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Net sales increased 11.4%, to ¥519.7 billion, in the fiscal year ended March 31, 2011. Leading that growth was vigor in Yokohama's core business, tire operations. Sales in tires rose in Japan and overseas, bolstered by price increases in most principal markets. In diversified operations, Yokohama posted strong sales growth in high-pressure hoses and also registered growth in sealants and adhesives and in aircraft products.

Expenses and Earnings

Cost of sales increased 11.0%, to ¥359.2 billion, reflecting the growth in unit sales volume and the upward movement in prices for natural rubber and other raw materials. Gross return on sales rose to 30.9%, from 30.6% in the previous fiscal year, on account of improvement in capacity utilization rates.

Selling, general and administrative expenses increased 8.1%, to ¥131.0 billion, mainly on account of increases in sales commissions and logistics expenses in connection with the growth in sales volume. Progress in trimming costs helped reduce selling, general and administrative expenses as a percentage of net sales to 25.2%, from 26.0% in the previous fiscal year. Research and development expenses, included in cost of sales and in selling, general and administrative expenses, declined 4.0%, to ¥12.7 billion.

Operating income increased 37.5%, to ¥29.5 billion, and the operating profit margin rose to 5.7%, from 4.6% in the previous fiscal year. The principal reasons for the improvement in operating profitability were the improvement in capacity utilization rates and the progress in trimming costs.

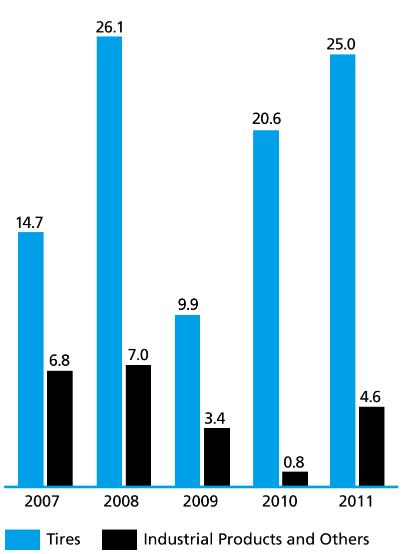
Other expenses, net of other income, increased ¥5.1 billion, to ¥7.6 billion. That increase is attributable mainly to the appreciation of the yen, which resulted in increased translation losses on foreign currency denominated receivables.

Income before income taxes and minority interests increased 15.3%, to ¥21.9 billion, reflecting the improvement in operating profitability. Net income increased 21.2%, to ¥13.9 billion, and net return on sales rose to 2.7%, from 2.5% in the previous fiscal year.

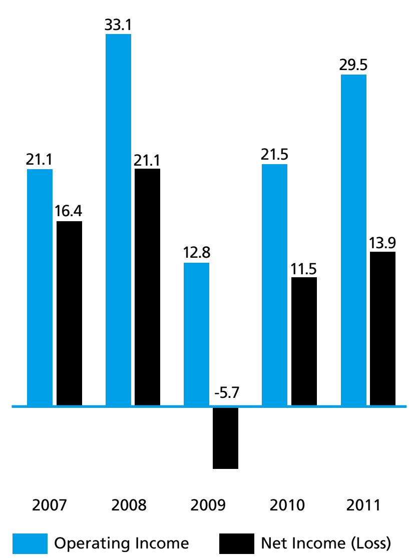
Results by Business Segment

Sales increased 12.0% in Yokohama's tire operations, to ¥411.6 billion, and operating income increased 20.9%, to ¥25.0 billion. Sales increased in Japan and overseas, and the efficiencies engendered by increased volume more than offset the adverse earnings effect of rising prices for raw materials and the appreciation of

Operating Income by Business Segment
Billions of Yen



Operating Income and Net Income (Loss)
Billions of Yen



the yen. Yokohama tire products distinguished by fuel-saving performance earned high regard in the Japanese marketplace, and the Company's share of the market for replacement tires increased. Overseas, Yokohama posted notably strong sales growth in tires in the United States and in China.

Yokohama's diversified operations comprise industrial products, including high-pressure hoses, sealants and adhesives, conveyor belts, antiseismic products, marine hoses, and pneumatic marine fenders, and other products, consisting mainly of aircraft components and golf equipment. Sales in industrial products increased 13.3%, to ¥83.8 billion, and operating income increased 5.2-fold, to ¥3.0 billion. Sales and earnings increased strongly in high-pressure hoses and also increased in sealants and adhesives, more than offsetting weakness in antiseismic products, marine hoses, and pneumatic marine fenders.

In other products, sales declined 2.0%, to ¥24.3 billion, and operating income increased 6.9-fold, to ¥1.5 billion. The sales decline resulted from weakness in golf equipment, and the increase in earnings resulted from price increases for aircraft lavatory modules and from progress in trimming costs.

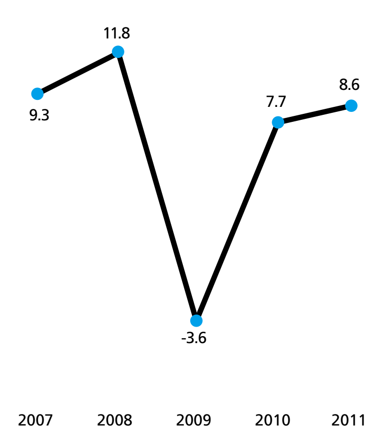
Capital Spending

Capital spending increased 42.8%, to ¥24.9 billion. Yokohama allocated most of its capital spending, ¥22.2 billion, to expanding and upgrading production capacity in its tire operations. That included ¥6.6 billion of investment at the parent company for expanding production capacity, for raising productivity, and for improving product quality. It also included ¥6.5 billion of investment at Yokohama's Russian subsidiary, Yokohama R.P.Z., for building a plant to produce tires for passenger cars and light trucks. In diversified operations, Yokohama allocated ¥2.2 billion to capital spending, mainly to expand production capacity for high-pressue hoses. Yokohama funded its capital spending with internally generated funds and borrowings.

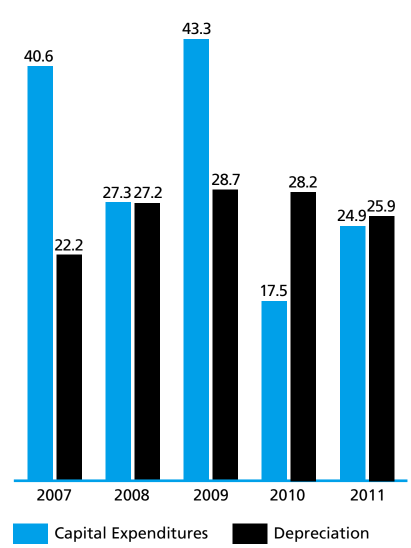
Financial Position

Total assets increased ¥11.9 billion, to ¥478.9 billion at fiscal year-end. Current assets increased ¥24.7 billion, to ¥223.2 billion, reflecting an increase in cash deposits at overseas subsidiaries for future capital spending and an increase in accounts receivable in connection with sales growth.

Return on Shareholders' Equity
Percent



Capital Expenditures and Depreciation
Billions of Yen



Total property, plant and equipment, net, declined ¥6.6 billion, to ¥177.4 billion at fiscal year-end, as depreciation outpaced new investment. Total investments and other assets declined ¥6.2 billion, to ¥78.3 billion, mainly because of the first-time inclusion of Yokohama R.P.Z. as a consolidated subsidiary.

Total liabilities increased ¥4.5 billion, to ¥308.0 billion. That increase resulted mainly from an increase in accounts payable, which was attributable to the growth in business volume, and to the effect of rising raw material costs on accounts payable. Total net assets increased ¥7.5 billion, to ¥170.9 billion, mainly because of an increase in retained earnings.

Cash Flow

Net cash provided by operating activities declined ¥8.7 billion, to ¥41.2 billion. Offsetting the increase in before income taxes and minority interests were an increase in inventories and other factors.

Net cash used in investing activities declined ¥4.7 billion, to ¥20.6 billion, as a decline in purchases of marketable securities and investment securities exceeded the increase in purchases of property, plant and equipment.

Free cash flow declined ¥4.0 billion, to ¥20.6 billion. Yokohama used its free cash flow for repayments of borrowings and long-term debt and for dividend payments.

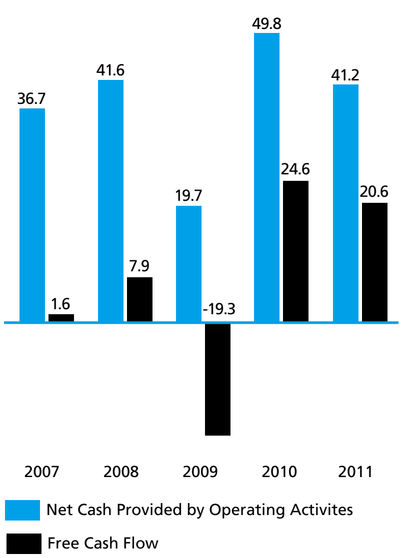
Net repayments of borrowings and long-term debt were smaller than in the previous fiscal year, and net cash used in financing activities declined ¥22.1 billion, to ¥7.3 billion. Cash and cash equivalents at fiscal year-end increased ¥16.6 billion over the previous fiscal year-end, to ¥28.2 billion.

Fiscal Outlook

Yokohama will switch its fiscal accounting in 2011 from an April-to-March basis to a calendar-year basis. That will align the fiscal accounting at the Company's Japanese operations with the fiscal periods employed at its overseas operations, and it will result in a one-time-only nine-month fiscal term: April 1 to December 31, 2011. The Company's fiscal projections for the nine months to December 2011 call for net income of ¥11.0 billion on operating income of ¥21.0 billion and net sales of ¥471.0 billion.

Net Cash Provided by Operating Activities and Free Cash Flow*

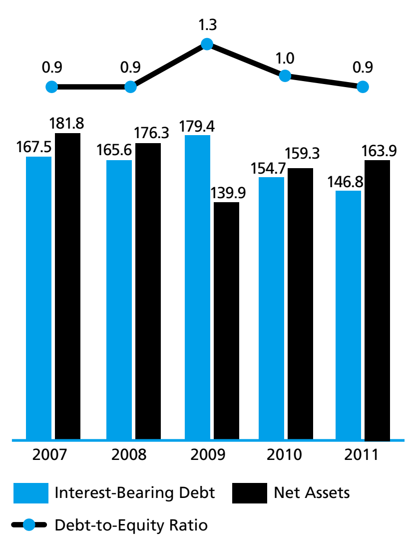
Billions of Yen



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

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

Billions of Yen, Times



** Less minority interests*

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

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 are from the standpoint of the fiscal year ended March 31, 2011.

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 stronger in the fiscal second half (October to March) than in the first half (April to September). That is partly because sales of studless snow tires are an important contributor to the Company's sales and earnings. It is also partly because purchases of warm-weather tires are most vigorous during the fiscal second half. A later-than-usual onset of winter or lighter-than-usual snowfall could diminish demand for snow 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 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 March 31, 2011, the Company's interest-bearing debt was equivalent to 31.3% 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 as a result of unforeseen changes in actuarial calculations or for any other reason, that could adversely affect the Company's financial performance and financial position.

Natural disasters

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

Eleven-Year Summary

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
Fiscal Years Ended March 31

	2011	2010	2009	2008
Net sales	**¥519,742**	¥466,358	¥517,263	¥551,431
Operating income	**29,491**	21,455	12,808	33,119
Income (loss) before income taxes and minority interests	**21,880**	18,969	(3,166)	20,478
Net income (loss)	**13,924**	11,487	(5,654)	21,060
Depreciation	**25,885**	28,184	28,684	27,238
Capital expenditures	**24,944**	17,471	43,341	27,292
R&D expenditures	**12,748**	13,280	15,277	15,289
Interest-bearing debt	**146,773**	154,675	179,379	165,614
Total net assets	**170,872**	163,382	144,159	181,538
Total assets	**478,916**	466,973	473,376	526,192
Per share (yen):				
Net income (loss): basic	**¥ 41.55**	¥ 34.27	¥ (16.87)	¥ 62.81
Net assets	**489.27**	475.26	417.45	525.96
Cash dividends	**10.00**	10.00	10.00	13.00
Key financial ratios:				
Operating margin (%)	**5.7**	4.6	2.5	6.0
Return on shareholders' equity (%)	**8.6**	7.7	(3.6)	11.8
Capital turnover (times)	**1.1**	1.0	1.0	1.0
Interest-bearing debt to shareholders' equity (times)	**0.9**	1.0	1.3	0.9
Interest coverage (times)	**13.4**	8.0	4.3	9.0
Number of employees	**18,465**	17,566	16,772	16,099

Millions of Yen

	2007	2006	2005	2004	2003	2002	2001
	¥497,396	¥451,911	¥419,789	¥401,718	¥400,448	¥399,824	¥387,855
	21,070	21,947	20,955	21,073	23,184	22,701	19,845
	26,038	22,673	16,337	16,931	18,778	16,076	7,052
	16,363	21,447	11,322	10,331	10,144	7,363	96
	22,166	20,491	19,616	19,199	19,040	19,247	20,083
	40,638	29,067	27,533	23,735	22,708	16,940	18,118
	14,649	14,557	14,265	13,818	12,520	12,298	11,827
	167,474	163,022	151,758	159,700	167,832	179,098	191,289
	186,528	174,609	139,534	130,622	114,719	116	114,205
	536,322	502,014	432,717	429,350	412,626	437,771	448,130
	¥ 48.79	¥ 62.75	¥ 32.95	¥ 29.95	¥ 29.38	¥ 21.32	¥ 0.28
	542.10	508.64	398.24	373.23	327.61	334.24	328.81
	12.00	10.00	8.00	8.00	8.00	6.00	—
	4.2	4.9	5.0	5.2	5.8	5.7	5.1
	9.3	14.0	8.6	8.6	8.9	6.5	0.1
	1.0	1.0	1.0	1.0	0.9	0.9	0.9
	0.9	1.0	1.1	1.2	1.5	1.6	1.7
	7.0	10.1	11.2	9.2	7.9	4.9	3.5
	15,423	14,617	13,464	13,264	12,979	13,130	13,362

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2011**	2010	**2011**
Current Assets:			
Cash and deposits	**¥ 28,161**	¥ 11,561	**$ 338,678**
Trade receivables:			
Notes and accounts	**111,702**	103,400	**1,343,374**
Inventories (Note 3)	**68,435**	67,612	**823,034**
Deferred income taxes (Note 17)	**6,269**	7,990	**75,395**
Other current assets	**9,621**	8,890	**115,705**
Allowance for doubtful receivables	**(960)**	(916)	**(11,546)**
Total current assets	**223,228**	198,537	**2,684,640**
Property, Plant and Equipment, at Cost (Notes 4, 5 and 12):			
Land	**34,571**	34,413	**415,767**
Buildings and structures	**138,092**	138,442	**1,660,767**
Machinery and equipment	**399,495**	403,587	**4,804,508**
Leased assets	**2,536**	2,082	**30,498**
Construction in progress	**16,172**	6,620	**194,491**
	590,866	585,144	**7,106,031**
Less accumulated depreciation	**(413,496)**	(401,191)	**(4,972,893)**
Total property, plant and equipment, net	**177,370**	183,953	**2,133,138**
Investments and Other Assets:			
Investment securities (Note 14)	**59,360**	59,257	**713,888**
Deferred income taxes (Note 17)	**4,820**	5,970	**57,966**
Other investments and other assets	**14,834**	20,169	**178,401**
Allowance for doubtful receivables	**(696)**	(913)	**(8,374)**
Total investments and other assets	**78,318**	84,483	**941,881**
Total assets	**¥478,916**	¥466,973	**$5,759,659**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen 2011	2010	Thousands of U.S. Dollars (Note 1) 2011
Current Liabilities:			
Bank loans	**¥ 70,349**	¥ 74,770	**$ 846,048**
Current maturities of long-term debt (Note 4)	**8,220**	23,295	**98,859**
Commercial paper	**3,000**	—	**36,079**
Trade notes and accounts payable	**79,611**	69,858	**957,433**
Accrued income taxes	**1,167**	1,942	**14,045**
Accrued expenses	**28,961**	25,457	**348,293**
Allowance for loss on disaster	**453**	—	**5,449**
Other current liabilities (Note 17)	**12,490**	10,665	**150,214**
Total current liabilities	**204,251**	205,987	**2,456,420**
Long-Term Liabilities:			
Long-term debt (Note 4)	**65,204**	56,610	**784,178**
Deferred income taxes (Note 17)	**8,873**	8,425	**106,712**
Reserve for pension and severance payments (Note 16)	**16,281**	16,913	**195,798**
Other long-term liabilities	**13,435**	15,656	**161,571**
Total long-term liabilities	**103,793**	97,604	**1,248,259**
Total liabilities	**308,044**	303,591	**3,704,679**
Contingent liabilities (Note 6)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares in 2011 and 2010			
Issued: 342,598,162 shares in 2011 and 2010	**38,909**	38,909	**467,939**
Capital surplus	**31,953**	31,953	**384,280**
Retained earnings (Note 9)	**108,083**	92,740	**1,299,858**
Treasury stock, at cost: 7,533,081 shares in 2011 and 7,492,603 shares in 2010	**(4,746)**	(4,730)	**(57,082)**
Total shareholders' equity	**174,199**	158,872	**2,094,995**
Accumulated Other Comprehensive Income (Loss):			
Unrealized gains on securities	**16,426**	16,402	**197,542**
Foreign currency translation adjustments	**(21,829)**	(16,010)	**(262,527)**
Adjustment related to pension obligations of consolidated overseas subsidiaries	**(4,860)**	—	**(58,445)**
Total accumulated other comprehensive income (loss)	**(10,263)**	392	**(123,430)**
Minority Interests	**6,936**	4,118	**83,415**
Total net assets	**170,872**	163,382	**2,054,980**
Total liabilities and net assets	**¥478,916**	¥466,973	**$5,759,659**

Consolidated Statements of Operations

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	**2011**
Net sales	**¥519,742**	¥466,358	¥517,263	**$6,250,656**
Cost of sales (Notes 5 and 7)	**359,210**	323,681	368,933	**4,320,023**
Gross profit	**160,532**	142,677	148,330	**1,930,633**
Selling, general and administrative expenses (Notes 5 and 7)	**131,041**	121,222	135,522	**1,575,963**
Operating income	**29,491**	21,455	12,808	**354,670**
Other income (expenses)				
Interest and dividend income	**1,548**	1,332	2,053	**18,609**
Interest expense	**(2,316)**	(2,848)	(3,479)	**(27,853)**
Loss on disaster (Note 8)	**(1,003)**	—	—	**(12,058)**
Other, net	**(5,840)**	(970)	(14,548)	**(70,229)**
	(7,611)	(2,486)	(15,974)	**(91,531)**
Income (loss) before income taxes and minority interests	**21,880**	18,969	(3,166)	**263,139**
Income taxes (Notes 2 and 17):				
Current	**4,144**	2,775	2,975	**49,844**
Deferred	**2,954**	4,337	(911)	**35,526**
	7,098	7,112	2,064	**85,370**
Income before minority interests	**14,782**	—	—	**177,769**
Minority interests in net income of consolidated subsidiaries	**(858)**	(370)	(424)	**(10,319)**
Net income (loss)	**¥ 13,924**	¥ 11,487	¥ (5,654)	**$ 167,450**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	**2011**
Income before minority interests	**¥14,782**	**$177,769**
Other comprehensive income (loss)		
Unrealized gains on securities	**23**	**272**
Foreign currency translation adjustments	**(6,060)**	**(72,879)**
Adjustment related to pension obligations		
of consolidated overseas subsidiaries	**(96)**	**(1,153)**
Share of other comprehensive income of associates		
accounted for by the equity method	**(143)**	**(1,718)**
Total other comprehensive income (loss) (Note 10)	**¥(6,276)**	**$(75,478)**
Comprehensive income	**¥ 8,506**	**$102,291**
Comprehensive income attributable to owners of the Company	**8,033**	**96,600**
Comprehensive income attributable to minority interests	**473**	**5,691**

	Yen			U.S. Dollars (Note 1)
Per Share Amounts:	**2011**	2010	2009	**2011**
Net income (loss): Basic	**¥41.55**	¥34.27	¥(16.87)	**$0.50**
Net income: Diluted	**—**	—	—	**—**
Cash dividends	**¥10.00**	¥10.00	¥ 10.00	**$0.12**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2011, 2010 and 2009

		Millions of Yen							
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Shareholders' Equity	Total Accumulated Other Comprehensive Income (Loss)	Minority Interests	Total Net Assets
Balance at March 31, 2008	342,598,162	¥38,909	¥31,953	¥94,856	¥(4,681)	¥161,037	¥15,287	¥5,214	¥181,538
Effect of changes in accounting policies applied to overseas subsidiaries	—	—	—	(163)	—	(163)	—	—	(163)
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	(1,398)	—	(1,398)	—	—	(1,398)
Net income	—	—	—	(5,654)	—	(5,654)	—	—	(5,654)
Cash dividends paid	—	—	—	(4,358)	—	(4,358)	—	—	(4,358)
Repurchase of treasury stock, net	—	—	—	(10)	(19)	(29)	—	—	(29)
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(11,366)	—	(11,366)
Foreign currency translation adjustments	—	—	—	—	—	—	(13,433)	—	(13,433)
Decrease in minority interests	—	—	—	—	—	—	—	(978)	(978)
Balance at March 31, 2009	342,598,162	38,909	31,953	83,273	(4,700)	149,435	(9,512)	4,236	144,159
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	663	—	663	—	—	663
Net income	—	—	—	11,487	—	11,487	—	—	11,487
Cash dividends paid	—	—	—	(2,681)	—	(2,681)	—	—	(2,681)
Repurchase of treasury stock, net	—	—	—	(2)	(30)	(32)	—	—	(32)
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	8,436	—	8,436
Foreign currency translation adjustments	—	—	—	—	—	—	1,468	—	1,468
Decrease in minority interests	—	—	—	—	—	—	—	(118)	(118)
Balance at March 31, 2010	342,598,162	38,909	31,953	92,740	(4,730)	158,872	392	4,118	163,382
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	4,763	—	4,763	—	—	4,763
Net income	—	—	—	13,924	—	13,924	—	—	13,924
Cash dividends paid	—	—	—	(3,351)	—	(3,351)	—	—	(3,351)
Increase in retained earnings due to inclusion of a consolidated subsidiary	—	—	—	8	—	8	—	—	8
Repurchase of treasury stock, net	—	—	—	(1)	(16)	(17)	—	—	(17)
Accumulated other comprehensive income (loss)									
Net unrealized gains and losses on securities	—	—	—	—	—	—	24	—	24
Foreign currency translation adjustments	—	—	—	—	—	—	(5,819)	—	(5,819)
Adjustment related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	—	(4,860)	—	(4,860)
Increase in minority interests	—	—	—	—	—	—	—	2,818	2,818
Balance at March 31, 2011	342,598,162	¥38,909	¥31,953	¥108,083	¥(4,746)	¥174,199	¥(10,263)	¥6,936	¥170,872

See accompanying Notes to Consolidated Financial Statements.

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Shareholders' Equity	Total Comprehensive Income (Loss)	Total Accumulated Other Minority Interests	Total Net Assets
	Thousands of U.S. Dollars (Note 1)							
Balance at March 31, 2010	$467,939	$384,280	$1,115,333	$(56,885)	$1,910,667	$ 4,715	$49,531	$1,964,913
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	57,288	—	57,288	—	—	57,288
Net income	—	—	167,450	—	167,450	—	—	167,450
Cash dividends paid	—	—	(40,298)	—	(40,298)	—	—	(40,298)
Increase in retained earnings due to inclusion of a consolidated subsidiary	—	—	95	—	95	—	—	95
Repurchase of treasury stock, net	—	—	(10)	(197)	(207)	—	—	(207)
Accumulated other comprehensive income (loss)								
Net unrealized gains and losses on securities	—	—	—	—	—	286	—	286
Foreign currency translation adjustments	—	—	—	—	—	(69,986)	—	(69,986)
Adjustment related to pension obligations of consolidated overseas subsidiaries	—	—	—	—	—	(58,445)	—	(58,445)
Increase in minority interests	—	—	—	—	—	—	33,884	33,884
Balance at March 31, 2011	$467,939	$384,280	$1,299,858	$(57,082)	$2,094,995	$(123,430)	$83,415	$2,054,980

Consolidated Statements of Cash Flows

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	**2011**
Operating Activities:				
Income (loss) before income taxes and minority interests	**¥21,880**	¥18,969	¥(3,166)	**$263,139**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization (Notes 2 and 5)	**25,885**	28,184	28,684	**311,311**
Reserve for pension and severance payments	**(638)**	(526)	(1,052)	**(7,678)**
Gain on sale of investment securities	**—**	(718)	(303)	**—**
Loss on revaluation of investment securities	**—**	33	2,914	**—**
Other, net	**1,831**	1,103	5,210	**22,011**
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	**(10,883)**	(9,709)	18,140	**(130,881)**
Inventories	**(3,677)**	20,701	(12,618)	**(44,216)**
Notes and accounts payable	**11,442**	(3,575)	(9,413)	**137,610**
Other, net	**55**	(497)	(759)	**657**
Interest and dividends received	**1,597**	1,295	2,175	**19,209**
Interest paid	**(2,329)**	(2,845)	(3,488)	**(28,012)**
Income taxes paid	**(3,996)**	(2,570)	(6,445)	**(48,062)**
Compensation for damage paid	**—**	—	(188)	**—**
Net cash provided by operating activities	**41,167**	49,845	19,691	**495,088**
Investing Activities:				
Purchases of property, plant and equipment	**(20,429)**	(19,690)	(42,041)	**(245,690)**
Purchases of marketable securities and investment securities	**(189)**	(6,268)	(2,213)	**(2,276)**
Proceeds from sales of marketable securities, investment securities and property	**211**	1,230	2,234	**2,540**
Proceeds from redemption of investment securities	**—**	—	2,000	**—**
Other, net	**(168)**	(502)	989	**(2,023)**
Net cash used in investing activities	**(20,575)**	(25,230)	(39,031)	**(247,449)**
Financing Activities:				
Increase (decrease) in short-term bank loans	**(3,470)**	(3,782)	761	**(41,731)**
Increase (decrease) in commercial paper	**3,000**	(19,000)	18,000	**36,079**
Proceeds from long-term debt	**18,602**	13,167	7,439	**223,717**
Decrease in long-term debt	**(13,891)**	(16,363)	(4,708)	**(167,056)**
Proceeds from issuance of bonds	**—**	—	10,000	**—**
Redemption of bonds	**(10,000)**	—	(10,000)	**(120,265)**
Payment of cash dividends	**(3,348)**	(2,728)	(4,357)	**(40,263)**
Other, net	**1,766**	(729)	(397)	**21,237**
Net cash provided by (used in) financing activities	**(7,341)**	(29,435)	16,738	**(88,282)**
Effect of exchange rate changes on cash and cash equivalents	**(1,456)**	140	(2,922)	**(17,503)**
Increase (decrease) in cash and cash equivalents	**11,795**	(4,680)	(5,524)	**141,854**
Cash and cash equivalents at beginning of year	**11,559**	16,239	19,530	**139,013**
Effect of changes in consolidation scope on cash and cash equivalents	**4,807**	—	2,233	**57,811**
Cash and cash equivalents at end of year	**¥28,161**	¥11,559	¥16,239	**$338,678**

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Presentation of Financial Statements

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

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

The U.S. dollar amounts included herein are solely for the convenience of the reader and have been translated from the Japanese yen amounts at the rate of ¥83.15 = US$1.00, the approximate exchange rate prevailing on March 31, 2011.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

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

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

b. Foreign Currency Translation

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

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

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

c. Cash Equivalents

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

d. Marketable Securities and Investment Securities

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

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

e. Derivative Instruments

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

f. Inventories

Inventories of the Company and 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.

Effective as of the fiscal year ended March 31, 2011, certain domestic subsidiaries changed their valuation method from the most recent purchase price method to the moving-average method.

The effect of this change on the consolidated financial statements was immaterial.

g. Allowance for Doubtful Receivables

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

h. Depreciation

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

i. Reserve for Severance Payments and Employee Benefit Plans

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

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

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

Unrecognized prior service cost is amortized by the straight-line method over 10 years.

j. Allowance for Loss on Disaster

The allowance for loss on disaster is provided at an estimated amount for expenses related to the restoration and repair of tangible fixed assets damaged due to the Great East Japan Earthquake.

k. Income Taxes

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

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

l. Revenue Recognition

Sales of products are recognized upon product shipments to customers.

m. Research and Development Costs

Research and development costs are charged to income as incurred.

n. Earnings per Share

Basic net income per share is computed by dividing net income available to common shareholders by the average number of common shares outstanding during each period. Diluted net income per share is not disclosed because there were no dilutive securities in the years ended March 31, 2011, 2010, and 2009.

o. Adoption of New Accounting Standards

(1) "Accounting Standard for Asset Retirement Obligations"

Effective as of the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and revised implementation guidance "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) and made requisite adjustments.

The effect of these changes on the consolidated financial statements was immaterial.

(2) "Accounting Standard for Presentation of Comprehensive Income"

Effective as of the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). In accordance with this new standard, consolidated statements of comprehensive income for the year ended March 31, 2010 and 2009 are not presented. The comparative information for the year ended March 31, 2010 is disclosed in Note 10. However, the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" are stated at the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments".

p. Changes in Presentation

Effective as of the fiscal year ended March 31, 2011, the Company adopted the "Cabinet Office Ordinance Partially Revising Regulations on Terminology, Form and Presentation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008). As a result, "Income before minority interests" is presented on the consolidated statements of operations.

3. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Finished products	**¥44,838**	¥47,229	**$539,239**
Work in process	**8,184**	7,523	**98,426**
Raw materials and supplies	**15,413**	12,860	**185,369**
	¥68,435	¥67,612	**$823,034**

4. Long-Term Debt

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
0.84% straight bonds due 2010	**¥ —**	¥10,000	**$ —**
1.688% straight bonds due 2013	**10,000**	10,000	**120,265**
1.68% straight bonds due 2014	**10,000**	10,000	**120,265**
Loans, principally from banks and insurance companies	**53,424**	49,904	**642,507**
	73,424	79,904	**883,037**
Less current maturities	**8,220**	13,295	**98,859**
	¥65,204	¥66,609	**$784,178**

Assets pledged to secure bank loans and long-term debt at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Property, plant and equipment	**¥51,832**	¥58,479	**$623,352**

5. Depreciation and Amortization

Depreciation and amortization expenses for the years ended March 31, 2011, 2010 and 2009 were allocated as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	**2011**
Selling, general and administrative expenses	**¥ 2,649**	¥ 2,964	¥ 3,137	**$ 31,866**
Manufacturing costs	**¥23,236**	¥25,220	¥25,547	**$279,445**

6. Contingent Liabilities

Contingent liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Guarantees	**¥3,662**	¥1,912	**$44,040**

7. Research and Development Expenses

Research and development expenses charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2011, 2010, and 2009 were ¥12,748 million ($153,309 thousand), ¥13,280 million and ¥15,277 million, respectively.

8. Loss on Disaster

Loss on disaster related to the Great East Japan Earthquake for the year ended March 31, 2011 included the following:

	Millions of Yen	Thousands of U.S. Dollars
	2011	**2011**
Repair expenses	**¥ 399**	**$ 4,797**
Costs on suspended operations	**210**	**2,530**
Others	**394**	**4,731**
	¥1,003	**$12,058**

The provision for allowance for loss on disaster was ¥453 million ($5,449 thousand) as of March 31, 2011.

9. Retained Earnings and Dividends

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

10. Other Comprehensive Income

The other comprehensive income for the year ended March 31, 2010 for comparative purpose consisted of the following:

	Millions of Yen
	2010
Unrealized gains on securities	**¥ 8,439**
Foreign currency translation adjustments	**1,693**
Adjustment related to pension obligations of consolidated overseas subsidiaries	**664**
Share of other comprehensive income of associates accounted for by the equity method	**14**
Total other comprehensive income	**10,810**
Comprehensive income	**22,668**
Comprehensive income attributable to owners of the Company	**22,054**
Comprehensive income attributable to minority interests	**614**

11. Supplementary Cash Flow Information

A reconciliation of cash and deposits presented in the consolidated balance sheets as of March 31, 2011, 2010 and 2009 and cash and cash equivalents reported in the consolidated statements of cash flows for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	**2011**
Cash and deposits	**¥28,161**	¥11,561	¥16,274	**$338,678**
Time deposits with maturities of more than three months	**(0)**	(2)	(35)	**(0)**
Cash and cash equivalents	**¥28,161**	¥11,559	¥16,239	**$338,678**

12. Leases

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

Future lease obligations under noncancelable operating leases subsequent to March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Within one year	**¥ 692**	¥ 741	**$ 8,320**
After one year	**2,318**	3,033	**27,881**
	¥3,010	¥3,774	**$36,201**

13. Financial Instruments

a. Policies for the Status of Financial Instruments

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

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

b. Matters and Risks of Financial Instruments

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

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

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

Bank loans and corporate bonds are for the purpose of capital investment. The longest maturity is five and half years after March 31 2011. Some of the bank loans and corporate bonds have floating interest rates and are subject to interest rate fluctuation risk.

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

c. Risk Management of Financial Instruments

(1) Credit Risk Management (Customer Credit Default)

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

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

The amounts of the largest credit risks as of March 31, 2011 and 2010 are indicated in the balance sheets as part of allowance for doubtful receivables.

(2) Market Risk Management (Fluctuation Risk of Foreign Currency Exchange Rates and Interest Rates and Others)
The Company and some of its consolidated subsidiaries use forward exchange contracts and currency swaps to hedge against exchange rate fluctuation risk in connection with trade receivables and trade liabilities denominated in foreign currencies.

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

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

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

(3) Liquidity Risk in Fund-Raising Management (Risk of Being Unable to Make Payment at Due Date)
Based on reports from each department, the corporate finance and accounting department prepares a cash flow plan and revises as appropriate to reduce liquidity risk.

d. Supplementary Information about the Fair Value of Financial Instruments
The fair value of financial instruments is the market price or, for instruments that do not have a market price, a value calculated by appropriate means. The calculation of fair values incorporates variables, and the values are therefore subject to change, depending on diverse factors. The contract amounts for derivative transactions cited in "15.

Derivative Instruments" do not indicate the market risk related to derivative transactions.

e. Fair Value of Financial Instruments
The book value and fair value of financial instruments and the differences between them as of March 31, 2011 and 2010 were as follows.

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

	Millions of Yen					
	2011			2010		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
(1) Cash and deposits	**¥ 28,161**	**¥ 28,161**	**¥ —**	¥ 11,561	¥ 11,561	¥ —
(2) Trade receivables: Notes and accounts	**111,702**	**111,702**	**—**	103,400	103,400	—
(3) Investment securities	**53,928**	**53,928**	**—**	53,727	53,727	—
Total assets	**193,791**	**193,791**	**—**	168,688	168,688	—
(1) Trade notes and accounts payable	**79,611**	**79,611**	**—**	69,858	69,858	—
(2) Short-term loans payable	**78,569**	**78,569**	**—**	88,065	88,065	—
(3) Accrued expenses	**28,961**	**28,961**	**—**	25,457	25,457	—
(4) Commercial paper	**3,000**	**3,000**	**—**	—	—	—
(5) Bonds	**20,000**	**20,315**	**315**	30,000	30,075	75
(6) Long-term loans payable	**53,424**	**53,991**	**567**	49,904	50,020	116
(7) Long-term deposits received	**3,194**	**3,498**	**304**	3,194	3,450	256
Total liabilities	**266,759**	**267,945**	**1,186**	266,478	266,925	447
Derivative transactions (*)	**(283)**	**(283)**	**—**	(62)	(62)	—

	Thousands of U.S. Dollars		
	2011		
	Book Value	Fair Value	Difference
(1) Cash and deposits	**$ 338,678**	**$ 338,678**	**$ —**
(2) Trade receivables: Notes and accounts	**1,343,374**	**1,343,374**	**—**
(3) Investment securities	**648,560**	**648,560**	**—**
Total assets	**2,330,612**	**2,330,612**	**—**
(1) Trade notes and accounts payable	**957,433**	**957,433**	**—**
(2) Short-term loans payable	**944,907**	**944,907**	**—**
(3) Accrued expenses	**348,293**	**348,293**	**—**
(4) Commercial paper	**36,079**	**36,079**	**—**
(5) Bonds	**240,529**	**244,323**	**3,794**
(6) Long-term loans payable	**642,507**	**649,320**	**6,813**
(7) Long-term deposits received	**38,414**	**42,075**	**3,661**
Total liabilities	**3,208,162**	**3,222,430**	**14,268**
Derivative transactions (*)	**(3,400)**	**(3,400)**	**—**

* 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 fair value of financial instruments and securities and derivative transactions

Assets

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

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

(3) Investment securities

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

See “14. Securities” regarding the variances between the amounts booked on the consolidated balance sheets and the acquisition costs.

Liabilities

(1) Trade notes and accounts payable, (2) short-term loans payable, (3) accrued expenses, and (4) 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.

(5) 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.

(6) 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.

(7) Long-term deposits received

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

Derivative transactions

See “15. Derivative instruments”.

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
	Book Value	Book Value	Book Value
Unlisted stocks and others	**¥5,432**	¥5,530	**$65,328**

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
	Within One Year	Within One Year	Within One Year
Deposits	**¥ 27,244**	¥ 11,556	**$ 327,655**
Trade receivables: Notes and accounts	**111,702**	103,400	**1,343,374**
Total	**¥138,946**	¥114,956	**$1,671,029**

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					
	2011					
	Within One Year	Over One Year within Two Years	Over Two Years within Three Years	Over Three Years within Four Years	Over Four Years within Five Years	Over Five Years
Bonds	**¥ —**	**¥ —**	**¥10,000**	**¥10,000**	**¥ —**	**¥ —**
Long-term loans payable	**8,220**	**8,567**	**6,565**	**22,394**	**2,608**	**5,070**
Other liabilities with interest	**73,349**	**—**	**—**	**3,194**	**—**	**—**
Total	**¥81,569**	**¥8,567**	**¥16,565**	**¥35,588**	**¥2,608**	**¥5,070**

	Millions of Yen					
	2010					
	Within One Year	Over One Year within Two Years	Over Two Years within Three Years	Over Three Years within Four Years	Over Four Years within Five Years	Over Five Years
Bonds	¥ 10,000	¥ —	¥ —	¥10,000	¥10,000	¥ —
Long-term loans payable	13,295	8,599	6,372	6,067	6,908	8,663
Other liabilities with interest	88,065	—	—	—	3,194	—
Total	¥111,360	¥8,599	¥6,372	¥16,067	¥20,102	¥8,663

	Thousands of U.S. Dollars					
	2011					
	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	$ —	$ —	$120,265	$120,265	$ —	$ —
Long-term loans payable	98,859	103,032	78,954	269,322	31,362	60,977
Other liabilities with interest	882,128	—	—	38,414	—	—
Total	$980,987	$103,032	$199,219	$428,001	$31,362	$60,977

The "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and the "Guidance on Disclosures about the Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) were adopted from the consolidated fiscal year ended March 31, 2010.

14. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen							
	2011				2010			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale:								
Stock	**¥26,400**	**¥53,928**	**¥28,322**	**¥(794)**	**¥26,278**	¥53,727	¥27,647	¥(198)

	Thousands of U.S. Dollars			
	2011			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale:				
Stock	**$317,495**	**$648,560**	**$340,608**	**$(9,543)**

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

The corresponding amounts for the year ended March 31, 2010, were ¥896 million, with an aggregate gain of ¥718 million and loss of ¥32 million.

Note: Unlisted stock, whose book value as of March 31, 2011 on the consolidated balance sheet is ¥1,246 million ($14,991 thousand), is not included in the above table. It is extremely difficult to ascertain the fair values because they do not have market prices.

In the preceding table for fiscal year 2011, "cost" is the book value after impairment. Loss for the year ended March 31, 2011 from revaluation of securities is immaterial.

The corresponding amount for the year ended March 31, 2010 was ¥33 million.

15. Derivative Instruments

Fair value information of derivative instruments, for which deferral hedge accounting has not been applied, at March 31, 2011 and 2010 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2011			2010			**2011**		
	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Losses
Forward exchange contracts:									
Ruble	**¥2,296**	**¥(103)**	**¥(103)**	¥ —	¥ —	¥ —	**$27,611**	**$(1,241)**	**$(1,241)**
Euro	**2,485**	**(95)**	**(95)**	3,114	109	109	**29,886**	**(1,138)**	**(1,138)**
U.S. dollar	**1,452**	**(25)**	**(25)**	3,761	(110)	(110)	**17,468**	**(303)**	**(303)**
Others	**1,590**	**(60)**	**(60)**	1,560	(60)	(60)	**19,124**	**(718)**	**(718)**
	¥7,823	**¥(283)**	**¥(283)**	¥8,435	¥ (61)	¥ (61)	**$94,089**	**$(3,400)**	**$(3,400)**

	Millions of Yen						Thousands of U.S. Dollars		
	2011			2010			**2011**		
	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Losses
Interest rate swap agreements	**¥25**	**¥(0)**	**¥(0)**	¥33	¥(1)	¥(1)	**$301**	**$(5)**	**$(5)**
	¥—	**¥(0)**	**¥(0)**	¥—	¥(1)	¥(1)	**$ —**	**$(5)**	**$(5)**

Fair value information of derivative instruments, for which deferral hedge accounting has been applied, at March 31, 2011 and 2010 was as follows:

	Millions of Yen							
	2011				2010			
Forward exchange contracts with allocation method:	Contract Amount	Over One Year	Fair Value	Unrealized Losses	Contract Amount	Over One Year	Fair Value	Unrealized Losses
Long-term deposits received	**¥3,194**	**¥3,194**	*****	¥—	¥3,194	¥3,194	*	¥—
Total	**¥ —**	**¥ —**	**¥—**	¥—	¥ —	¥ —	¥—	¥—

	Thousands of U.S. Dollars			
	2011			
Forward exchange contracts with allocation method:	Contract Amount	Over One Year	Fair Value	Unrealized Losses
Long-term deposits received	**$38,414**	**$38,414**	**$—**	**$—**
Total	**$ —**	**$ —**	**$—**	**$—**

*Amounts settled by the allocation method of currency swaps are handled together with long-term deposits received regarded as the hedged items. See "13. Financial instruments" for their fair value.

16. Pension and Severance Plans

a. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Projected benefit obligations	**¥(28,429)**	¥(29,564)	**$(341,895)**
Fair value of plan assets	**10,461**	10,462	**125,806**
Funded status	**(17,968)**	(19,102)	**(216,089)**
Unrecognized actuarial gain and loss	**1,240**	1,642	**14,910**
Unrecognized prior service cost	**447**	547	**5,381**
Net amount recognized	**¥(16,281)**	¥(16,913)	**$(195,798)**

b. The components of net pension and severance costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Service cost	**¥1,767**	¥1,851	**$21,252**
Interest cost	**575**	604	**6,915**
Expected return on plan assets	**—**	—	**—**
Recognized actuarial losses	**402**	577	**4,844**
Recognized prior service cost	**100**	100	**1,198**
Net periodic benefit cost	**2,844**	3,132	**34,209**
Contribution of defined contribution benefit plan	**496**	492	**5,960**
	¥3,340	¥3,624	**$40,169**

c. Assumptions used as of March 31, 2011 and 2010 were as follows :

	2011	2010
Discount rate	**2.5%**	2.5%
Expected return rate on plan assets	**0.00%**	0.00%

17. Deferred Income Taxes

a. Significant components of the deferred income tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Liabilities for pension and severance payments	**¥11,384**	¥11,615	**$136,909**
Net operating loss carry forwards	**1,098**	3,650	**13,210**
Unrealized profits	**3,085**	4,489	**37,102**
Accrued expenses	**2,375**	2,389	**28,561**
Loss on revaluation of investment securities	**54**	51	**653**
Other	**7,251**	7,886	**87,197**
Gross deferred tax assets	**25,247**	30,080	**303,632**
Less valuation allowance	**(3,364)**	(4,549)	**(40,455)**
Total deferred tax assets	**21,883**	25,531	**263,177**
Deferred tax liabilities:			
Unrealized gains on securities	**(11,040)**	(11,025)	**(132,777)**
Liabilities for pension and severance payments	**(3,446)**	(3,446)	**(41,449)**
Gain on receipt of stock set by pension plan	**(2,103)**	(2,103)	**(25,288)**
Property, plant and equipment	**(1,610)**	(1,684)	**(19,365)**
Other	**(1,510)**	(1,786)	**(18,150)**
Total deferred tax liabilities	**(19,709)**	(20,044)	**(237,029)**
Net deferred tax assets	**¥ 2,174**	¥ 5,487	**$ 26,148**

b. A reconciliation of the statutory income tax rate to the effective income tax rates for the year ended March 31, 2011 and 2010 was as follows:

	Years ended March 31	
	2011	2010
Statutory income tax rate	**40.3%**	40.3%
Valuation allowance for net operating loss carry forwards	**—**	(1.7)
Permanently nondeductible expenses	**1.4**	2.5
Permanently nontaxable income	**(1.6)**	(5.7)
Valuation allowance	**(5.4)**	0.6
Other	**(2.3)**	1.5
Effective income tax rate	**32.4%**	37.5%

18. Business Combinations

Transactions under common control for the year ended March 31, 2011

A domestic consolidated subsidiary, Yokohama Rubber MBE Co., Ltd. and seven other domestic consolidated subsidiaries that sell industrial products merged on October 1, 2010. An outline of the merger is as follows:

a. Outline of the business combination

1. Name of the company
   Yokohama Rubber MBE Co., Ltd. and seven other consolidated subsidiaries
2. Description of the business
   Sales of various industrial products
3. Date of the business combination
   October 1, 2010
4. Legal form of the business combination
   The business combination was a merger by absorption, with Yokohama Rubber MBE Co., Ltd. as the surviving company
5. Name of the company after the business combination
   Yokohama Industrial Products Japan Co., Ltd. (a consolidated subsidiary)
6. Reason for the business combination
   The purpose of this business combination is to reinforce its domestic sales performance by reorganizing eight subsidiaries and a part of the industrial sales department of the Company.
   This merger improves customer service, establishes a more strategic management system, and reinforces sales connected to communities by introducing an in-house company system.

b. Outline of accounting method

Based on “Accounting Standard for Business Combinations” (ASBJ statement No. 21, December 26, 2008) and revised implementation guidance “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008), the above business combination is accounted for as transactions under common control.

Transactions under common control for the year ended March 31, 2010

A consolidated subsidiary, Yokohama Tire Sales Tokyo Co., Ltd. and eighteen other domestic tire sales companies that are also consolidated subsidiaries merged on July 1, 2009. An outline of the merger is as follows:

a. Outline of the business combination

1. Name of the company
   Yokohama Tire Sales Tokyo Co., Ltd. and eighteen other consolidated subsidiaries
2. Description of the business
   Sales of tires and related goods
3. Date of the business combination
   July 1, 2009
4. Legal form of the business combination
   The business combination was a merger by absorption, with Yokohama Tire Sales Kanagawa Co., Ltd. as the surviving company
5. Name of the company after the business combination
   Yokohama Tire Japan Co., Ltd. (a consolidated subsidiary)
6. Reason for the business combination
   The Company is gradually carrying out the reorganization of its domestic replacement tire sales and marketing business for the purpose of reinforcing its sales system and network and effective management.
   As the first step, Yokohama Tire Japan Co., Ltd. has been established by merging eighteen domestic tire sales companies and one marketing company.

b. Outline of accounting method

Based on “Accounting Standard for Business Combinations” (the Business Accounting Council issued on October 31, 2003) and revised implementation guidance “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, November 15, 2007), the above business combination is accounted for as transactions under common control.

19. 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 distribution of management resources and evaluate its business results.

The Company classifies organizational units by products and services. Each organizational unit plans domestic or overseas general strategies for its products and services and operates its business. Therefore, the Company is organized by business segments, and its reportable segments are "Tires" and "Industrial Products".

(2) Methods of calculating the amount of sales, income (loss), assets, liabilities, and other items by reportable segments

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

Profits from reportable segments are operating income, and inter-segment income and transfers are based on prevailing markets prices.

(3) Information concerning the amount of sales, income (loss), assets, liabilities, and other items by reportable segments for the years ended March 31, 2011 and 2010 were outlined as follows:

Millions of Yen

	Tires	Industrial Products	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
			Year ended March 31, 2011				
Sales to third parties	**¥411,574**	**¥83,835**	**¥495,409**	**¥24,333**	**¥519,742**	**¥ —**	**¥519,742**
Intergroup sales and transfers	**1,798**	**79**	**1,877**	**4,310**	**6,187**	**(6,187)**	**—**
Total sales	**413,372**	**83,914**	**497,286**	**28,643**	**525,929**	**(6,187)**	**519,742**
Segment income	**¥ 24,953**	**¥ 3,034**	**¥ 27,987**	**¥ 1,519**	**¥ 29,506**	**¥ (15)**	**¥ 29,491**
Segment assets	**¥368,083**	**¥59,316**	**¥427,399**	**¥64,519**	**¥491,918**	**¥(13,002)**	**¥478,916**
Other items							
Depreciation and amortization	**¥ 21,340**	**¥ 3,214**	**¥ 24,554**	**¥ 845**	**¥ 25,399**	**¥ 486**	**¥ 25,885**
Investment in equity method affiliates	**¥ 1,161**	**—**	**¥ 1,161**	**—**	**¥ 1,161**	**—**	**¥ 1,161**
Increase of tangible and intangible fixed assets	**¥ 22,221**	**¥ 2,297**	**¥ 24,518**	**¥ 138**	**¥ 24,656**	**¥ 288**	**¥ 24,944**
			Year ended March 31, 2010				
Sales to third parties	¥367,571	¥73,967	¥441,538	¥24,820	¥466,358	¥ —	¥466,358
Intergroup sales and transfers	1,639	93	1,732	4,391	6,123	(6,123)	—
Total sales	369,210	74,060	443,270	29,211	472,481	(6,123)	466,358
Segment income	¥ 20,647	¥ 580	¥ 21,227	¥ 219	¥ 21,446	¥ 9	¥ 21,455
Segment assets	¥353,681	¥59,234	¥412,915	¥75,596	¥488,511	¥(21,538)	¥466,973
Other items							
Depreciation and amortization	¥ 23,113	¥ 3,511	¥ 26,624	¥ 1,031	¥ 27,655	¥ 529	¥ 28,184
Investment in equity method affiliates	¥ 1,303	—	¥ 1,303	—	¥ 1,303	—	¥ 1,303
Increase of tangible and intangible fixed assets	¥ 14,708	¥ 2,116	¥ 16,824	¥ 272	¥ 17,096	¥ 375	¥ 17,471

	Thousands of U.S. Dollars						
	Tires	Industrial Products	Reportable Segment Total	Others	Total	Adjustments	Consolidated Amount
	Year ended March 31, 2011						
Sales to third parties	**$4,949,782**	**$1,008,238**	**$5,958,020**	**$292,636**	**$6,250,656**	**$ —**	**$6,250,656**
Intergroup sales and transfers	**21,625**	**954**	**22,579**	**51,828**	**74,407**	**(74,407)**	**—**
Total sales	**4,971,407**	**1,009,192**	**5,980,599**	**344,464**	**6,325,063**	**(74,407)**	**6,250,656**
Segment income	**$ 300,091**	**$ 36,488**	**$ 336,579**	**$ 18,268**	**$ 354,847**	**$ (177)**	**$ 354,670**
Segment assets	**$4,426,733**	**$ 713,357**	**$5,140,090**	**$775,940**	**$5,916,030**	**$(156,371)**	**$5,759,659**
Other items							
Depreciation and amortization	**$ 256,650**	**$ 38,655**	**$ 295,305**	**$ 10,159**	**$ 305,464**	**$ 5,847**	**$ 311,311**
Investment in equity method affiliates	**$13,967**	**—**	**$ 13,967**	**—**	**$ 13,967**	**—**	**$ 13,967**
Increase of tangible and intangible fixed assets	**$ 267,234**	**$ 27,633**	**$ 294,867**	**$ 1,656**	**$ 296,523**	**$ 3,469**	**$ 299,992**

Notes:

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

2. Adjustments are as follows:
   (1) Segment income adjustments are the elimination of inter-segment transactions.
   (2) Segment assets adjustments for the year ended March 31, 2011 of ¥13,002 million ($156,371 thousand) were the elimination of inter-segment transactions of ¥35,485 million ($426,760 thousand) and "Corporate" assets of ¥22,483 million ($270,389 thousand). "Corporate" assets primarily consist of accumulated working capital and investments in securities.
   The corresponding amounts for the year ended March 31, 2010 of ¥21,538 million ($259,023 thousand) were the elimination of inter-segment transactions of ¥40,329 million ($485,018 thousand) and "Corporate" assets of ¥18,791 million ($225,995 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. The "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) were adopted from the fiscal year ended March 31, 2011.

Related information for the year ended March 31, 2011

1. Product and service information
   Information has been omitted, as the classification is the same as that for reportable segments.

2. Information about geographic areas
   (1) Sales

	Millions of Yen	Thousands of U.S. Dollars
	2011	**2011**
Japan	**¥281,330**	**$3,383,407**
The United States of America	**105,961**	**1,274,330**
Others	**132,451**	**1,592,919**
Total	**¥519,742**	**$6,250,656**

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

(2) Property, plant and equipment

	Millions of Yen 2011	Thousands of U.S. Dollars 2011
Japan	**¥113,000**	**$1,358,996**
Thailand	**23,357**	**280,900**
Others	**41,013**	**493,242**
Total	**¥177,370**	**$2,133,138**

3. External customer information

The Company is not required to disclose information on external customers, since there are no sales to a single external customer amounting to 10% or more of the Company's net sales.

Impairment losses on fixed assets by reportable segment for the year ended March 31, 2011
The Company omitted this information because of its immateriality.

Amortization of goodwill and the remaining amounts by reportable segment for the year ended March 31, 2011
The Company omitted this information because of its immateriality.

Gains on negative goodwill by reportable segment for the year ended March 31, 2011
The Company omitted this information because of its immateriality.

Segment information under the previous accounting standard
The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2010 and 2009 are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2010				
Sales to third parties	¥367,517	¥ 98,841	¥466,358	¥ —	¥466,358
Intergroup sales and transfers	48	11,497	11,545	(11,545)	—
Total sales	367,565	110,338	477,903	(11,545)	466,358
Operating expenses	347,103	109,458	456,561	(11,658)	444,903
Operating income	¥ 20,462	¥ 880	¥ 21,342	¥ 113	¥ 21,455
Total assets at end of year	¥351,715	¥133,754	¥485,469	¥(18,496)	¥466,973
Depreciation and amortization	¥ 23,404	¥ 4,486	¥ 27,890	¥ 294	¥ 28,184
Capital expenditures	¥ 14,832	¥ 2,394	¥ 17,226	¥ 245	¥ 17,471
	Year ended March 31, 2009				
Sales to third parties	¥399,729	¥117,534	¥517,263	¥ —	¥517,263
Intergroup sales and transfers	73	19,113	19,186	(19,186)	—
Total sales	399,802	136,647	536,449	(19,186)	517,263
Operating expenses	389,912	133,228	523,140	(18,685)	504,455
Operating income	¥ 9,890	¥ 3,419	¥ 13,309	¥ (501)	¥ 12,808
Total assets at end of year	¥362,011	¥132,867	¥494,878	¥(21,502)	¥473,376
Depreciation and amortization	¥ 23,669	¥ 4,615	¥ 28,284	¥ 400	¥ 28,684
Capital expenditures	¥ 38,425	¥ 5,309	¥ 43,734	¥ (393)	¥ 43,341

Geographical Areas

	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Millions of Yen						
	Year ended March 31, 2010						
Sales to third parties	¥324,015	¥90,551	¥21,966	¥29,826	¥466,358	¥ —	¥466,358
Inter-area sales and transfers	53,761	38	31,950	—	85,749	(85,749)	—
Total sales	377,776	90,589	53,916	29,826	552,107	(85,749)	466,358
Operating expenses	360,934	88,430	50,512	29,343	529,219	(84,316)	444,903
Operating income	¥ 16,842	¥ 2,159	¥ 3,404	¥ 483	¥ 22,888	¥ (1,433)	¥ 21,455
Total assets at end of year	¥382,593	¥55,277	¥71,286	¥17,051	¥526,207	¥(59,234)	¥466,973
	Year ended March 31, 2009						
Sales to third parties	¥359,319	¥101,789	¥23,640	¥32,515	¥517,263	¥ —	¥517,263
Inter-area sales and transfers	71,154	392	40,849	—	112,395	(112,395)	—
Total sales	430,473	102,181	64,489	32,515	629,658	(112,395)	517,263
Operating expenses	426,031	98,144	62,495	30,972	617,642	(113,187)	504,455
Operating income	¥ 4,442	¥ 4,037	¥ 1,994	¥ 1,543	¥ 12,016	¥ 792	¥ 12,808
Total assets at end of year	¥388,034	¥ 57,586	¥72,170	¥14,204	¥531,994	¥(58,618)	¥473,376

Overseas Sales

	North America	Other	Total
	Millions of Yen		
	Year ended March 31, 2010		
(A) Overseas sales	¥97,570	¥110,336	¥207,906
(B) Consolidated net sales			¥466,358
(C) (A) / (B) × 100	20.9%	23.7%	44.6%
	Year ended March 31, 2009		
(A) Overseas sales	¥ 105,040	¥ 122,733	¥ 227,773
(B) Consolidated net sales			¥ 517,263
(C) (A) / (B) × 100	20.3%	23.7%	44.0%

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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2011 and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in Japanese yen, present fairly, in all material respects, the consolidated financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 29, 2011