Sales in Yokohama’s Multiple Business (diversified products) Group declined 10.7% in the fiscal year ended March 31, 2009, to ¥117.5 billion, and operating income declined 51.5%, to ¥3.4 billion. Business expanded in industrial products but declined in high-pressure hoses, in sealants and adhesives, in aircraft products, and in golf products and other MB products. Further undermining profitability were rising prices for raw materials and the appreciation of the yen.

Yokohama projects that sales in the Multiple Business Group will decline 6.4% in the fiscal year to March 31, 2010, to ¥110 billion, and that operating income will increase 17.0%, to ¥4 billion. The projected decline in sales reflects expected declines in high-pressure hoses, in industrial products, and in sealants and adhesives. The projected increase in operating income reflects the recent decline in raw material costs.

High-pressure hoses

Yokohama’s sales of high-pressure hoses declined 15.9% in the fiscal year ended March 31, 2009, to ¥36.5 billion. Japan accounts for about two-thirds of Yokohama’s sales in this product sector, and declining production in the fiscal second half at Japanese off-the-road equipment and automobile plants undercut demand for hydraulic hoses and for other high-pressure hoses.

Sales also declined at Yokohama’s U.S. subsidiaries that produce high-pressure hoses, SAS Rubber Company and YH America, Inc. Those two subsidiaries serve the automobile industry, and their business thus suffered from declining production volume at U.S. vehicle plants. Business expanded at Yokohama’s high-pressure hose operations in Taiwan, SC Kingflex Corporation, and in Thailand, Yokohama Rubber (Thailand) Co., Ltd.

Demand for high-pressure hoses continues to decline in the present fiscal year, and Yokohama is working to attain sales of ¥30 billion, which would be a decline of 17.8%. Minimizing the effect of declining production volume on unit costs is a pressing issue. Yokohama is studying ways to reallocate production resources, and it is tackling several measures for reducing fixed costs and raw material costs. In addition, the company is improving information linkage in its production network to become more responsive to customer needs and wants and to trends in demand.
Yokohama moved recently to establish a full-fledged presence in the global market for replacement high-pressure hoses. The company is a leading supplier of high-pressure hydraulic hoses to manufacturers of off-the-road equipment and machine tools around the world. In April 2009, it began marketing those hoses to equipment users in replacement markets overseas. Exceed is the name of a new line of high-pressure hoses that Yokohama has developed for the replacement market.

The Exceed hoses incorporate the same technological strengths that underlie Yokohama’s extensive presence in original equipment hoses. They are light and flexible and thus facilitate size reductions in off-the-road equipment and in machine tools. Yokohama is further appealing to users by deploying product specifications in reference to the ISO 18752 criteria for maximum application pressure and optimal aperture. That is in contrast with the traditional practice of deploying specifications in regard to structural features, such as textile reinforcement and steel-mesh reinforcement.

**Industrial products**

The Yokohama portfolio in industrial products consists mainly of conveyor belts, marine hoses, marine fenders, anti-seismic rubber-and-steel fittings for protecting structures from earthquakes, and rubber joints for road surfaces. Yokohama’s sales of industrial products increased 0.8% in the fiscal year to March 31, 2009, to ¥29.8 billion. That modest sales growth amid declining demand reflected notably large growth in anti-seismic products.

Yokohama’s business in conveyor belts expanded as a strong first half offset a weak second half. Leading the growth were sales gains in overseas markets, especially in conveyor belts for mines in the Asia-Pacific and in Latin America.

The company also posted sales growth in marine hoses. Business remained robust in marine hoses for loading and unloading oil tankers. Yokohama won its first orders for those products in Russia, Nigeria, and Malaysia and recorded sales growth in the Middle East, Thailand, and Indonesia.

Sales declined in marine fenders as the appreciation of the yen negated unit sales gains. Shipping companies’ expanded deployment of large, double-hull oil tankers increased demand for large marine fenders, and Yokohama also won an increased number of orders for fixed fenders for installation on wharves.

Business in anti-seismic rubber-and-steel fittings for protecting structures from earthquakes grew 32%. Leading that growth were orders in conjunction with a large freeway construction project in Japan. Business declined in rubber joints for road surfaces on account of delays in construction projects.

Management at Yokohama expects little change in overall business volume in industrial products in the fiscal year to March 31, 2010. It projects a 2.5% decline in sales, to ¥29 billion.
Sealants and adhesives

Yokohama posted a 6.8% sales decline in sealants and adhesives in the fiscal year ended March 31, 2009, to ¥24.2 billion. Construction sealants are the company’s largest source of sales in this product category, and business in those sealants grew. Improved urethane sealants helped Yokohama achieve that growth despite a downturn in commercial and residential construction.

Offsetting the sales growth in construction sealants was a decline in sales of automotive windshield sealants. Business in those sealants contracted sharply in Japan on account of the downturn in vehicle production. At overseas subsidiaries that produce automotive sealants and adhesives, sales increased at Yokohama Rubber (Thailand) Co., Ltd., but sales declined at YH America, Inc., on account of declining vehicle production in North America.

Yokohama projects a 4.9% decline in sales of sealants and adhesives, to ¥23 billion, in the fiscal year to March 31, 2010. That projection reflects the continuing shrinkage in Japanese vehicle production, which will undercut demand for windshield sealants. Japanese demand is growing, however, for construction sealants for building-refurbishment work, and Yokohama is promoting its urethane sealants aggressively for waterproofing roofs and verandas.

Developing applications in new markets is an important part of Yokohama’s growth strategy in sealants and adhesives. Yokohama is developing new applications, for example, for its high-performance coating Y-COAT. The company has developed extensive business for that product in cell phones and in digital cameras and has begun promoting Y-COAT in other applications, such as containers for beauty-care products.
Aircraft products

Business in aircraft products at Yokohama declined 14.7% in the fiscal year ended March 31, 2009, to ¥16.3 billion. That decline included downturns in the private sector and in government business, and it reflected the adverse effect of the appreciation of the yen on overseas business. Almost no new business arose in the government sector. A decline in production volume at Boeing Company diminished original equipment demand for lavatory modules and drinking-water tanks. And the global economic slump prompted airlines to delay orders for replacement items.

In the fiscal year to March 31, 2010, Yokohama is targeting sales growth of 4.6% in aerospace products, to ¥17 billion. That figure, essentially unchanged from the past fiscal year, reflects the possible appreciation of the yen, the continuing belt-tightening in the government sector, and delays in new-aircraft purchases and in aircraft refurbishing at airlines. Marketing strategy at Yokohama centers on winning new replacement business in lavatory modules and water tanks with established customers and on winning replacement business with new customers.

Golf products, other

Yokohama’s business in golf products and other Multiple Business products declined 20.6% in the fiscal year ended March 31, 2009, to ¥10.8 billion. Japanese demand for golf equipment shrank amid the economic downturn, especially in high-end products, where Yokohama excels. The appreciation of the yen, meanwhile, diminished Yokohama’s sales in the Republic of Korea. Yokohama augmented its product line with the TR-X505 clubs, which help maximize distance, and with the GN502 clubs, which are all-around clubs for weekend golfers.

In the present fiscal year, Yokohama is aiming to increase sales in golf products and other Multiple Business products 1.6%, to ¥11 billion. Demand is likely to remain weak, and the company is moving to capitalize on the name value of its PRGR brand by offering distinctive new products and by expanding its sales channels.