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YOKOHAMA

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Yokohama Rubber Releases Fiscal Results for First Three Quarters of 2016

Tokyo—The Yokohama Rubber Co., Ltd., announced today that its sales and earnings declined in the first three quarters of 2016 (January to September). Profit attributable to owners of parent declined 53.5%, to 8.5 billion yen. That percentage decline is in reference to the same period of the previous fiscal year, and it resulted from a 38.0% decline in operating income, to 18.9 billion yen, on a 7.5% decline in net sales, to 410.2 billion yen. The declines in sales and earnings resulted primarily from weakening demand and declining prices in Yokohama's principal product sectors and from the appreciation of the yen.

Note that the figures presented here include the first-time inclusion of the fiscal results of Alliance Tire Group B.V., which Yokohama acquired in July 2016. Alliance Tire Group's sales and earnings appear in a newly established, eponymous segment.

Operating income in Yokohama's tire segment declined 25.8%, to 16.6 billion yen, on an 11.0% decline in sales, to 310.5 billion yen. In the Japanese original equipment market, Yokohama's sales declined amid a downturn in unit vehicle production and a downturn in tire prices, but the company achieved an increase in operating profitability on account of the continuing decline in raw material prices. In the Japanese replacement market, Yokohama's sales declined in unit volume and in yen value amid slackening demand, but the company achieved an increase in operating profitability by promoting high-value-added products successfully and by otherwise improving the composition of its sales portfolio. Sales and earnings outside Japan declined on account of the appreciation of the yen and escalating price competition despite an overall increase in unit sales volume. Contributing to the increase in unit sales volume were robust sales growth overall in North America, progress in developing new sales channels in Europe, and growth in shipments to automakers in China. The growth in China benefited from a reduction in taxes on small vehicles, which stimulated a recovery in vehicle sales.

In Yokohama's Multiple Business segment, operating income declined 38.5%, to 4.7 billion yen, on a 9.8% decline in sales, to 80.9 billion yen. That segment consists primarily of business in high-pressure hoses; Hamatite sealants and adhesives and electronic equipment coatings; conveyor belts; antiseismic products; marine hoses and pneumatic marine fenders; and aircraft fixtures and components. Sales in high-pressure hoses declined, reflecting weakening demand in automotive hoses and other adverse factors. Sales also declined in industrial materials amid the appreciation of the yen and a downturn in Japanese steel production. Operating income increased in Hamatite sealants and adhesives and electronic equipment coatings, driven by overseas sales gains in automotive sealants, but sales declined overall on account of slumping Japanese demand for construction sealants. Sales declined aircraft fixtures and components. Weakness in the commercial sector, which was due partly to the appreciation of the yen, more than offset sales gains in the government sector.

Alliance Tire Group, included in our consolidated accounts as of July, posted sales of 12.9 billion yen for the three months to September and an operating deficit of 2.8 billion yen. Declining prices for grain undercut demand for agricultural equipment tires, Alliance Tire Group's main product sector, and price competition escalated in that sector. Vigorous marketing succeeded, however, in achieving Yokohama's target for sales at the newly acquired subsidiary. The operating deficit reflected acquisition expenses and the amortization of goodwill.

Yokohama abides by the full-year fiscal projections that it announced in August 2016 for sales and earnings. Those projections call for profit attributable to owners of parent to decline 44.9%, to 20.0 billion yen, on a 30.3% decline in operating income, to 38.0 billion yen, and a 4.7% decline in net sales, to 600.0 billion yen. The acquisition of Alliance Tire Group has had the effect in Yokohama's full-year projections of augmenting net sales by 27.0 billion yen and to diminishing operating income by 4.5 billion yen. The diminution of the projection for operating income is the net result of recording a 4.7 billion yen contribution from Alliance Tire Group and acquisition-related expenses estimated before the merger as 9.2 billion yen. Management has declared an interim dividend of 26 yen per share and will propose a year-end dividend of the same amount per share.

Financial Highlights

Millions of yen

	Jan. 1–Sept. 30, 2016	Jan. 1–Sept. 30, 2015
Net sales	**410,218**	443,673
Operating income	**18,890**	30,450
Income before income taxes and minority interests	**13,817**	25,443
Profit attributable to owners of parent	**8,497**	18,271
Net assets	**288,732**	326,188
Total assets	**809,669**	714,392
Profit per share attributable to owners of parent (yen):	**53.00**	113.71
	July 1–Sept. 30, 2016	July 1–Sept. 30, 2015
Net sales	**142,100**	147,338
Operating income	**3,173**	5,135
Income before income taxes and minority interests	**1,730**	1,741
Profit attributable to owners of parent	**261**	2,035

Results by Business Segment

Millions of yen

	Jan. 1–Sept. 30, 2016	Jan. 1–Sept. 30, 2015
Sales to third parties		
Tires	**310,472**	348,815
Multiple Business	**80,912**	89,715
Alliance Tire Group (Note 2)	**12,945**	–
Other	**5,888**	5,142
Operating income		
Tires	**16,579**	22,338
Multiple Business	**4,686**	7,613
Alliance Tire Group (Note 2)	**(2,835)**	–
Other	**522**	460
Eliminations	**(61)**	37

Notes:

1. Yokohama has prepared this information in accordance with accounting principles generally accepted in Japan.
2. The figures for Alliance Tire Group are for the three months from July 2016, when Yokohama acquired that company, to September 2016.