

NEWS RELEASE



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Yokohama Rubber's Sales and Earnings Up in Fiscal First Quarter

Ten billion yen surge in operating income drives return to net profitability

Tokyo—The Yokohama Rubber Co., Ltd., announced today that it posted net income of 1.6 billion yen in the first quarter of the present fiscal year. That result is for the three months from April to June, the first quarter of fiscal 2011 (April 1, 2010 to March 31, 2011). The net profit compares with a net loss of 1.8 billion yen in the same period of the previous fiscal year.

Driving Yokohama's return to net profitability was a strong turnaround in operating profitability. The company posted operating income of 5.9 billion yen in the fiscal first quarter, compared with an operating loss of 4.1 billion yen in the same period of the previous fiscal year. Yokohama's net sales climbed 23.4% over the same quarter of the previous fiscal year, to 117.4 billion yen.

Strong growth in unit sales of tires, buoyed by global economic recovery, led Yokohama's gains in sales and earnings. Profitability improved as an upturn in capacity utilization and progress in cutting costs more than offset the adverse effects of rising raw material costs and the appreciation of the yen.

Operating income in Yokohama's tire operations totaled 5.3 billion yen, up from a first-quarter loss of 3.7 billion yen in fiscal 2010. Group sales rose 25.5%, to 92.6 billion yen. Yokohama's unit sales in Japan increased in the replacement market and in the original equipment market, and the company also posted unit sales gains in overseas tire markets, led by growth in North America and in Asia.

Yokohama has begun reporting sales and earnings separately for industrial products and for other diversified products as of the present fiscal year. Its industrial products include high-pressure hoses, sealants and adhesives, conveyor belts, anti-seismic rubber-and-steel fittings for protecting bridges and other structures from earthquakes, marine hoses, and marine fenders. Other products consist mainly of aircraft products and golf products. Yokohama formerly reported aggregate figures for all of its diversified business as Multiple Business results.

In Yokohama's industrial products operations, operating income totaled 349 million yen, compared with a first-quarter loss of 351 million yen in fiscal 2010. Group sales were up 24.4%, to 18.9 billion yen. The resurgent sales and earnings in industrial products reflected business recovery in nearly every product category. Business was especially robust in high-pressure hoses and in sealants and adhesives.

Operating income in other products totaled 251 million yen, compared with a loss of 47 million yen in the same period of the previous year. Sales declined 4.5%, to 5.9 billion yen. The sales decline occurred despite growth in aircraft products and resulted mainly from a sales decline in golf products. Operating profitability improved as Yokohama won increased orders for high-margin aircraft products.

Yokohama's projections call for operating income to total 4.0 billion yen in the first half of fiscal 2011 (April 1 to September 30, 2010). That compares with an operating loss of 2.4 billion yen in the same period of the previous year. Underlying the projected upturn in operating profitability is projected sales growth of 17.8%, to 238.0 billion yen. The projections call for Yokohama's interim net loss to shrink 64.1% from the first half of fiscal 2010, to 1.4 billion yen. Nonoperating losses associated with the strengthening yen appear likely to prevent a return to net profitability in the fiscal first half.

The projection for interim operating income is 33.3% higher and the projection for interim net sales 2.6% higher than the projections announced by Yokohama in May 2010. Yokohama has raised its projections for operating income and for net sales on account of stronger-than-expected growth in unit sales. The company has lowered its projection, however, for net profitability. Yokohama's earlier projections called for the company to break even on a net basis in the fiscal first half, but the strong yen has prompted the company to back off from that projection. The company will announce full-year fiscal projections when it releases its first-half fiscal results on November 1, 2010.

Financial Highlights

Millions of yen

	FY2011 1st quarter April 1–June 30, 2010	FY2010 1st quarter April 1–June 30, 2009
Net sales	117,424	95,177
Operating income	5,907	(4,078)
Net income	1,619	(1,769)
Net assets	160,760	149,791
Total assets	459,253	472,381
Per share (yen)		
Net income: basic	4.83	(5.28)

Results by Business Segment and by Region

Millions of yen

	FY2011 1st quarter April 1–June 30, 2010	FY2010 1st quarter April 1–June 30, 2009
<i>By business segment</i>		
Sales to third parties		
Tires	92,618	73,810
Industrial products	18,921	15,208
Other products	5,884	6,158
Operating income		
Tires	5,305	(3,689)
Industrial products	349	(351)
Other products	251	(47)
Eliminations	2	9
<i>By geographical segment</i>		
Sales to third parties		
Japan	78,507	65,956
North America	23,871	18,253
Asia	7,516	4,126
Other Regions	7,529	6,840
Operating income		
Japan	3,594	(1,801)
North America	1,476	(1,103)
Asia	1,344	100
Other Regions	149	27
Eliminations	(657)	(1,303)

Notes:

1. Yokohama has prepared this information in accordance with accounting principles generally accepted in Japan.
2. Under Results by Region, North America refers to the United States and Canada; Asia to the Philippines, Thailand, China, and Taiwan; and Other Regions to Oceania and Europe.