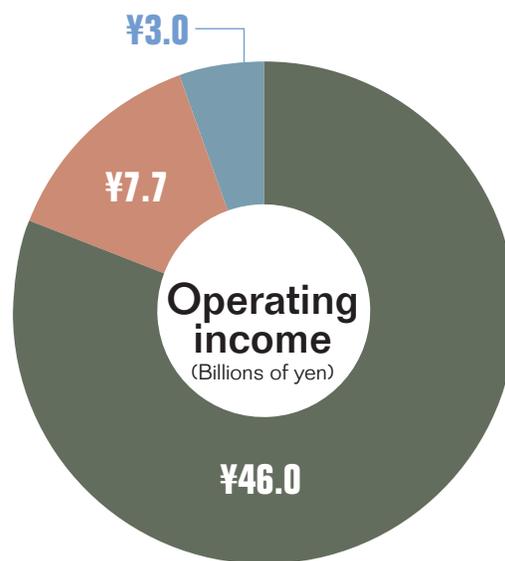
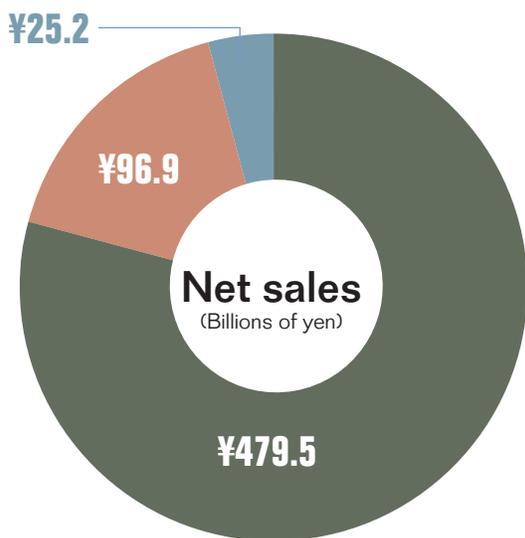


# YOKOHAMA AT A GLANCE

● Tires ● Industrial products ● Other products

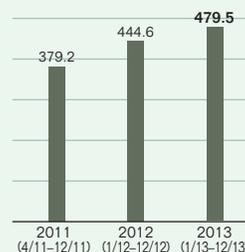


## Tires

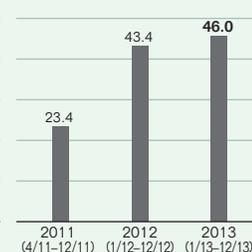
### Principal products

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

Net Sales (Billions of yen)



Operating Income (Billions of yen)

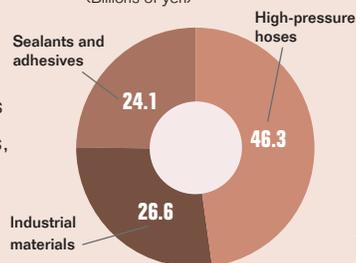


## Industrial Products

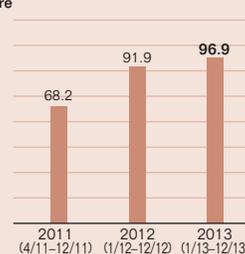
### Principal products

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

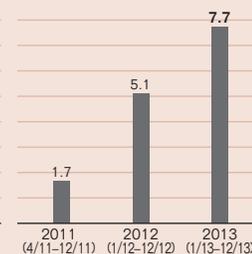
Sales by Product Category (Billions of yen)



Net Sales (Billions of yen)



Operating Income (Billions of yen)

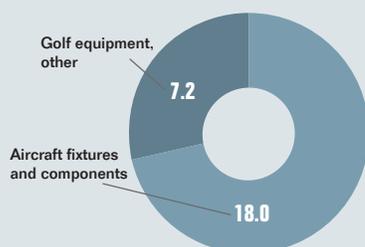


## Other Products

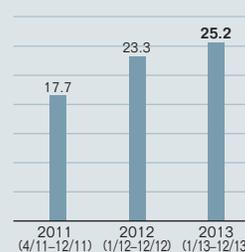
### Principal products

Aircraft fixtures and components and golf equipment

Sales by Product Category (Billions of yen)



Net Sales (Billions of yen)



Operating Income (Billions of yen)



# Tire group

**Sales**

**¥479.5 billion** **UP 7.9%**

**Operating income**

**¥46.0 billion** **UP 6.1%**

**Passenger car tires**

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



**Truck and bus tires**

In truck and bus tires, our product line extends from tires for light trucks to tires for large truck trailers. Our strategy in this sector focuses on products that feature superior fuel economy and that accommodate multiple retreadings and on high-value-added products, such as ultra wide base tires.



**Off-the-road tires**

We produce high-quality off-the-road tires at a dedicated plant in Japan. In 2013, we commenced full-scale marketing of 49-inch radial off-the-road tires. That has fortified our presence in the growing market for large off-the-road tires for mining equipment. We have bolstered our supply capacity in off-the-road tires, meanwhile, through an "offtake" agreement with a Chinese tire manufacturer. Our Chinese partner supplies us with off-the-road tires to market under the Yokohama brand, and we supply our partner with related technology.



**Motor sports**

Participating in motor sports heightens awareness of the Yokohama name and strengthens our branding. We supply tires for international racing series, such as the FIA World Touring Car Championship series, and for local racing events in nations worldwide. In addition, we have entered electric vehicles since 2009 in the tortuous Pikes Peak International Hill Climb on the eponymous Colorado mountain. That participation is part of our continuing development work on tires for electric vehicles.



## BUSINESS PERFORMANCE in 2013

Operating income in the Tire Group increased 6.1% in 2013, to ¥46.0 billion, on a 7.9% increase in sales, to ¥479.5 billion. We posted overall sales growth in Japan, bolstered by gains in original equipment tires and in replacement tires. The Japanese sales gain in original equipment tires occurred despite a decline in unit volume, attributable to declining vehicle production. Our Japanese sales of replacement tires benefited from heavy snowfall, which boosted demand for our studless tires, and from successful new-product launches. In overseas markets, sales turned upward in North America and in China, though demand slumped in Europe, including Russia. Profitability in the Tire Group benefited from a decline in raw material prices and from the weakening of the yen.

### Japan: original equipment tires

The growth in our Japanese sales of original equipment tires reflected vigorous demand for low-fuel-consumption vehicles. We serve that sector with a large range of tire sizes. Also contributing to our sales gain in original equipment tires was our success in winning fitments on additional vehicle models. Those positive factors enabled us to overcome a slight decline in unit sales volume. That decline resulted from a decline in vehicle production in Japan. Undercutting Japanese vehicle production were the termination of government incentives for purchases of fuel-saving, low-emission vehicles and Japanese automakers' continuing shift of production abroad.

### Japan: replacement tires

In Japan's replacement tire market, our sales increased in value and in unit volume. Softening prices occasioned escalating competition, but we achieved strong sales of summer tires and posted record unit volume in studless tires amid heavy snows. We also achieved a sales gain in truck and bus tires. Recovery work in areas damaged by the 2011 Great East Japan Earthquake contributed to demand for truck tires.

Highlighting our product launches were two additions to our ADVAN global flagship brand: the ADVAN Sport V105, for high-performance, premium passenger car models, and the ADVAN NEOVA AD08R, street sports tires. We augmented our BluEarth line of fuel-efficient tires, meanwhile,



with the BluEarth-1 EF20. That tire secured the top designations for low rolling resistance and wet grip under Japan's tire-labeling system. We also fortified our BluEarth line of tires with an upgraded version of the BluEarth-A, which boasts the top labeling designation for wet grip. Another product launch of note was our ECOS ES31, a standard fuel-efficient tire.

### Overseas

Our sales outside Japan increased in both value and unit volume in replacement tires, and our overseas business also increased in original equipment tires, driven by growth in fitments on European premium vehicle models. Business was strong in North America and China, but our performance was weak in Russia and in some other markets on account of a lagging recovery in demand and escalating price competition. Product additions to our global flagship ADVAN line, the ADVAN Sport V105 and the ADVAN NEOVA AD08R, earned high regard in the marketplace and posted strong sales.



## BUSINESS OUTLOOK for 2014

We project that operating income in our tire operations will increase 13.0% in 2014, to ¥52.0 billion, on a 9.1% sales increase, to ¥523.0 billion. Accompanying those projections is our awareness of the likelihood of escalating competition, of the risk of adverse developments in raw material prices and in the exchange value of the yen, and of a continued decline in unit sales in Japan's original equipment market.

Underlying our growth projections is the expectation of solid growth in replacement tires in overseas markets. We anticipate continued growth in North America and in China and renewed growth in Europe, supported by economic recovery. We are counting on rising capacity utilization rates at our tire plants to contribute to heightened profitability.

# Multiple Business group

## Sales

**¥122.1 billion UP 6.1%**

## Operating income

**¥10.6 billion UP 67.9%**

## Industrial Products

### Sales

**¥96.9 billion UP 5.5%**

### Operating income

**¥7.7 billion UP 51.2%**

#### High-pressure hoses

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



#### Industrial materials

The Yokohama line of industrial materials encompasses marine hoses, pneumatic marine fenders, conveyor belts, antiseismic products, highway joints and other products. Yokohama is the leading name worldwide in pneumatic marine fenders, and we are the world's second-largest supplier of marine hoses.



#### Sealants and adhesives

We develop sealants, adhesives, and coatings for diverse applications. In construction sealants and automotive window sealants, we are the largest supplier in Japan. We have also developed coatings for applications in growth markets in electronic equipment, and we are building a strong market position in coatings for smartphones, for light-emitting diode displays, and for other products.



## BUSINESS PERFORMANCE in 2013

Operating income in industrial products increased 51.2% in 2013, to ¥7.7 billion, on a 5.5% increase in sales, to ¥96.9 billion. Leading the sales growth were gains in automotive hoses, in marine hoses and pneumatic marine fenders, and in conveyor belts. Profitability benefited additionally from a decline in raw material prices and from the weakening of the yen.

### High-pressure hoses

Sales and operating income increased in high-pressure hoses. Business in the construction equipment sector expanded in Japan but declined overseas. Domestic sales declined in the first half of the year on account of declining exports of construction equipment but increased in the second half as demand recovered. Overseas sales were weak throughout the year on account of slumping demand in China and in Southeast Asia. Sales of automotive hoses were robust, driven by demand generated by expanding vehicle production in the United States.

### Industrial materials

We also posted growth in sales and in operating income in industrial materials. Our sales of marine hoses reached a record high amid surging prices for crude oil, and our sales also increased in pneumatic marine fenders. Japanese sales of conveyor belts increased as we won orders associated with rebuilding work in areas damaged by the 2011 Great East Japan Earthquake and as we expanded our market share with steel manufacturers. Overseas sales of conveyor belts were flat, but profitability increased on account of the weakening yen.



Marine hose



Pneumatic marine fender

### Sealants and adhesives

Sales and operating income declined in sealants and adhesives. We posted strong sales growth in automotive window sealants, bolstered by market recovery in North America and in China, but sales were weak in construction sealants amid a weak recovery in demand. Escalating price competition also weighed on our sales and earnings performance in sealants and adhesives.

## BUSINESS OUTLOOK for 2014

We project that operating income in industrial products will increase 2.7% in 2014, to ¥7.9 billion, on a 2.2% increase in sales, to ¥99.0 billion. Our Japanese business in hoses for construction equipment is poised to continue growing amid continued growth in demand. Demand for automotive hoses appears likely to be flat, however, in North America, and market trends remain unfavorable in Southeast Asia for construction equipment hoses and for automotive hoses.

In conveyor belts, we expect Japanese demand to be basically unchanged from the previous year. We anticipate strong demand for marine hoses and for pneumatic marine fenders as crude oil prices remain high, and we will promote our products in those categories vigorously, especially in Asia and Oceania. Demand for sealants and adhesives appears likely to be basically unchanged from the previous year in the construction sector and in the automotive sector, but we will aim to increase sales by launching new products and by strengthening our Japanese sales companies.

The medium-range outlook for Japanese demand is promising as preparations get under way for the 2020 Tokyo Olympics and as rebuilding continues apace in areas damaged by the Great East Japan Earthquake. We will strive to make the most of demand and to maintain our large market share in high-pressure hoses, in industrial materials, and in sealants and adhesives by developing competitive new products. We will upgrade our sales network and will reach out to customers with value-added product proposals through the marketing company Yokohama Industrial Products Japan Co., Ltd.

## Other Products

### Sales

¥25.2 billion **UP 8.5%**

### Operating income

¥3.0 billion **UP 136.1%**

#### Aircraft fixtures and components

Our business in aircraft fixtures and components centers on lavatory modules for commercial aircraft. It also includes wastewater tanks and other components.



#### Golf equipment

We market a full range of golf equipment under our PRGR brand. In recent years, we have begun moving to cultivate business in golf equipment beyond Japan, starting with the Republic of Korea, China, Taiwan, and Southeast Asian nations.



## BUSINESS PERFORMANCE in 2013

Operating income in other products increased 136.1% in 2013, to ¥3.0 billion, on an 8.5% increase in sales, to ¥25.2 billion.

#### Aircraft fixtures and components

Sales and operating income increased in aircraft fixtures and components. Business was especially vigorous in lavatory modules for commercial aircraft, supported by a recovery in demand and the weakening of the yen. We also posted sales growth in replacement components for aircraft in the government sector.

#### Golf equipment

Our business in golf equipment also generated growth in sales and in operating income. Demand turned upward in the Japanese market for golf equipment in 2013, partly in reflection of the government's economic-stimulus measures. And we achieved strong performances in both sales value and unit volume with our iD nabla RED golf clubs for "executive-set" golfers, launched in April, and with the NEW egg addition to our egg line of golf clubs, introduced in September.

In overseas markets, we continued working to cultivate business in China and in the Republic of Korea. That

included opening our first directly owned Korean store for golf equipment. However, our overseas business in golf equipment was weak amid stagnating demand in China and in the Republic of Korea.

## BUSINESS OUTLOOK for 2014

We project that operating income in other products will increase 4.9% in 2014, to ¥3.1 billion, on a 0.9% decline in sales, to ¥25.0 billion. In aircraft fixtures and components, we will work to raise profitability by raising prices and by raising productivity while striving for sales growth in replacement items. We expect the ongoing economic recovery in the United States to stimulate demand for commercial aircraft and, thus, for our lavatory modules and other products.

In golf equipment, we will aim for growth in sales and market share by promoting new products in our main product lines, PRGR iD nabla and egg. And we will work to improve profitability through cost reductions.

