purchase all of the shares of the holding company of the Alliance Tire Group companies, Alliance Tire Group B.V Our opinion is not qualified in respect of this matter.

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

Ernst & Young ShinNihon LLC

March 30, 2016
Tokyo, Japan

INVESTOR INFORMATION

As of December 31, 2015

Company Name:
The Yokohama Rubber Co., Ltd.

Head Office:
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan

Established:
October 13, 1917

Paid-in Capital:
¥38,909 million

Fiscal Year-End:
December 31 (changed in 2011 from March 31)

General Meeting of Shareholders:
March (changed in 2012 from June)

Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Stock Exchange Listings:
Tokyo, Nagoya

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

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

STOCK INFORMATION

As of December 31, 2015

Authorized number of shares: 400,000,000*

Number of shares issued and outstanding: 169,549,081*

Number of shareholders: 15,006—up 1,424 from December 31, 2014

* *The change took effect on July 1, 2015, the date when the company's one-for-two share merger took effect. Yokohama has halved its number of authorized shares in accordance with the share merger and the resultant halving of the number of shares issued and outstanding.*

Shareholder Composition (Shareholding Ratio)

Major Shareholders

Name	Number of shares (hundreds)	Percentage of total shares (%)
ZEON CORPORATION	162,715	9.5
ASAHI MUTUAL LIFE INSURANCE COMPANY	109,055	6.4
Japan Trustee Services Bank, Ltd. (trust account)	92,782	5.4
The Master Trust Bank of Japan, Ltd. (trust account)	90,916	5.3
Mizuho Bank, Ltd.	61,301	3.6

Note: Treasury stock of 92,073 hundred shares has been excluded in preparing the list of major shareholders.

Common Stock Price Trends

	2015	2014	2013	2014	2011 (4/11–12/11)
Stock Price (Yen):					
High	¥ 2,640 (¥1,452)	¥ 1,185	¥ 1,312	¥ 624	¥ 489
Low	1,837 (1,047)	829	604	421	380
Fiscal Year-End	1,871	1,105	1,033	620	432
Shares of Common Stock Issued and Outstanding	169,549,081	342,598,162	342,598,162	342,598,162	342,598,162

Note: A one-for-two share merger conducted on July 1, 2015, halved the number of Yokohama shares outstanding. The high and low figures cited in the table for 2015 are on a post-merger basis, and the figures in parentheses are on a pre-merger basis.