

NEWS RELEASE



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Yokohama Rubber's Operating Profitability Exceeds Expectations for First Six Months of Fiscal Period

Tokyo—The Yokohama Rubber Co., Ltd., announced today that its net sales from April to September 2011, the first six months of the present fiscal term, increased 8.4%, 19.9 billion, over the same period of the previous fiscal year, to 258.2 billion yen. That growth resulted primarily from a surge in tire business, led by strong sales in Japan's replacement market.

Operating income declined 8.3% from the same period of the previous year, to 7.6 billion yen, on account of rising raw material costs, the appreciation of the yen, and an increase in selling, general and administrative expenses. The figure for operating income was 26.7% higher, however, than Yokohama's earlier projection of 6.0 billion yen. Yokohama's higher-than-projected operating profitability reflected increases in selling prices for products and progress in trimming costs. Net income declined 75.7%, to 294 million yen, as the appreciation of the yen occasioned losses on currency translation adjustments and as Yokohama recorded a nonrecurring loss in connection with severance payments at a subsidiary.

As noted, Yokohama posted a 10.7% sales increase in tires, to 204.7 billion yen. Operating income in the company's tire operations declined 2.0%, to 6.0 billion yen, on account of rising raw material costs and the appreciation of the yen. Yokohama's strong sales gains in replacement tires in Japan reflected growth in the used-vehicle market. Those gains more than offset a sales decline in original equipment tires, which reflected the aftereffects of the Great East Japan Earthquake. Yokohama also posted sales gains in tires overseas, led by growth in Asia and in Europe.

Yokohama posted sales growth of 0.7%, to 41.7 billion yen, in industrial products, which consist mainly of high-pressure hoses, sealants and adhesives, conveyor belts, anti-seismic products, marine hoses, and marine fenders. Operating income in industrial products declined 71.2%, to 452 million yen, on account of rising raw material costs and the appreciation of the yen. Sales of high-pressure hoses increased as gains in hoses for construction equipment offset declines in automotive hoses, which reflected the aftereffects of the Great East Japan Earthquake. The aftereffects of the earthquake also accounted for a sales decline in sealants and adhesives. Other positive sales factors in industrial products included an increase in overseas orders for marine hoses and a recovery in demand for conveyor belts.

Sales in other products, which consist mainly of aircraft fixtures and components and golf equipment, declined 1.2%, to 11.9 billion yen. That decline occurred as weakness in golf equipment more than offset a sales increase in replacement lavatory modules for commercial airliners. Cost savings and productivity gains supported an 87.8% increase in operating income in other products, to 1.1 billion yen.

Yokohama is switching its fiscal accounting in 2011 to a calendar-year basis, from an April–March accounting period. The change will bring the accounting periods at the parent company and Japanese subsidiaries into conformance with the calendar-year accounting employed at Yokohama's overseas subsidiaries. It will result in an irregular, nine-month fiscal period of April to December 2011 and will therefore preclude meaningful year-on-year comparisons of business results.

The company has revised its business and financial projections for the nine-month fiscal period in accordance with the growing fiscal and financial uncertainty worldwide, the continuing strength of the yen, and the rising cost of raw materials. Yokohama's latest projections call for net sales of 460.0 billion yen, operating income of 21.0 billion yen, and net income of 8.5 billion yen in the nine-month fiscal period to December 31, 2011. Yokohama has announced that the annual dividend will total 7 yen per share: an interim dividend of 3 yen and a period-end dividend of 4 yen.

Financial Highlights

	April 1–Sept. 30, 2011	Millions of yen April 1–Sept. 30, 2010
Net sales	258,220	238,284
Operating income	7,585	8,273
Income before income taxes and minority interests	262	3,324
Net income	294	1,211
Net assets	164,992	158,517
Total assets	492,368	461,182
Per share (yen):		
Net income: basic	0.88	3.61
	July 1–Sept. 30, 2011	July 1–Sept. 30, 2010
Net sales	128,825	120,860
Operating income	3,445	2,365
Income (loss) before income taxes and minority interests	(3,723)	222
Net loss	(2,527)	(408)

Results by Business Segment and by Region

	April 1–Sept. 30, 2011	April 1–Sept. 30, 2010	Millions of yen
<i>By business segment</i>			
Sales to third parties			
Tires	204,656	184,875	
Industrial products	41,684	41,379	
Others	11,879	12,029	
Operating income			
Tires	5,978	6,098	
Industrial products	452	1,572	
Others	1,148	611	
Eliminations	6	(9)	
<i>By geographical segment</i>			
Sales to third parties			
Japan	169,843	157,321	
North America	52,826	52,069	
Asia	16,294	15,624	
Other regions	19,255	13,268	
Operating income			
Japan	3,610	2,822	
North America	2,992	3,267	
Asia	518	1,726	
Other regions	908	56	
Eliminations	(443)	400	
	July 1–Sept. 30, 2011	July 1–Sept. 30, 2010	
<i>By business segment</i>			
Sales to third parties			
Tires	100,859	92,256	
Industrial products	21,932	22,457	
Others	6,033	6,145	
Operating income			
Tires	2,269	793	
Industrial products	567	1,222	
Others	641	360	
Eliminations	(31)	(11)	
<i>By geographical segment</i>			
Sales to third parties			
Japan	85,277	78,813	
North America	26,315	28,197	
Asia	8,148	8,108	
Other regions	9,083	5,739	
Operating income (loss)			
Japan	701	(772)	
North America	1,472	1,791	
Asia	149	382	
Other regions	570	(93)	
Eliminations	551	1,058	

Notes:

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