**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

**Industrial Products**

**Principal products**

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

**Other Products**

**Principal products**

Aircraft fixtures and components and golf equipment
Tire group

Strengthening Global Marketing through Closer Interaction among Sales, Production, and R&D

The Tire Group posted record sales and earnings in each of the three years (2012–2014) of Grand Design 100 Phase III. Our sales growth was less robust, however, than we had targeted. We are planning on unprecedented growth in sales volume in Phase IV (2015–2017). And we will support that growth with expanded local production in the world’s largest markets, such as North America, and in markets where we assert special strengths, such as Russia.

We are raising our profile in the marketplace, meanwhile, with a uniform sponsorship agreement with the Chelsea Football Club of the English Premier League. That agreement, concluded in February 2015, provides for our logo to appear on the Chelsea Football Club uniforms, on facilities at Chelsea’s stadium, and on the club’s website. It will thus place our name before the eyes of some 400 million soccer fans worldwide. We will make the most of our Chelsea relationship in advertising and promotions to help expand our market share in nations worldwide.

In another move to bolster our market momentum, we have strengthened the interaction among our manufacturing, marketing, and R&D functions. That will make us more responsive to needs and opportunities in the marketplace.

Sales

| ¥497.6 billion | UP 3.8% |

Operating income

| ¥48.6 billion | UP 5.6% |

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, our winter-category tires, and GEOLANDAR, our tires for sport-utility vehicles. Through that strategy, we pursue 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 accommodate multiple retreadings and on high-value-added products, such as ultra wide base tires. We will open a new plant for truck and bus tires in Mississippi in the latter half of 2015.

Off-the-road tires

We produce high-quality off-the-road tires at a dedicated plant in Japan. The addition of 49- and 51-inch radial tires has fortified our presence in the growing market for large off-the-road tires for mining and construction equipment, and we are developing 57-inch radial off-the-road tires. 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 the 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 supplied tires in 2014 for all of the competitors in the Red Bull Global Rallycross racing series in the United States and Barbados.
BUSINESS PERFORMANCE in 2014

Operating income in the Tire Group increased 5.6% in 2014, to ¥48.6 billion, on a 3.8% increase in sales, to ¥497.6 billion. The Tire Group accounted for 82.3% of consolidated operating income and for 79.6% of consolidated net sales.

Japan—original equipment
Vehicle production in Japan increased in 2014, and our tire business with automakers increased in yen value though it declined in unit volume. Our strategy of promoting fuel-saving tires vigorously to Japan’s automakers resulted in several new fitments on premium-grade models and on low-fuel-consumption models.

Japan—replacement tires
Our business in the Japanese replacement market was basically unchanged from the previous year in unit volume and in yen value. Business was robust in the first half of the fiscal year. Heavy snowfalls stimulated demand for snow tires, and tire purchases surged overall in advance of the April 1 hike in Japan’s national sales tax. Demand weakened in the second half, however, and price competition escalated. Two Japanese product launches of note were the BluEarth AE-01F, a fuel-saving summer tire for passenger cars, and the BluEarth LT152R, a light-truck tire distinguished by a wear-resistant tread and excellent fuel economy.

Overseas
Outside Japan, our tire business increased in unit volume and in yen value. We posted continuing growth in China and in emerging markets, and our sales turned upward in Europe. Demand remained robust in the United States, but price competition escalated there. Notable product launches outside Japan included the BluEarth-A, a fuel saving summer tire for passenger cars, and the W*drive V905, a winter tire for passenger cars.

We continued to expand our overseas production of capacity. That included inaugurating the production passenger car tires at new plants in China in April 2014 and in India in July 2014. It also included expanding plants in the Philippines and in Russia.

BUSINESS OUTLOOK for 2015

We project that operating income in our tire operations will increase 8.1% in 2015, to ¥52.5 billion, on an 8.2% increase in sales, to ¥538.5 billion. Underlying those projections are our plans for increasing our sales of tires in overseas markets and for improving capacity utilization rates at our tire plants and our expectation that raw material prices will continue to decline.
Multiple Business Group

Creating New Products, Cutting Costs, Cultivating Human Resources

We achieved solid growth in sales and earnings during Phase III (2012–2014) of Grand Design 100 by vigorously expanding business overseas. That positioned us well to pursue continuing growth in a global context. Our measures for achieving further growth in 2015 center on creating new products, cutting costs, and cultivating human resources.

In product development, we are working, of course, to fortify our business portfolio in general. And we are devoting special attention to adapting products in a timely and cost-competitive manner to regional needs in each market. That means bolstering the appeal of existing products with improvements in technical support and ease of use, as well as deploying new products. It also means fine-tuning our market strategy in each nation.

Cost cutting is a priority theme in our common strategy for all operations in Phase IV (2015–2017) of Grand Design 100. We are launching special projects for stepping up our progress in eliminating waste.

Cultivating human resources, meanwhile, is essential to asserting global competitiveness. We are upgrading our programs for skills development throughout our organization. That includes devoting increased emphasis to ensuring that Japanese managers acquire competence in English and other foreign languages.

Industrial Products

Sales ¥101.5 billion ↑ UP 4.7%
Operating income ¥7.6 billion ↓ DOWN 1.4%

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 a leading supplier of high-pressure hoses for construction equipment in Japan. And our subsidiary Yokohama Industries Americas Inc. is a 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. In marine products, we are a global leader in pneumatic marine fenders and in marine hoses.

Sealants, adhesives, and coatings

We deploy a broad range of sealants and adhesives under the Hamatite brand and a growing line of coatings for electronic equipment. In construction sealants and automotive window sealants, we are a leading 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.

Takao Oishi
Director and Senior Managing Corporate Officer
President of Multiple Business
BUSINESS PERFORMANCE in 2014

Operating income in industrial products declined 1.4% in 2014, to ¥7.6 billion, on a 4.7% increase in sales, to ¥101.5 billion. Industrial products accounted for 12.8% of consolidated operating income and for 16.2% of consolidated net sales.

High-pressure hoses
Our Japanese business in high-pressure hoses benefited in 2014 from the introduction of toughened exhaust emission regulations for small construction equipment. We strengthened our US position in this product category by merging two US subsidiaries, YH America Inc. and SAS Rubber Company, as Yokohama Industries Americas Inc. in April 2014.

Industrial materials
Sales increased in conveyor belts and in marine hoses, though sales declined in pneumatic marine fenders. We strengthened our position in this product category by acquiring an Italian manufacturer of marine hoses in September 2014 and incorporating it into our organization as Yokohama Industrial Products Italy S.r.l.

BUSINESS OUTLOOK for 2015

We are eyeing an increase of 8.2% in operating income, to ¥8.2 billion, in industrial products in 2015. Underlying that projection is our expectation of 6.0% growth in sales, to ¥107.5 billion.
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BUSINESS PERFORMANCE in 2014

Operating income in other products declined 2.1% in 2014, to ¥2.9 billion, on a 4.0% increase in sales, to ¥26.2 billion. Other products accounted for 4.9% of consolidated operating income and for 4.2% of consolidated net sales.

Aircraft fixtures and components

Our business in aircraft fixtures and components centers on lavatory modules, drinking water tanks, and other components of lightweight materials. We supply those products to commercial aircraft manufacturers and to Japan’s Ministry of Defense.

Golf equipment

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

BUSINESS OUTLOOK for 2015

Our projections call for operating income in other products to increase 14.1% in 2015, to ¥3.3 billion. We expect sales in this segment to increase 3.0%, to ¥27.0 billion.