

Tire Group

Sales in the Tire Group rose 12.6%, to ¥419.8 billion, in fiscal 2008, and operating income rose 77.6%, to ¥26.1 billion. Expanded production capacity in Asian nations helped the company serve the growing global demand for tires. The strong growth in profitability, meanwhile, reflected improvements in the structure of earnings at production subsidiaries in North America and in Asian nations.



Japan

Continuing growth in original-equipment demand driven by robust exports

Yokohama's unit tire sales in Japan were basically unchanged from the previous year. Continuing growth in the original-equipment sector—in unit volume and in value—offset weakness in the replacement sector. The vigor in the original-equipment sector was attributable to export-driven growth in the production of passenger cars and to the increased production of off-the-road equipment amid surging global demand. The weakness in replacement tires resulted partly from the later-than-usual arrival of the snow season in most of Japan. That diminished sales of winter tires.

High-value-added products highlighted Yokohama's product launches in the past fiscal year. The company fortified its core line of passenger-car tires, the DNA family of environmentally friendly products. New DNA tires included the DNA Grand map, for large minivans, and the DNA dB super E-spec, for luxury cars. The DNA Grand map features advances in quiet ride and stable handling. The DNA dB super E-spec, meanwhile, is the fuel-saving paragon of the DNA family, and it supports superior riding comfort. In addition, Yokohama has increased the nonpetrochemical proportion of the tires' composition to fully 80%.

Superior environmental appeal in the all-new DNA Earth-1

Highlighting Yokohama's tire-marketing effort in the past fiscal year were launches of high-value-added, high-performance products. Those launches were part of continuing moves to



Yokohama tires appeared prominently on the hero's car, Mach 5, in the live-action feature film Speed Racer, released by Warner Bros. in summer 2008. Also visible in the movie was billboard signage with the Yokohama logo.

optimize the company's product mix. The DNA series remains a core emphasis in Yokohama's tire marketing. A big part of that emphasis is the DNA Earth-1, launched in February 2008. That new product is second only to the DNA dB super E-spec in fuel-saving performance, and it accompanies that performance with excellent grip. Yokohama offers the DNA Earth-1 in some 70 sets of size specifications to serve a vast range of customer needs.

ADVAN, Yokohama's global flagship brand, turns 30 years old in 2008. The company is stepping up racing-linked advertising and other promotion in support of the ADVAN brand. That stepped-up effort is partly to capitalize on the first-ever Japanese race in the World Touring Car Championship (WTCC) series. ADVAN is the exclusive tire brand in that racing series.

North America

A 30% sales increase in tires for passenger cars and light trucks

Yokohama's North American tire business centers on marketing tires produced locally by Yokohama Tire Corporation. That subsidiary posted a 16.6% increase in sales in calendar 2007, to \$721 million.

Leading the sales growth at Yokohama Tire Corporation was a 30% increase in sales of replacement tires for passenger cars and light trucks. U.S. demand for replacement tires for passenger cars and light trucks was basically unchanged from the previous year, but Yokohama Tire Corporation achieved the solid growth in that sector on the strength of high-value-added products and price increases.



Yokohama's GEOLANDAR H/T-S tires, for sport-utility vehicles, offer a comfortable ride, excellent wear resistance, and impressive fuel economy.

It registered notably strong sales gains with the GEOLANDAR H/T-S, for highway-oriented sport-utility vehicles, and the AVID H4S/V4S all-weather tire for passenger cars.

In replacement tires for trucks and buses, Yokohama Tire Corporation recorded a decline in sales despite a slight increase in demand. The company experienced some delays in bringing new products to market, and it eschewed price-cutting competition at the low end of the market.

Yokohama Tire Corporation posted sales growth in off-the-road tires. It maintained unit sales volume at the same level as the previous year despite a sharp downturn in demand, and it maximized the value of sales through price increases.

Profitability increased strongly at Yokohama Tire Corporation. The continuing rise in raw material costs and the upward pressure of rising fuel prices on logistics costs affected earnings adversely. Yokohama Tire Corporation more than offset those adverse factors through improvements in its product mix, through sales gains, and through price increases.

Asian Nations besides Japan

Strong momentum in high-performance tires

Sales increased in Asian nations besides Japan in passenger car tires and in truck and bus tires. The growth in passenger car tires was notably pronounced in China, Malaysia, and the Republic of Korea. Sales were especially strong in high-performance tires for high-end vehicle models in big-city markets. That included robust sales gains with the comfort-oriented DNA dB, the sporty S.drive, and the sport-utility GEOLANDAR series. Yokohama supported those gains by increasing the production of high-performance tires in Japan and in Thailand. In China, a third phase of expansion at Hangzhou Yokohama Tire Co., Ltd., in Zhejiang Province, supported increased sales in the replacement market and a large increase in shipments to Japanese-owned vehicle plants.

In the truck and bus sector, business expanded overall, led by growth in China and Malaysia. Yokohama expanded its Chinese sales network, supplying sales outlets initially with tires imported from Japan. That was in advance of the July 2008 start of production of truck and bus tires at Suzhou Yokohama Tire Co., Ltd., in Jiangsu Province.

Steps toward a stronger marketing presence in Southeast Asia and India

Yokohama is laying a foundation for stepped-up marketing in Southeast Asian nations and in India. It established Yokohama Asia Co., Ltd., in Bangkok in February 2008 to coordinate marketing in those regions. The new subsidiary will work to reinforce Yokohama's brand identity in the company's traditional stronghold in

high-performance tires. It will also work to cultivate sales channels and to upgrade technical service.

In addition, Yokohama established a Thai subsidiary in May 2008 to handle tire distribution in Thailand. Yokohama Tire Sales (Thailand) Co., Ltd., assumes the function formerly handled by an independent distributor. It handles mainly tires produced by Yokohama Tire Manufacturing (Thailand) Co., Ltd., and will bolster the Yokohama marketing effort in Thailand. The new company is Yokohama's fifth Asian sales subsidiary outside Japan. It joins counterparts in China, the Philippines, the Republic of Korea, and Taiwan.

Europe

Unit sales up sharply in Russia

Unit tire sales increased solidly in Europe. Sales surged in Russia and in eastern European nations, where economic growth was proceeding

apace, and sales also grew strongly in western Europe. Contributing to the growth in western Europe were strong sales in Germany, Austria, and Switzerland for the W.drive winter tire, launched in 2007.

Underlying the sales growth in Russia was progress in expanding business through middle-tier retail chains in urban markets. That included welcoming sales outlets into the Yokohama Club program. In that program, Yokohama supplies tires on a priority basis to outlets that meet specified sales targets. It also furnishes member outlets with promotional materials and other marketing support. Yokohama has earned high regard from Russian tire vendors for its reliability in keeping them supplied with sufficient quantities of popular tires. That has been a decisive factor in the continuing rapid growth in Yokohama Club outlets.

Contributing greatly to Yokohama's sales growth in Russia were studded winter tires, the core category in the Russian market. Yokohama



The PARADA Spec-X, a stylish offering from Yokohama for sport-utility vehicles, furnishes superior performance on wet surfaces and a smooth, quiet ride.

has led the tire industry in offering Russian customers a comprehensive array of size variations in that category. The company augmented its Russian line of winter tires in the past fiscal year with the iceGuard studless tire. That product also contributed to sales growth. Studless tires provide a quieter, more-comfortable ride than studded tires, and Yokohama is promoting them widely in the Russian market.

In pursuit of large sales growth in Russia and eastern Europe

Yokohama is working to maintain its growth momentum in western Europe in fiscal 2009 and to achieve large sales gains in the fast-expanding markets of Russia and eastern Europe. The company's targets for the region include earning an increased market share in high-performance tires. For that purpose, it will offer new size variations in Europe in the latter half of 2008 for its W.drive tire. In addition, Yokohama will launch its PARADA Spec-X tire, popular on sport-utility vehicles in North America, in western Europe.

The Yokohama strategy for broadening its sales channels in Europe includes developing ties with large independent tire retailers. Yokohama renewed a supply contract in 2007 with a big retailing chain that markets tires through a pan-European network of outlets. That arrangement promises to contribute to Yokohama's European tire sales in fiscal 2009. Also promising in a European context is the start-up of truck and bus tire production at Yokohama Tire Manufacturing (Thailand). That will provide Yokohama with supply capacity to assert a significant presence in the European market for truck and bus tires.

Other Regions

New marketing company in Brazil

Unit tire sales in the Middle East remained basically at the same level as the previous year. Sales increased strongly in high-performance tires, such as the ADVAN series, for passenger cars, and the GEOLANDAR series, for sport-utility vehicles. That increase reflected the contribution of rising crude oil prices to purchasing power in the Middle East. It also reflected Yokohama's success in recruiting new dealers that have strong positions in high-performance tires. Offsetting the unit sales gains in passenger car tires were declines in light-truck tires and in truck and bus tires.

In Australia and other markets of Oceania, unit tire sales increased. Contributing notably to the sales growth were the GEOLANDAR series, for sport-utility vehicles, and new tire products launched in 2007 for vans.

Unit tire sales also increased in Latin America, where demand was generally strong. Sales were notably robust in passenger car tires, especially in Brazil and Argentina. In April 2008, Yokohama established a marketing company, Yokohama Rubber Latin America Comercio Ltda., in São Paulo. The new subsidiary will cultivate sales channels and conduct other marketing activities to cultivate the immense potential of Latin American markets.