

Tire Group

Sales in Yokohama's Tire Group declined 4.8% in the fiscal year ended March 31, 2009, to ¥399.7 billion, and operating income declined 62.0%, to ¥9.9 billion. The decrease in sales resulted mainly from (1) large sales declines for Yokohama in Japan in replacement tires and in original equipment tires and (2) the appreciation of the yen, which negated the sales contribution of unit volume gains in overseas markets. The decrease in operating income reflected rising prices for raw materials, as well as the decline in sales.

Yokohama projects that sales in the Tire Group will decline 4.9%, to ¥380 billion, in the fiscal year to March 31, 2010, and that operating income in the group will increase 31.4%, to ¥13 billion. The projected decline in sales reflects expectations of weakening demand amid slowing economic growth worldwide and concerns about a possible strengthening of the yen. The projected increase in operating income reflects a recent decline in raw material costs.

Japan

Weakening demand in the second half of the fiscal year diminished Yokohama's business overall in Japan's replacement market. Another negative sales factor in replacement tires was less-than-average snowfall, which reduced demand for winter tires. Yokohama increased its market share in replacement tires partly by promoting new products effectively in premium-grade tires. And it raised prices to offset part of the adverse effect of rising raw material costs on operating profitability.

Among new products of note was the DNA Earth-1, a passenger car tire that features superior fuel savings. Yokohama launched that tire in February 2008, and it proved extremely popular as car owners contended with rising gasoline prices. Another new product of note was the ice GUARD TRIPLE, a winter tire launched in September 2008. The ice GUARD TRIPLE features important advances in grip on icy surfaces. It sold well despite the slackening demand for winter tires and helped increase Yokohama's market share in that product category.

Management at Yokohama expects Japanese demand for replacement tires to change little in the present fiscal year. The company is moving to increase sales and earnings by focusing on high-value-added tires and by optimizing its product mix. That includes continuing to promote the fuel-saving performance of the DNA Earth-1 aggressively. It also means promoting two new tires for

passenger cars: the sporty ADVAN NEOVA AD08, launched in February 2009, and the ADVAN dB, a high-end tire launched in July 2009 that offers superior riding comfort. With an eye to the expected rebound in demand for winter tires, Yokohama is stepping up its marketing efforts on behalf of the ice GUARD TRIPLE.

Yokohama's stepped-up marketing in replacement tires includes truck and bus tires. The company's ZEN series has earned high regard for wear resistance and fuel economy in that sector, and Yokohama is preparing to augment that series with the 902ZE studless winter tire.

In original equipment tires, Yokohama's sales declined in the past fiscal year in unit volume and in yen. Demand shrank as Japanese production of vehicles declined sharply in the second half of the fiscal year. The decline in tire demand was especially severe in truck and bus tires. That followed a surge in demand in the previous year in advance of tightened emissions regulations. Demand for off-the-road tires also slumped.

North America

In the United States, Yokohama posted growth in unit volume and in sales value in the fiscal year ended March 31, 2009. That growth was despite

shrinkage in U.S. demand for replacement tires and for original equipment tires. It reflected high regard for Yokohama tire products in the U.S. market and the company's success in forging ties there with topflight dealers. Yokohama succeeded in shifting the focus of its product portfolio to higher-value-added tires, and its price increases for passenger car tires and light-truck tires took hold in the marketplace.

Contributing notably to Yokohama's business expansion in the United States was the AVID Touring-S passenger car tire. Launched in September 2008, the AVID Touring-S features a quiet, comfortable ride, and its performance-price balance proved appealing for American customers. Sales gains in truck and bus tires also contributed to Yokohama's U.S. business expansion. Supporting those gains were progress in recruiting dealers and in the Advantage incentive program for retailers. That program was highly effective in motivating retailers of passenger car tires, and Yokohama broadened it to include truck and bus tires in 2008.

Tire demand in the United States appears likely to shrink further in the present fiscal year. Yokohama is working to maintain its sales volume through timely product launches and finely tuned geographical strategy. It launched a completely remodeled version of the sporty



The ADVAN dB combines a quiet, comfortable ride with superior handling: ideal for state-of-the-art luxury cars.



Yokohama's ice GUARD TRIPLE provides reliable grip on slush and on hard-frozen ice.

ADVAN NEOVA AD08 in the United States in April 2009. And it launched the dB super E-spec in the U.S. market in July 2009. That tire, which is 80% nonpetroleum materials by weight, offers top-of-the-line fuel savings. Yokohama is also preparing to launch the ZEN series of wear-resistant truck and bus tires in the United States.

In Canada, demand for replacement tires expanded in the past fiscal year, and Yokohama posted sales growth of more than 20% there. The company recorded especially strong growth in winter tires. Spurring that growth was a new law that took effect in Quebec in December 2008 requiring vehicle owners to equip their vehicles with winter tires during the winter months. Yokohama asserted its compelling strengths in winter tires in serving the surge in demand occasioned by the new law. Yokohama's Canadian sales declined in truck and bus tires, partly because of the bankruptcy of a large customer.

Overall tire demand in Canada appears likely to grow slightly in the present fiscal year, and Yokohama is moving to increase its growth momentum there. It has slated important product launches, and it is expanding its training program for dealers. Product launches in the pipeline include the AVID Touring-S passenger car tire, which is popular in the U.S. market, and additional sizes in the ZEN series of truck and bus tires.

Asian nations besides Japan

Yokohama posted a strong first half in Asian nations besides Japan in the fiscal year ended March 31, 2009. That offset a weak second half, and the company posted a unit sales increase for the fiscal year.

The company's sales gains were especially pronounced in China, the Philippines, and the Republic of Korea. Contributing to the sales growth in those and in other nations was

expansion of the Yokohama Club Network. That network comprises retailers whose sales of Yokohama tires account for more than a specified percentage of their overall sales. By product, Yokohama posted strong growth with high-performance tires sold under the ADVAN name, the company's global flagship brand; with the sporty S.drive line; with the affordable A.drive line; and with the quiet- and comfort-oriented DNA dB line.

Yokohama is aiming for continued sales growth in Asian nations besides Japan in the present fiscal year. Demand appears to have bottomed out in the first half, and Yokohama's operations in Asian nations have reduced their inventories. The company is tailoring its product strategy to local demand in each nation. It launched the TV01, for vans, in Thailand in early 2008 and the fuel-saving DNA Earth-1, for passenger cars, in the Republic of Korea in April 2009. Yokohama is preparing to launch the ice GUARD TRIPLE, a studless winter tire for passenger cars, in China and in the Republic of Korea in late 2009. In addition, it launched the sporty passenger car tire ADVAN NEOVA AD08 in all of its principal Asian markets in spring 2009.

Europe

Yokohama achieved unit sales growth in the European tire market in the fiscal year ended March 31, 2009. That growth was in contrast with the overall decline in European tire demand. Gains for Yokohama in passenger car tires offset a decline in truck and bus tires. Leading the company's sales gains in passenger car tires was strong growth in Russia and in other nations of eastern Europe. Yokohama's unit tire sales in Russia increased about 50%. That reflected progress in complementing Yokohama's growing sales channels in large Russian cities with expanded sales channels in nonurban regions.

Economic conditions remain weak in Europe in 2009, which bodes poorly for tire demand. Yokohama's sales efforts in passenger car tires center on brand building through distinctive new products, including the fuel-saving dB super E-spec and the sporty ADVAN NEOVA AD08. The company is also addressing the adverse economic environment by stepping up liaison with its sales subsidiaries and with its independent distributors and by upgrading its support for those companies.

The ADVAN NEOVA AD08 is the epitome of high performance in street tires in Yokohama's global flagship brand, ADVAN. It furnishes exemplary handling on wet and dry surfaces.



Other regions

Yokohama's unit tire sales in the Middle East increased in the fiscal year ended March 31, 2009. A strong first-half performance offset second-half weakness. Unit sales of truck and bus tires grew 25%, driven by vigor in the resource-development sector. Overall tire demand in the Middle East has resumed growing in the present fiscal year, and Yokohama is moving to achieve continued growth. The company is augmenting its supply capacity in the region with imports from its Thai and Philippine plants.

In the Australian and other markets of Oceania, Yokohama's unit tire sales declined in the past fiscal year as weak second-half sales offset first-half growth. Original equipment business with Australian vehicle plants accounts for a large portion of the company's sales in the region, and a decline in unit vehicle production undercut sales volume. Yokohama achieved strong sales growth with its GEOLANDAR replacement tires for sport-utility vehicles. No sign

of a recovery is discernible in the Australian market in the present fiscal year, and the company is taking steps to maintain sales volume in an adverse business environment. Its efforts include expanding the Tyres & More network of affiliated retailers and launching new products, such as the sporty ADVAN NEOVA AD08 for passenger cars and the wear-resistant 104ZR for trucks and buses.

Yokohama posted unit sales growth in Latin America in the fiscal year ended March 31, 2009. Strong first-half sales in the region offset a second-half decline. Leading the growth were sales gains in passenger car tires in Brazil and Argentina. An upturn in demand appears likely in the latter half of the present fiscal year, but moves toward import restrictions and a weakening of the local currencies cloud the market outlook. Yokohama is moving to secure sound revenue in the region by promoting high-value-added products, including the sporty passenger car tire ADVAN NEOVA AD08 and the truck-and-bus tire 104ZR.



In January 2009, the venerable Dakar Rally moved to South America. Yokohama supplied a full range of tires for two teams that competed in the rally. Those teams fueled their vehicles with recycled cooking oil to demonstrate the potential for reducing environmental impact in motor sports.