

MB Group

Sales in the Multiple Business Group rose 5.5% in the past fiscal year, to ¥131.6 billion, and operating income rose 3.6%, to ¥7.0 billion. Leading the sales growth were gains in high-pressure hoses for construction equipment and other off-the-road equipment, in conveyor belts, and in marine fenders. Business in all of those product sectors benefited from the stepped-up activity worldwide in resources development. Restraining the earnings growth somewhat was the appreciation of the yen against the dollar toward the end of the fiscal year and the continuing rise in raw material prices.



Surging demand for hydraulic excavators is spawning demand for Yokohama's high-pressure hoses.

Hoses

Continuing growth for off-the-road equipment

Sales of hoses increased 1.8%, to ¥43.4 billion. Demand for off-the-road equipment expanded worldwide, and Yokohama posted continuing growth in sales of high-pressure hydraulic hoses—its main product line in this category—to Japanese manufacturers of that equipment. Sales were flat in automotive hoses. Yokohama posted sales growth in hoses for air conditioning systems, but sales declined in hydraulic hoses for power-steering systems because of the continuing shift to electric power steering.

Business reverses at U.S. subsidiaries

Sales declined at Yokohama's U.S. subsidiaries SAS Rubber Company and YH America, Inc., on account of downturns in orders from U.S. automakers. In Asia, the Taiwan subsidiary SC Kingflex Corporation recorded a small sales decline, but sales increased solidly at Yokohama Rubber (Thailand) Co., Ltd. The Thai subsidiary recorded strong sales gains in automotive hoses and in hoses for off-the-road equipment in its local market and in markets throughout Southeast Asia.





Yokohama has replaced hexavalent chromium (upper photo) with trivalent chromium (lower photo) as a coating material for zinc-plated hose fittings. The change is in response to medical and environmental concerns about hexavalent chromium. Yokohama began the changeover in June 2007 and has largely completed the transition to the more-benign material.

Expanded production capacity

Yokohama will expand its Ibaraki Plant's production capacity for hoses for off-the-road equipment to 100,000 meters a day by April 2010. That is a 10,000-meter increase over the plant's daily production capacity at the past fiscal year-end, and it is to serve the rapid expansion of production under way at manufacturers of off-the-road equipment.

The expanded production capacity will be for spiral hoses. Those hoses have a reinforcing coil of high-tensile-strength wire around their inner layer of rubber, and they withstand high pressures and offer long-life performance. Yokohama is targeting the expanded production capacity chiefly in medium-sized and large hydraulic excavators. Demand for those excavators is growing rapidly.

Yokohama is also expanding production capacity for hoses at overseas subsidiaries. SC Kingflex added a new production line in July 2008, and Yokohama Rubber (Thailand) opened a second plant in May 2008.

Strengthened marketing in India and in Russia

The past fiscal year marked the beginning of systematic efforts by Yokohama toward building

sales channels for hoses in India and in Russia. Both of those nations are drafting plans for numerous projects for developing natural resources and for building infrastructure. That bodes well for continuing growth in demand for construction and other off-the-road equipment. Yokohama established Yokohama India Pvt. Ltd. in New Delhi in April 2007. That subsidiary will focus initially on developing sales channels for serving the Indian operations of Japanese manufacturers of off-the-road equipment. In February 2008, Yokohama established its first assembly station in Russia for selling replacement hoses for off-the-road equipment.

Industrial Materials

Growth in conveyor belts and in marine fenders

Sales of industrial products—principally conveyor belts, marine fenders, and other civil engineering products—increased 7.0%, to ¥29.5 billion. The bustling global activity in resources development spawned growing demand for conveyor belts and marine fenders, and sales of other civil engineering products also increased.

Shipments of conveyor belts increased strongly in Australia and Brazil, where iron ore development projects presented growing demand. Business was especially vigorous in steel-cord belts, which are well suited to large loads and long-distance conveyance.

The sales growth in marine fenders reflected the growing volumes of crude oil, liquefied natural gas, ethanol, and other energy-related cargoes being handled in marine transport. Tankers are becoming larger, especially as shipping companies adopt double-hulled vessels, and demand for

buoy-type fenders of 2.5 meters and more in diameter was notably robust. Yokohama also won orders for fixed marine fenders for installation on wharves in harbor-construction projects. The company is moving to expand production capacity to serve the growing demand for marine fenders.

Other civil engineering products supplied by Yokohama include laminated bearings for protecting bridges from earthquakes and rubber expansion joints for roads on bridges. Sales of those products increased in the past fiscal year, reflecting unit sales growth and price increases.

Contributing to the sales growth in laminated bearings for bridges was the shift to rubber bearings from lead-plugged bearings. The lead-plugged bearings have aroused concerns about their adverse environmental effects. Sales of rubber expansion joints for bridges benefited from the excellent market reception for a new product launched in autumn 2007. That product, the YS II-W, prevents bridge girders from colliding with each other in earthquakes, and it is usable between bridge girders as thick as 50 centimeters.

Sealants and Adhesives

Sales gains led by automotive windshield sealants

Sales sealants and adhesives increased 5.5%, to ¥26.0 billion. Leading the growth was robust business in automotive windshield sealants in Japan and overseas. Sales in Japan benefited from the growth in vehicle production. Overseas, the U.S. subsidiary YH America, Inc., won new orders from U.S. automakers, and Yokohama

Rubber (Thailand) posted growth in exports to other Southeast Asian nations and to India.

Business in construction sealants and insulation-glass sealants declined. That reflected a decline in commercial and residential building starts, which resulted partly from a revision of Japan's building code.

New footholds in electronic materials

Yokohama is cultivating new growth potential by developing products in electronic materials. The first of those products, a coating material called Y-COAT, went on sale in the past fiscal year.



Construction sealants supplied by Yokohama render service in Tokyo's fashionable Midtown complex. That complex opened in 2007 on about seven hectares (17 acres) of redeveloped land in central Tokyo.

Y-COAT overcomes the traditional difficulty of bonding plastic and metallic components together with adhesives. Manufacturers of cellular phones and digital cameras welcomed the new product and immediately began using it in their products. Y-COAT supports the growing use of advanced plastics for combining lightweight durability and sophisticated designs and functionality. It incorporates original compounding technology developed in Yokohama's sealant operations.

Aerospace Products

Business expansion in lavatory modules

Sales of aerospace products increased 1.8%, to ¥19.0 billion, as growth in business with airlines and aircraft manufacturers offset a decline in government business. Yokohama is Boeing's exclusive supplier of lavatory modules for the aircraft maker's best-selling airliner, the B737, and deliveries of B737 lavatory modules continued to grow.

Yokohama also posted growth in sales of lavatory modules to airlines for retrofitting B757 airliners. Launched a quarter century ago, the B757 was a hugely successful aircraft for Boeing. Yokohama was also the exclusive supplier of lavatory modules for the B757, which went out of production in 2005.

Large retrofitting order

Yokohama won a large supply contract with a leading airline in the past fiscal year for lavatory modules for retrofitting Boeing 757 airliners. The company will supply modules for 124 aircraft under that contract. Yokohama also secured several retrofitting orders from airlines in the past fiscal year.

The outlook is promising for further growth in retrofitting business, and Yokohama is expanding production capacity for lavatory modules at its Hiratsuka Plant. A new production line will go into operation there in the second half of the present fiscal year, and that will provide a 50% increase in production capacity.

Golf Equipment and Other Products

Sales contribution from tire production equipment

Sales of golf equipment and other products increased 22.7%, to ¥13.6 billion, led by sales of tire-manufacturing equipment. Yokohama launched six new golf clubs in Japan in the past fiscal year, including the TR Driver MODEL 500, for advanced golfers; the egg irons and egg spoon fairway woods, for achieving long flight easily; and the SWEEP, for female golfers. Unit sales grew, but price competition kept the yen sales volume at about the same level as in the previous year.



The newly launched MODEL 500 augments Yokohama's TR line of competition-oriented drivers. A lowered center of gravity in the head improves control.