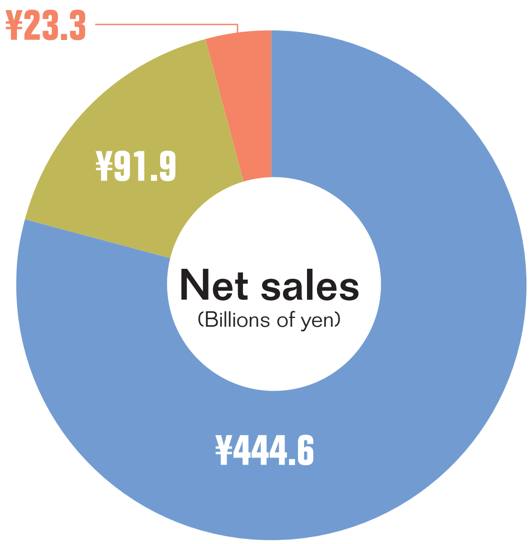
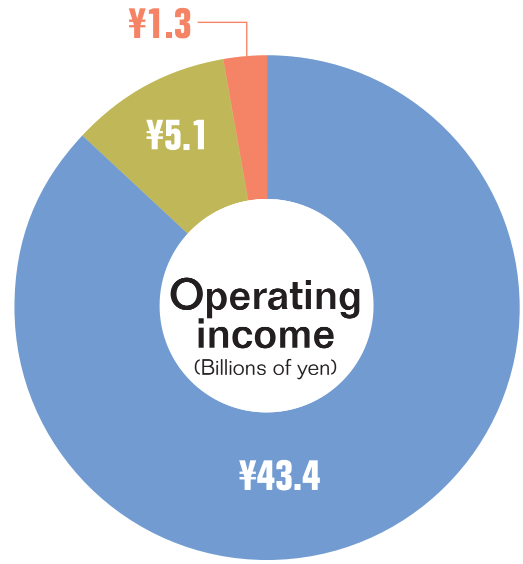
YOKOHAMA at a Glance

Tires Industrial products Other products



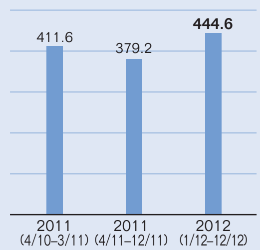


Tires

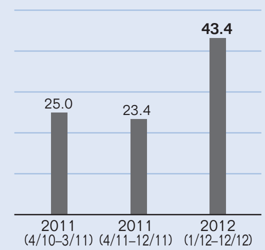
Principal products

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)

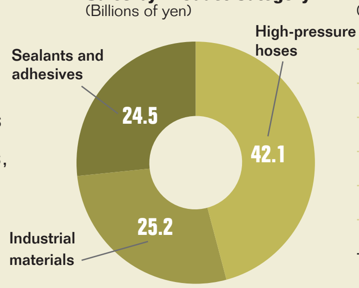


Industrial Products

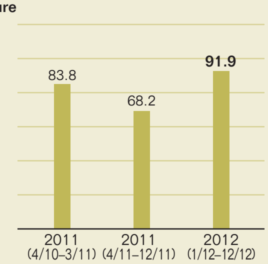
Principal products

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

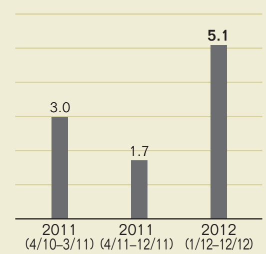
Sales by Product Category
(Billions of yen)



Net Sales
(Billions of yen)



Operating Income
(Billions of yen)

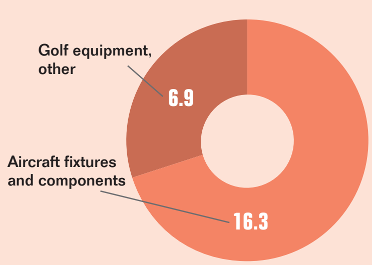


Other Products

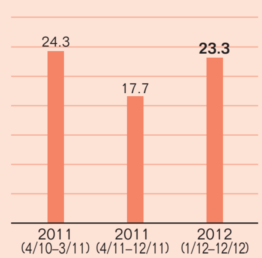
Principal products

Aircraft fixtures and components and golf equipment

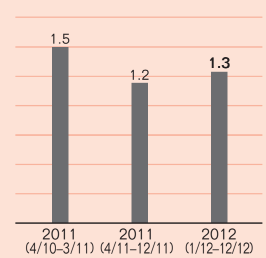
Sales by Product Category
(Billions of yen)



Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Tire Group

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

Raising Profitability While Increasing Sales

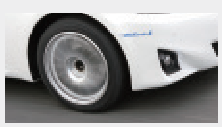
We worked in 2012 to improve our operating profitability while expanding our business. Gaining market acceptance for price increases enabled us to improve operating profitability greatly, but we didn't achieve the business expansion that we wanted on account of weak demand in North America, China, and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

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

Sales ¥444.6 billion **Operating income** ¥43.4 billion

Passenger car tires

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



Truck and bus tires

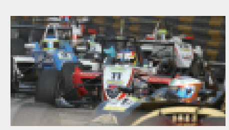
Our strategy in truck and bus tires focuses on (1) promoting worldwide the ZEN line of tires, which feature superior fuel economy and accommodate multiple retreadings, and (2) cultivating demand for ultra wide base tires that incorporate distinctive technological strengths and that provide single-tire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

Off-the-road tires

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

Motor sports

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



Business Performance in 2012

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

Japan: original equipment tires

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

Japan: replacement tires

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

Overseas

Several factors accounted for the weakness in our sales performance overseas in 2012. Undermining our sales in North America were slumping demand and the termination of "safeguard" import restrictions on Chinese tires. Our sales suffered in China, meanwhile, from slowing growth in demand and from the anti-Japanese sentiment occasioned by a territorial dispute. We also posted weak sales in Europe amid declining demand. Our overseas business in original equipment tires was strong, however, as we earned fitments on additional vehicle models.

BluEarth-A

Business outlook for 2013

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

Multiple Business Group

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

Expanding Sales and Production Globally and Strengthening Core Products

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

We are eyeing record sales and earnings in the Multiple Business Group in 2013. Our measures for achieving that goal include strengthening our North American operations, expanding our production in China, and stepping up our production and marketing in the robust economies of Southeast Asia and Oceania. As part of those measures, we established a company in Singapore in April 2013 to market industrial products in those regions.

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

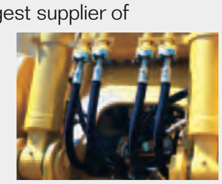
Tooru Kobayashi
Director and Executive Vice President
President of Multiple Business

Industrial Products

Sales ¥91.9 billion **Operating income ¥5.1 billion**

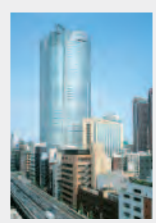
High-pressure hoses

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



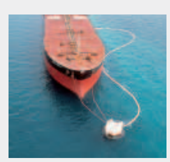
Sealants and adhesives

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



Industrial materials

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



Business Performance in 2012

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

High-pressure hoses

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

Industrial materials

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

Sealants and adhesives

Sales were sluggish in construction sealants in 2012 on account of weakness in the office building sector. Business was good, however, in automotive window sealants on account of growth in Japanese vehicle production. That growth benefited in the first half of the year from the Japanese government's financial incentives for purchases of fuel-saving, low-emission vehicles. In new products for electronic equipment, sales were strong in our sealants for photovoltaic modules. Business was weak, however, in coatings for mobile phones, as Japanese manufacturers' mobile phone sales slumped.

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

Business outlook for 2013

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

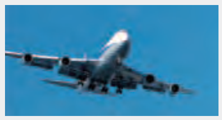
Overseas, Chinese demand is growing for hydraulic hoses for construction equipment and automobiles and for conveyor belts. Demand remains strong for marine hoses in Asia, the Middle East, Africa, and Latin America. And demand for automotive window sealants is growing in North America, China, and Southeast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

Other Products

Sales ¥23.3 billion **Operating income ¥1.3 billion**

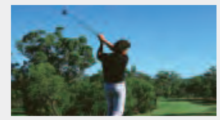
Aircraft fixtures and components

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



Golf equipment

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



Business Performance in 2012

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

Aircraft fixtures and components

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

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

Golf equipment

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

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

Business outlook for 2013

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