Profile

The Yokohama Rubber Co., Ltd., is a leading manufacturer in the global tire industry. In addition, the company applies original strengths in rubber polymer technology in successful lines of diversified business, including high-pressure hoses, sealants and adhesives, other industrial products, aircraft products, and golf products. A commitment to anticipating and satisfying customer needs has steered Yokohama since the company's establishment in 1917.

Yokohama is tackling renewed growth under its Grand Design 100 medium-term management plan. Launched in April 2006, that plan is a systematic framework for achieving annual net sales of ¥1 trillion and annual operating income of ¥100 billion by the fiscal year to March 31, 2018. Grand Design 100 accompanies its financial targets with the vision of evoking a distinctive global identity in building corporate value and in building a strong market presence.

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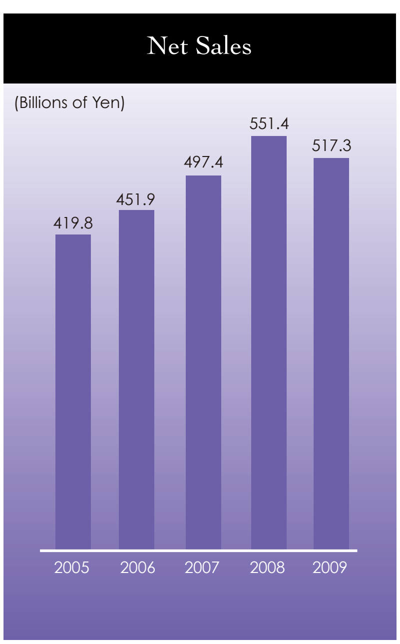
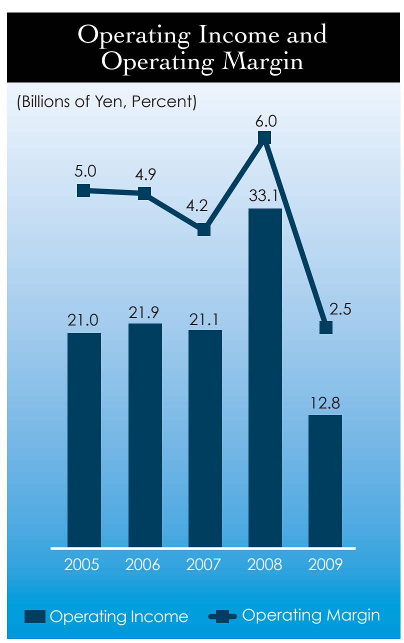
Financial Highlights

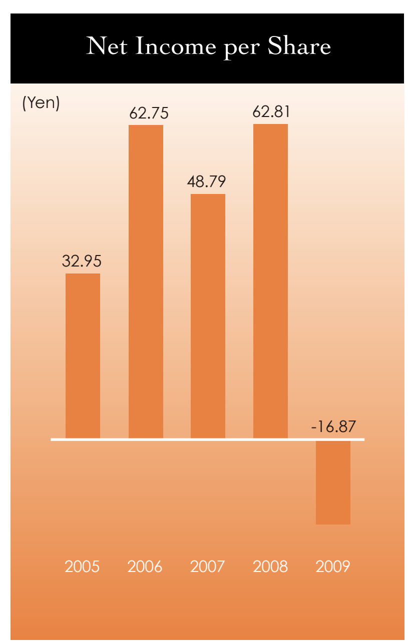
Years ended March 31, 2009 and 2008

	Millions of Yen/Percent			Thousands of U.S. Dollars
	2009	2008	Change	**2009**
Net sales	**¥517,263**	¥551,431	– 6.2%	**$ 5,265,834**
Operating income	**12,808**	33,119	– 61.3	**130,389**
Income (loss) before income taxes and minority interests	**(3,166)**	20,478	– ¥23,644	**(32,227)**
Net income (loss)	**(5,654)**	21,060	– 26,714	**(57,561)**
Total assets	**¥473,376**	¥526,192	–¥52,816	**$ 4,819,063**
Total net assets	**144,159**	181,538	– 37,379	**1,467,570**
	Yen			U.S. Dollars
Per share:	**2009**	2008		**2009**
Net income (loss): basic	**¥(16.87)**	¥ 62.81	– ¥79.68	**$ (0.17)**
Cash dividends	**10.00**	13.00	– 3.00	**0.10**

Note: *Here and throughout this report, the U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥98.23 = US$1.00, the approximate exchange rate on March 31, 2009.*







Aiming for Renewed Growth

Going to work on raising sales to ¥550.0 billion and operating income to ¥38.5 billion in the fiscal year to March 31, 2012

Tadanobu Nagumo

Sales and earnings down

We posted a net loss of ¥5.7 billion in the fiscal year ended March 31, 2009, compared with net income of ¥21.1 billion in the previous fiscal year. That loss reflected a 61.3% decline in operating income, to ¥12.8 billion, on a 6.2% decline in net sales, to ¥517.3 billion. Largely responsible for the deterioration in profitability were rising prices for raw materials, the sharp appreciation of the yen, and a weakening of demand associated with the global economic downturn. We declared a year-end dividend of ¥4 per share and maintained the interim dividend at ¥6, so the aggregate dividend for the full year totaled ¥10.

Short of the Grand Design 100 Phase I targets

This April, we inaugurated the second phase of our Grand Design 100 medium-term management plan. That plan centers on goals for the fiscal year to March 31, 2018, when we will celebrate our corporate centennial. It calls for increasing annual net sales to ¥1 trillion and for increasing annual operating income to ¥100 billion and thereby raising operating return on sales to 10%.

Grand Design 100 comprises four three-year segments. Phase I focused on the theme of profitable growth. The main financial targets in that three-year segment were net sales of ¥560 billion and operating income of ¥35 billion. Our frustrating fiscal performance in the past fiscal year left us 7.6% shy of the sales target and 63.4% short of the target for operating income.

Growth initiatives

Despite our failure to achieve the main financial goals of Phase I, tackling those goals occasioned valuable initiatives. We marked progress in globalizing our operations. We expanded our production capacity for tires about 20%, mainly outside Japan. And we established marketing platforms in Brazil, Russia, and India. Together with our marketing operations in China, that gives us a sales presence in all four of the large and hugely promising markets of the so-called BRICs.

We also marked progress in asserting distinctive technological capabilities in new products. That included augmenting our DNA line of fuel-saving tires with the launch of the DNA dB super E-spec. The new DNA tire combines superior fuel economy with a quiet ride, and we use nonpetroleum materials for fully 80% of the raw materials in the tire.

Grand Design 100 Phase II

Our guiding theme for Phase II of Grand Design 100, which covers the three years to March 2012, is quality growth. In Phase II, we will work to increase net sales to ¥550.0 billion and to increase operating income to ¥38.5 billion. And we will strive to generate cumulative cash flow of more than ¥30 billion over the three years. That free cash flow would furnish a solid groundwork for continuing growth in Phase III.

Growth strategies

We are counting on the Tire Group to generate most of the growth that we envision for Phase II. To foster that growth, we will focus on raising our profile globally in the tire marketplace, on expanding and upgrading production capacity to respond flexibly to market trends in different regions, and on integrating regional operations in support of increased globalization. In the Multiple Business (diversified products) Group, we will concentrate on expanding business globally in high-pressure hoses; in conveyor belts; and in marine products, such as marine hoses and pneumatic marine fenders, and on asserting distinctive strengths in environmental technologies to develop business in renewable energies and in other new product sectors.

Technology strategy

Our technological strategy centers on safeguarding the environment and on delivering the best products at competitive prices and on time. Meanwhile, we are reinforcing our corporate foundation by addressing corporate social responsibility in management, by reducing waste through our Muda-dori (waste-reduction) activities, and by restructuring our domestic operations.

Outlook for earnings growth on declining sales

We project improved profitability in the fiscal year to March 31, 2010. That projection is despite expectations of a further decline in net sales and is attributable mainly to the recent decline in raw material costs. Our projections call for a return to after-tax profitability, supported by an increase in operating income. We project net income of ¥7.0 billion, an improvement of ¥12.7 billion, on operating income of ¥17.0 billion, up 32.7%. Our projection for net sales is ¥490.0 billion, down 5.3%. Dampening the outlook for sales are slumping demand, caused by the global economic slowdown, and the appreciation of the yen. We plan to pay an interim dividend of ¥4 and a year-end dividend of ¥6. That would maintain the aggregate annual dividend at ¥10 per share.

The quality growth that we are eyeing in Phase II of Grand Design 100 is crucial to achieving the overall goals of the management plan. We appreciate your continuing support and understanding as we tackle this important undertaking.

June 2009

Tadanobu Nagumo
President and Representative Director