

MB Group

Sales in the Multiple Business (diversified products) Group increased 7.3% in the fiscal year ended March 31, 2007, to ¥124.7 billion, and operating income increased 72.5%, to ¥6.8 billion. Growing demand in connection with natural resources development occasioned strong sales growth in high-pressure hoses and marine fenders, and sales of aircraft products also increased notably.

Improvements in the structure of earnings in aircraft components and in other products accounted for much of the increase in operating income.

Management projects that sales in the Multiple Business Group will increase 3.5%, to ¥129.0 billion, in the fiscal year to March 31, 2008, and that operating income will increase 17.7%, to ¥8.0 billion. Management likewise projects continued sales growth in products positioned to benefit from the vigor in natural resources development, and it projects a sales and earnings recovery in golf products.

HIGH-PRESSURE HOSES

Growth in hydraulic hoses and in automotive hoses

Sales of high-pressure hoses increased 12.4% over the previous year, to ¥42.5 billion. Hydraulic hoses are our largest product line in this category, and our sales of hydraulic hoses increased solidly. Demand for our hoses among manufacturers of construction equipment in Japan rose as those makers increased their exports to serve surging global demand. We also posted growth in our sales of automotive hoses. In Japan, our shipments of hoses for car air conditioners and for power-steering systems increased in step with the growth in the unit production of vehicles.

Profitability in high-pressure hoses rose as we offset the upward trend in raw material costs with price increases and with process



Yokohama high-pressure hoses convey hydraulic power for this power shovel.



The Ibaraki Plant is Yokohama's chief production platform for hoses in Japan.

improvements. Notably, we used just-in-time principles to raise productivity and lower costs by strengthening the linkage between our Ibaraki Plant, which produces the hose bodies; our Nagano Plant, which produces the hose couplings; and our Hiratsuka-Higashi Plant, which assembles the hoses. We also lowered costs by focusing our procurement on a reduced number of suppliers, by unifying product specifications, and by bringing in-house the production of some items formerly purchased from suppliers.

Mounting momentum in local production

Sales of hose products increased at all of Yokohama's subsidiaries outside Japan. YH America posted gains in its shipments of automotive hoses to Japanese automakers in North America, and the U.S. subsidiary SAS Rubber registered growth in its sales of automotive hoses to the U.S. Big Three automakers. Yokohama Rubber (Thailand) posted growth in the shipments of automotive hoses and of hoses for construction equipment to customers throughout Southeast Asia. In Taiwan, sales rose at SC Kingflex, led by increased exports to Southeast Asian nations and to India. Our Chinese subsidiary Yokohama Hoses & Coupling (Hangzhou) posted strong growth in deliveries to the manufacturers of construction equipment in China.

INDUSTRIAL PRODUCTS

Benefiting from vigor in natural resources development

Our business in industrial products expanded 7.5%, to ¥26.7 billion. Leading that expansion were increased shipments of marine fenders and conveyor belts, largely in connection with resource-development projects. Profitability in industrial products improved as we offset the rising prices for raw materials with unit sales growth and cost reductions and as the weakening yen bolstered profit margins in business outside Japan.

We registered strong growth in Japanese exports of conveyor belts to North America and to Australia for carrying iron ore. Demand in those markets rose in reflection of increasing iron ore exports. Our business was especially robust in steel-cord belts for conveying iron ore over long distances.

In marine fenders, sales increased in products for protecting vessels during ship-to-ship transfers of crude oil and liquefied natural gas. The trend toward larger vessels spawned demand for larger sizes of marine fenders. We handled an increased volume of orders for large fenders sized 4.5 meters by 9 meters and 3.3 meters by 6.5 meters. Sales were especially strong in Europe.



This Yokohama marine fender is 3.3 meters in diameter and fully 6.5 meters long.

Sales were basically flat in anti-seismic rubber-and-steel fittings for protecting structures from earthquakes and in rubber joints for road surfaces on bridges. Market conditions were generally poor on account of a downward trend in selling prices and an upward trend in prices for steel materials. Profitability improved greatly as we raised prices and focused on high-margin business.

SEALANTS AND ADHESIVES

Weakness in construction sealants

Sales of sealants and adhesives declined 1.6%, to ¥24.3 billion. Construction sealants are our largest product line in this category by sales, and business in the construction sector suffered from sluggish demand and escalating price competition. Sales were strong, however, in urethane waterproofing materials for buildings. Business also expanded in automotive windshield sealants, reflecting the unit growth in Japanese vehicle production.

Product refinements are strengthening our market position in construction sealants in the fiscal year to March 2008. In May 2007, we launched the improved two-component polyurethane sealant UH-01NB. That product provides a longer wait before the curing begins, which gives construction workers greater freedom in applying the sealant. The curing proceeds rapidly, however, and the overall time requirements are the same as with other construction sealants.

Another new product is our U-8000 urethane waterproofing material, which we launched in April 2007. We have eliminated pungent odors with U-8000 to improve the working environment, and we have maintained the same easy applicability and long-lasting water proofing as previous products offered. Other promising products are in our development pipeline.



Sealants supplied by Yokohama protect the recently rebuilt Marunouchi Building, a Tokyo landmark that stands the city's flagship train station.

Rapid growth in China

Yokohama HAMATITE (Hangzhou) began shipping automotive sealants to the Chinese vehicle plants of Japanese automakers in 2005, and sales and production there are exceeding our targets. In contrast, sales of automotive sealants were flat at YH America. Automotive sealant sales were also flat at Yokohama Rubber (Thailand), where a decline in exports to Indonesia offset growth in domestic shipments.

Vehicle production in China continues to expand rapidly, and we project further strong growth in business at Yokohama HAMATITE (Hangzhou) in the fiscal year to March 2008. We are working to buttress sales and earnings at YH America by expanding our sales channels for serving customers besides automakers and by reducing costs, especially in raw materials. At Yokohama Rubber (Thailand), we are introducing a new production system to strengthen competitiveness, and we project renewed sales growth amid an expected increase in vehicle production in Southeast Asia.

AIRCRAFT PRODUCTS

Sales growth in lavatory units for the Boeing 737

Business in aircraft products increased 13.0%, to ¥20.1 billion. Sales of the Boeing 737 increased during the year, and we recorded strong growth in our shipments of lavatory units for that airliner. We also posted growth in our shipments of repair and replacement components for the Boeing 757. Business in this product category includes honeycomb material developed for aircraft products and also used in the floors of high-speed trains. We shipped an increased volume of that material for carriages for a high-speed train line being built in China.

Lavatory units for the Boeing 737, though, remain our core product in the aircraft sector. Boeing has sold more than 6,000 B737s, and we are the sole supplier of lavatory units for that airliner. Boeing had a backlog of orders for 1,500 lavatory units at the end of March 2007. It presently produces only 28 B737s a month but is moving to increase that production output. We deliver about 90 lavatory units a month for the Boeing 737, and we will expand our output as necessary to accommodate increased production at Boeing.

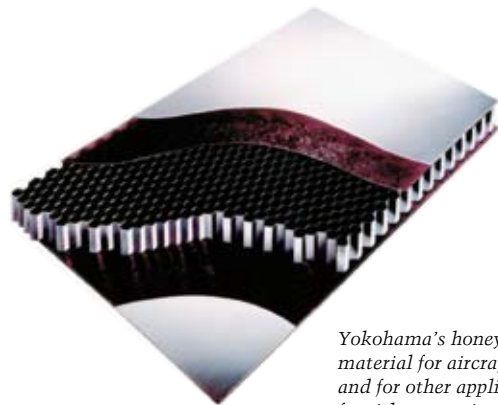
GOLF PRODUCTS

A new-product success in drivers

Sales of golf equipment and other products edged up 0.6%, to ¥11.1 billion. That performance improvement occurred despite sluggishness in Japan's market for golf equipment, and it reflected the popularity of such products as our newly introduced T³ RED driver. Launched in August 2006, the T³ RED provides increased driving distance. We followed it with the February 2007 launch of the T³ 502 Silver, for weekend golfers.



Yokohama is Boeing's exclusive supplier of lavatory modules for the B737 jetliners.



Yokohama's honeycomb material for aircraft products and for other applications furnishes superior rigidity and minimal weight.



The T³ 502 Silver drivers have low centers of gravity and large, 460-cubic-centimeter heads. Designed for weekend golfers, they are easy to handle and combine steady performance with extended range.

What resource development means for the Multiple Business Group

Projects for serving the global growth in demand for natural resources are spawning increased demand for high-pressure hoses, conveyor belts, marine fenders, and other products supplied by the Multiple Business Group. The divisions responsible for those products are accelerating measures for serving the structural expansion in demand.

A NEW CHINESE PRODUCTION PLATFORM FOR CONVEYOR BELTS

We established Shandong Yokohama Rubber Industrial Products in China's Shandong Province in January 2006. That subsidiary began producing conveyor belts in April 2006 to help serve the growing global demand in connection with natural resources development. It ships conveyor belts to export markets, as well as serving domestic demand in China. Shandong Yokohama Rubber Industrial Products has been especially successful in developing business with Chinese steel mills and thermal power plants, and the company posted a profit in its first year of operation. We have raised the technological standards at our new Chinese subsidiary steadily and are preparing to increase production there greatly.

POSSIBLE INCREASE IN PRODUCTION CAPACITY FOR HIGH-PRESSURE HOSES

Japanese demand from manufacturers of construction equipment for high-pressure hoses appears likely to continue rising as those customers serve expanding global demand. We are considering the construction of a new plant for producing high-pressure hoses to keep up with our customers' mounting needs. Our high-pressure hose plants in the United States, Thailand, Taiwan, and China are invaluable in supporting the increasingly global production activity by our Japanese customers, and we will continue to fortify our global production network.

NEW PRODUCTS FOR SPURRING FURTHER SALES GROWTH IN MARINE FENDERS AND BUOYS

Demand for marine fenders has rebounded since calendar 2005, driven by expanded activity in the marine transport of crude oil and liquefied natural gas. Our sales have benefited from the trend toward larger transport vessels, which has spawned demand for larger marine fenders. We supply high-value-added rubber buoys, meanwhile, for offshore loading facilities, and we promote them aggressively under the Globuoy name.



Yokohama's rubber Globuoys are far lighter than steel buoys and, of course, are rust-free.



A Yokohama conveyor belt renders service at a stone-crushing plant.