Review of Operations

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.

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.
systematic efforts by Yokohama toward building
The past fiscal year marked the beginning of
Strengthened marketing in India and in Russia
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Kingflex added a new production line in July
capacity for hoses at overseas subsidiaries. SC
Yokohama is also expanding production
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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.

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
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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.
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 develop 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.