FINANCIAL SECTION

FINANCIAL REVIEW

Business Environment

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

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

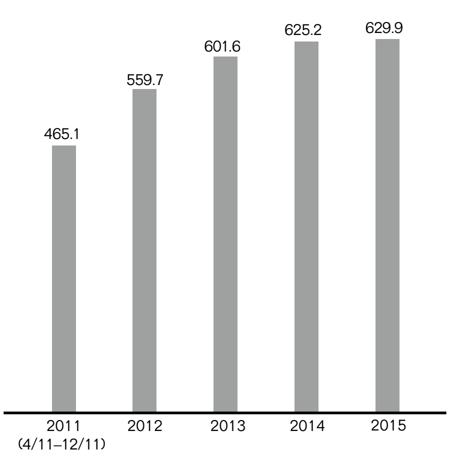
Sales, Expenses, and Earnings

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

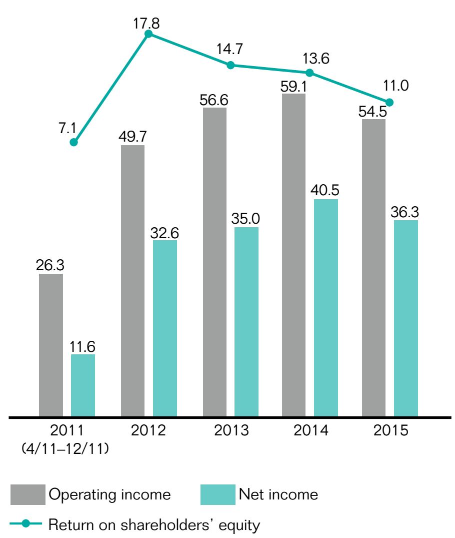
Gross profit increased 3.4%, to ¥224.7 billion, reflecting the downward trend in raw material prices. Selling, general and administrative expenses increased 7.6%, to ¥170.2 billion, reflecting the effects of the weakening of the yen, increased logistics expenses associated with unit sales growth in overseas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

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

Net Sales
Billions of Yen



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



Results by Business Segment

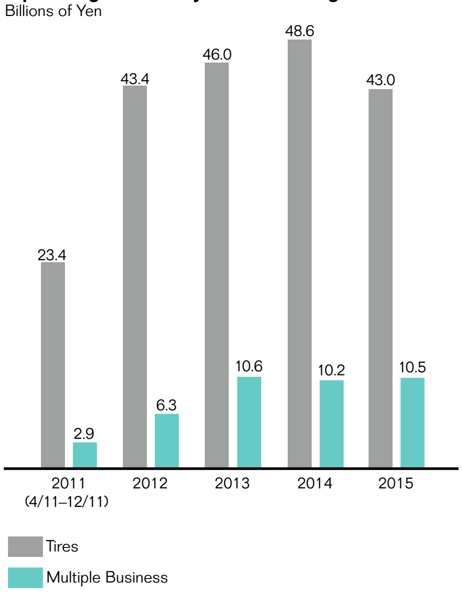
Sales in Yokohama's Tires segment increased 0.6%, to ¥500.6 billion, and operating income declined 11.4%, to ¥43.0 billion. The Company's business in Japan's original equipment market declined in unit volume and in yen value on account of the decline in unit vehicle production. Yokohama partly offset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

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

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

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

Operating Income by Business Segment
Billions of Yen



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

Financial Position

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

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

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

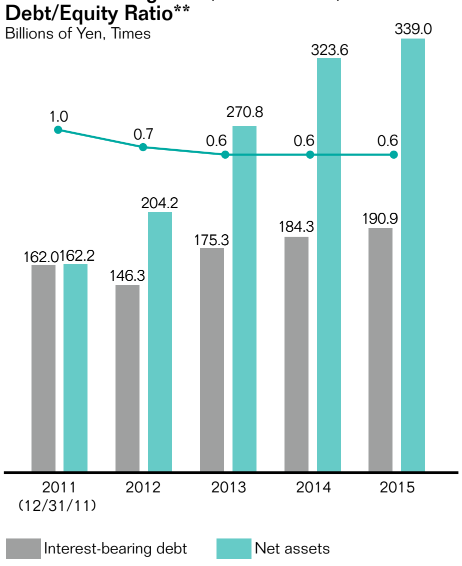
Cash Flow

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

Capital Expenditures

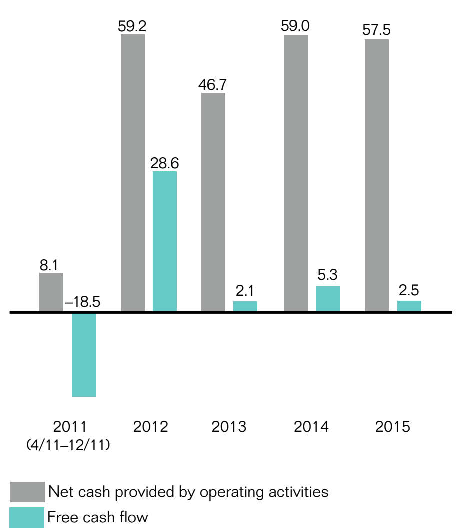
Capital expenditures in 2015 totaled ¥51.0 billion, and depreciation and amortization totaled ¥31.4 billion. The total for capital expenditures was less than management's planned capital spending of ¥65.8 billion. That was the result of decisions to postpone plant-expansion work in the Philippines and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

Interest-Bearing Debt, Net Assets*, and Debt/Equity Ratio**
Billions of Yen, Times



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

Net Cash Provided by Operating Activities and Free Cash Flow*
Billions of Yen



*Free cash flow = net cash provided by operating activities less net cash used in investing activities

R&D Expenditures

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

Dividends

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

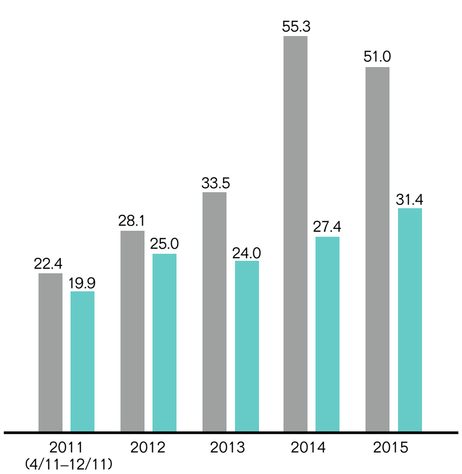
Fiscal 2016 Outlook

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

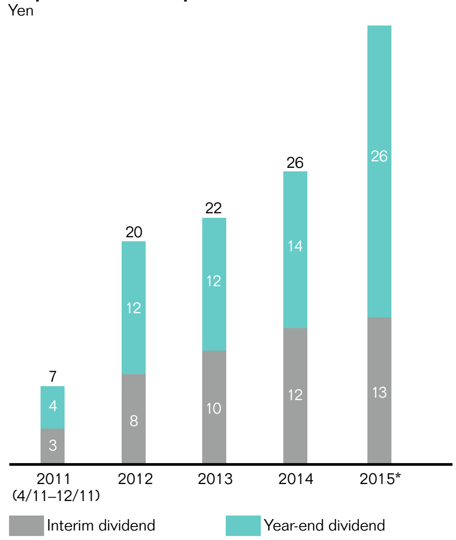
Projected Dividends in 2016

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

Capital Expenditures and Depreciation
Billions of Yen



Capital Dividends per Share
Yen



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

RISK

Below is a partial listing of risks that could adversely affect the Company's business performance, financial position, or share price. All references to possible future events and to other subjects are from the standpoint of the fiscal year ended December 31, 2015.

Economic Conditions

Vehicle tires account for most of the Company's worldwide revenues. Demand for those tires reflects economic conditions in nations and regions where the Company sells its products. Therefore, economic trends and developments that diminish demand in the Company's main markets—including Japan, North America, Europe, and Asian nations besides Japan—could adversely affect the Company's business performance and financial position.

Exchange Rates

The Company conducts most of its business transactions and investment in yen, but it conducts some transactions and investment in dollars and in other currencies. The Company continues to expand its operations globally. That expansion will increase the Company's exposure to fluctuations in currency exchange rates. The Company hedges its exposure to currency exchange rates with forward exchange contracts and with other instruments, but hedging cannot fully offset the effect of fluctuations in currency exchange rates on the Company's business performance and financial position.

Seasonal Factors

Historically, the Company's sales and earnings performance has tended to be strongest in the winter months. That is mainly because sales of winter category tires are an important contributor to the Company's sales and earnings. A later-than-usual onset of winter or lighter-than-usual snowfall could diminish demand for winter category tires and thereby adversely affect the Company's business performance and financial position.

Raw Material Prices

Yokohama's principal raw materials are natural rubber and petrochemical products, including synthetic rubber and carbon black. Sharp increases in prices for natural rubber or for crude oil could raise the Company's manufacturing costs. Yokohama employs diverse measures to insulate its business from such increases, but increases in raw material prices that exceed the scope of those measures could adversely affect the Company's business performance and financial position.

Access to Funding

Instability in any of the world's principal financial markets could affect the Company's access to funding adversely. In addition, the lowering of the Company's credit rating by leading credit-rating agencies could adversely affect the Company's access to debt financing and could increase the Company's cost of funds. That could adversely affect the Company's financial performance and financial position.

Interest Rates

As of December 31, 2015, the Company's interest-bearing debt was equivalent to 26.9% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position.

Securities

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

Investment

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

Retirement Benefit Obligations

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

Natural Disasters

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

Intellectual Property

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

Product Quality

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

Laws, Regulations, and Litigation

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

ELEVEN-YEAR SUMMARY

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

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

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

Millions of Yen

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

CONSOLIDATED BALANCE SHEET

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

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

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

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

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

See accompanying Notes to Consolidated Financial Statements.

1. Basis of presenting consolidated financial statements

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

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

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

1. Consolidated accounting

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

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

2. Equity-method accounting

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

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

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

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

4. Summary of significant accounting policies

(1) Valuation standards and methods for significant assets
(i) Marketable securities and investment securities
Securities classified as available for sale and whose fair value is readily determinable are carried at fair value, with unrealized gains or losses included as a component of net assets, net of applicable taxes. Costs are determined by the moving-average method. Securities whose fair value is not readily determinable are carried at cost. Costs are determined by the moving-average method.
(ii) Derivative instruments
Derivative instruments whose fair value is readily determinable are carried at fair value.
(iii) Inventories
Inventories of the Company and its domestic subsidiaries are stated at cost, determined by the moving-average method, and inventories of certain foreign subsidiaries are valued at the lower of cost based on the first-in first-out method or market.

The book value of inventories of the Company and its domestic consolidated subsidiaries reflects a write-down due to declines in profitability.

(2) Depreciation and amortization

(i) Tangible fixed assets

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

Buildings and structures: 5–50 years

Machinery and equipment: 2–10 years

(ii) Intangible fixed assets

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

(iii) Leased assets

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

(3) Allowances

(i) Allowance for doubtful receivables

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

(ii) Allowance for directors' bonuses

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

(iii) Allowance for sales returns

An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but expected to be returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(4) Retirement benefits

(i) Attribution method of retirement benefit estimates

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

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

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

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

(iii) Adoption of simplified method for small companies

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

(iv) Retirement benefit plans in US subsidiaries

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

(5) Foreign currency translation

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

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

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

(6) Significant hedge accounting methods

(i) Hedge accounting methods

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

(ii) Hedging instruments and hedged items

a. Hedging instruments

Forward exchange contracts and currency swap transactions

b. Hedged items

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

(iii) Hedging policy

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

(iv) Hedge effectiveness assessment

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

(7) Method and period for amortizing goodwill

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

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

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

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

Accounting for consumption tax

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

2. Changes in accounting policies

Application of accounting standards for retirement benefits

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

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

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

Early Adoption of Revised Accounting Standard for Business Combinations

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

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

3. Changes in disclosure

Consolidated balance sheet

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

4. Supplementary information for consolidated balance sheet

1. Pledged assets and secured liabilities

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

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

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

2. Unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates were as follows:

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

3. Reduction entry amounts

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

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

4. Notes maturing on December 31, 2015 and 2014

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

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

5. Contingent liabilities

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

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

5. Supplementary information for consolidated statement of income

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

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

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

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

3. Fiscal year ended December 31, 2014

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

4. Fiscal year ended December 31, 2014

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

Fiscal year ended December 31, 2015

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

5. Research and development expenses

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

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

6. Impairment loss

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

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

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

(1) Background to the recognition of impairment loss

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

(2) Methods of grouping assets

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

(3) Method of computing the recoverable amount

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

6. Supplementary information for consolidated statement of comprehensive income

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

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

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

Year ended December 31, 2015

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

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

*The decrease in the number of shares issued and outstanding resulted from the retirement of 3,500 thousand shares of treasury stock on March 31, 2015, and from a one-for-two share consolidation conducted on July 1, 2015, which reduced the number of shares by 169,549 thousand.

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

2. Dividends

(1) Dividend payments

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

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

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

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

Year ended December 31, 2014

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

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

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

2. Dividends

(1) Dividend payments

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

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

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

8. Supplementary information for consolidated statement of cash flows

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

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

9. Leases

1. Finance leases

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

(1) Leased assets

Tangible fixed assets

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

(2) Depreciation method

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

2. Operating leases

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

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

10. Financial instruments

1. Policies for Financial Instruments

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

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

2. Information and Risks Related to Financial Instruments

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

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

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

Bank loans and corporate bonds are for the purpose of capital investment.

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

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

3. Risk Management of Financial Instruments

(1) Credit Risk Management (Customer Credit Default)

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

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

The amounts of the largest credit risks as of December 31, 2015 and 2014, are indicated in the balance sheet as part of the allowance for doubtful receivables.

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

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

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

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

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

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

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

4. Supplementary Information About the Fair Value of Financial Instruments

The fair value of financial instruments is the market price or, for instruments that do not have a market price, a value calculated by appropriate means. The calculation of fair values incorporates variables, and the values are therefore subject to change, depending on diverse factors. The contract amounts for derivative transactions cited in "12. Derivative instruments" do not indicate the market risk related to derivative transactions.

5. Fair Value of Financial Instruments

The book value and fair value of financial instruments and the differences between them as of December 31, 2015 and 2014, were as follows.

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

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

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

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

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

Assets

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

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

(4) Investment securities

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

See note “Securities” regarding the differences between the amounts booked on the consolidated balance sheet and the acquisition costs.

Liabilities

(1) Trade notes and accounts payable, (2) electronically recorded obligations-operating, (3) short-term loans payable, (4) accrued expenses, and (5) commercial paper

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

(7) Bonds

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

(8) Long-term loans payable

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

Derivative instruments

See note “Derivative instruments.”

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

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

Note:

These financial instruments are not included in "(4) Investment securities." It is extremely difficult to ascertain the fair values because they do not have market prices.

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

	Millions of Yen		Thousands of US Dollars
	2015 (12.31.15)	2014 (12.31.14)	**2015** (12.31.15)
	Within One Year	Within One Year	Within One Year
Cash and Deposits	**¥ 42,034**	¥ 45,675	**$ 348,514**
Trade receivables: Notes and accounts	**155,171**	171,026	**1,286,549**
Electronically recorded monetary claims—operating	**7,264**	—	**60,230**
Total	**¥ 204,469**	¥ 216,701	**$ 1,695,294**

Note 4. The amount of bonds, long-term loans payable, and other liabilities with interest to be repaid after the consolidated closing date was as follows:

	Millions of Yen					
	2015 (12.31.15)					
	Within One Year	Over One Year, Within Two Years	Over Two Years, Within Three Years	Over Three Years, Within Four Years	Over Four Years, Within Five Years	Over Five Years
Bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 10,000**	**¥ 22,000**
Long-term loans payable	**15,814**	**7,287**	**10,849**	**27,586**	**9,711**	**7,578**
Other liabilities with interest	**80,092**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 95,906**	**¥ 7,287**	**¥ 10,849**	**¥ 27,586**	**¥ 19,711**	**¥ 29,578**

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

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

11. Securities

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

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

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

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

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

Note:

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

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

Fiscal 2015
Not applicable.

Fiscal 2014

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

12. Derivative instruments

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

(1) Currency derivatives

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

Note:

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

(2) Interest rate derivatives

Not applicable.

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

(1) Currency derivatives

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

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

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

(2) Interest rate derivatives

Not applicable.

13. Pension and severance plans

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

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

1. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Defined contribution plan

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

14. Deferred income taxes

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

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

Note:

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

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

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

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

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

15. Segment information

1. Outline of Reportable Segments

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

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

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

Changes in reportable segments

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

1. Product and service information

Information has been omitted, as the classification is the same as that for reportable segments.

2. Information about geographic areas

(1) Sales

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

Note:

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

(2) Property, plant and equipment

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

3. External customer information

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

4. Impairment losses on fixed assets by reportable segment for the years ended December 31, 2015 and 2014

There were no applicable items for the years ended December 31, 2015 and 2014.

5. Amortization of goodwill and the amortization balance by reportable segment for the years ended December 31, 2015 and 2014

The Company omitted this information because of its immateriality for the years ended December 31, 2015 and 2014.

6. Gains on negative goodwill by reportable segment for the years ended December 31, 2015 and 2014

The Company omitted this information because of its immateriality for the years ended December 31, 2015 and 2014.

17. Related party transactions

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

Year ended December 31, 2015

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

Year ended December 31, 2014

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

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

Significant transactions and balances with important subsidiaries
No applicable items.

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

18. Per share amounts

For the years ended December 31, 2015 and 2014

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

19. Subsequent event

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20. Supplementary consolidated information

Bonds

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

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

Millions of Yen				
Within One Year	Over One Year, Within Two Years	Over Two Years, Within Three Years	Over Three Years, Within Four Years	Over Four Years, Within Five Years
—	—	—	—	10,000

Loans and lease obligations

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

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

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

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

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

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

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

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

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Yokohama Rubber Co., Ltd. and its consolidated subsidiaries as at December 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1

Ernst & Young ShinNihon LLC

March 30, 2016
Tokyo, Japan