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For immediate release

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## **Yokohama Rubber's Net Income Rises 74% in Fiscal First Quarter**

*Strong sales growth drives surge in profitability*

Tokyo—The Yokohama Rubber Co., Ltd., announced today that its net income in the first quarter of the present fiscal period increased 74.3% over the same period of the previous fiscal year, to 2.8 billion yen. That result is for the three months from April to June, the first quarter of what will be a nine-month fiscal term (April 1 to December 31, 2011). The irregular fiscal term is on account of a change in Yokohama's fiscal accounting to a calendar-year basis, from the previous April-to-March basis.

Driving Yokohama's resurgent profitability was a 10.2% increase in net sales, to 129.4 billion yen. That increase resulted mainly from strong sales of tires in Japan and overseas. Operating income declined 29.9%, to 4.1 billion yen. Unit sales growth and progress in reducing costs were sufficient to offset the adverse effect on earnings of the appreciation of the yen and increased selling expenses, but price increases for Yokohama products were insufficient to fully offset the effect of rising prices for raw materials. The yen appreciated less sharply, however, than in the same period of the previous fiscal year, and currency translation losses therefore narrowed greatly. Income before income taxes and minority interests increased 28.5%, to 4.0 billion yen.

Sales in Yokohama's tire operations increased 12.1%, to 103.8 billion yen, and operating income declined 30.1%, to 3.7 billion yen. Japanese demand for original equipment tires declined in the wake of the Great East Japan Earthquake, but Yokohama posted strong sales gains in the Japanese replacement market and also registered growth in North America, Europe, and China. The decline in operating income reflected the rising prices for raw materials.

Yokohama posted sales growth of 4.4%, to 19.8 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. The company posted a 114 million yen operating loss in this segment, compared with operating income of 349 million yen in the same period of the previous fiscal year. Underlying the sales growth in industrial products was a recovery in demand in high-pressure hoses for construction equipment and in conveyor belts and an increase in overseas orders for marine hoses. The deterioration of operating profitability reflected slumping demand for automotive hoses and sealants in the wake of the earthquake.

Sales in other products, which consist mainly of aircraft fixtures and components and golf equipment, declined 0.6%, to 5.8 billion yen, and operating income increased 102.1%, to 507 million yen. The sales decline reflected weakness in golf equipment, and the improvement in operating profitability reflected growth in replacement orders for lavatory modules for commercial aircraft and progress in trimming costs.

Yokohama projects that net sales in the six months to September 30, 2011, will increase 8.3% over the same period of the previous fiscal year, to 258.0 billion yen; that operating income will decline 27.5%, to 6.0 billion yen; and that net income will increase 7.3%, to 1.3 billion yen.

As noted above, Yokohama is shifting its fiscal accounting to a calendar-year basis in 2011, which will result in an irregular, one-time-only fiscal period. The company projects that net sales in that nine-month fiscal period will total 471.0 billion yen, that operating income will total 21.0 billion yen, and that net income will total 11.0 billion yen. Those projections are unchanged from the projections the company announced when it released its full-year fiscal results on May 20, 2011.

## Financial Highlights

Millions of yen

	April 1–June 30, 2011	April 1–June 30, 2010
Net sales	<b>129,394</b>	117,424
Operating income	<b>4,140</b>	5,907
Income before income taxes and minority interests	<b>3,985</b>	3,101
Net income	<b>2,822</b>	1,619
Net assets	<b>174,350</b>	160,760
Total assets	<b>481,573</b>	459,253
Per share (yen)		
Net income: basic	<b>8.42</b>	4.83

## Results by Business Segment and by Region

Millions of yen

	April 1–June 30, 2011	April 1–June 30, 2010
<i>By business segment</i>		
Sales to third parties		
Tires	<b>103,796</b>	92,618
Industrial products	<b>19,751</b>	18,921
Other products	<b>5,846</b>	5,884
Operating income		
Tires	<b>3,708</b>	5,305
Industrial products	<b>(114)</b>	349
Other products	<b>507</b>	251
Eliminations	<b>38</b>	2
<i>By geographical segment</i>		
Sales to third parties		
Japan	<b>84,565</b>	78,507
North America	<b>26,511</b>	23,871
Asia	<b>8,146</b>	7,516
Other Regions	<b>10,171</b>	7,529
Operating income		
Japan	<b>2,908</b>	3,594
North America	<b>1,520</b>	1,476
Asia	<b>368</b>	1,344
Other Regions	<b>337</b>	149
Eliminations	<b>(995)</b>	(657)

*Notes:*

1. Yokohama has prepared this information in accordance with accounting principles generally accepted in Japan.
2. Yokohama is shifting its fiscal accounting to a calendar-year basis in 2011, from the previous April-to-March basis.
3. 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.