

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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Forward-Looking Statements

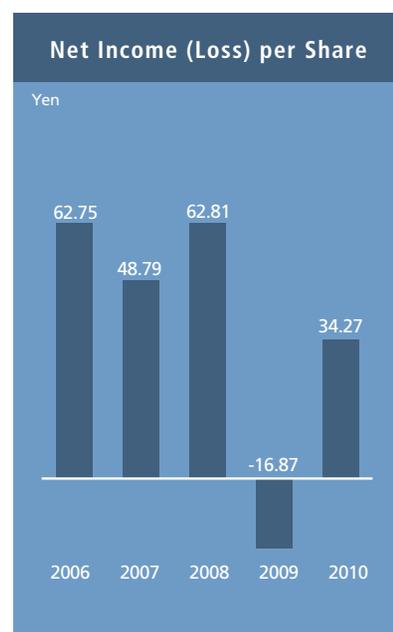
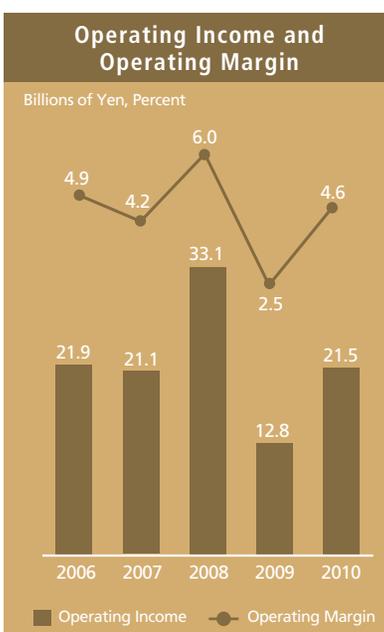
This annual report contains forward-looking estimates and forecasts based on management's plans, which are subject to unforeseeable risks and uncertainties. The company's business results could differ significantly from those estimates and forecasts.

Financial Highlights

Years ended March 31, 2010 and 2009

	Millions of Yen		Percent Change (2010/2009)	Thousands of U.S. Dollars
	2010	2009		2010
Net sales	¥466,358	¥ 517,263	- 9.8%	\$ 5,012,451
Operating income	21,455	12,808	+ 67.5	230,598
Income (loss) before income taxes and minority interests	18,969	(3,166)	—	203,886
Net income (loss)	11,487	(5,654)	—	123,465
Change (2010/2009)				
Total assets	¥466,973	¥ 473,376	-¥ 6,403	\$ 5,019,066
Total net assets	163,382	144,159	+ 19,223	1,756,046
Yen				
Per share:	2010	2009		2010
Net income (loss): basic	¥34.27	¥(16.87)	+ ¥51.14	\$0.37
Cash dividends	10.00	10.00	0.00	0.11
U.S. Dollars				

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 ¥93.04 = US\$1.00, the approximate exchange rate on March 31, 2010.



To our Shareholders

Earnings Surge in Latest Fiscal Year

Profits rise despite downturn in sales



Tadanobu Nagumo

Earnings up

We posted net earnings of ¥11.5 billion in fiscal 2010, ended March 31, 2010. That gain compares with a net loss of ¥5.7 billion in the previous fiscal year, and it reflects a 67.5% increase in operating profitability, to ¥21.5 billion. The surge in profits occurred despite a 9.8% decline in net sales, to ¥466.4 billion, and reflected a downturn in raw material costs and our progress in reducing selling and administrative expenses and other costs. Net income benefited, too, from a large decline in nonoperating losses on foreign currency translation adjustments. We paid an interim dividend of ¥4 per share and a year-end dividend of ¥6 per share. The annual dividends thus totaled ¥10 per share, the same amount as in the previous fiscal year.

Outlook for fiscal 2011

Improving economic conditions are generating growth in demand, and we project that net sales will rise 11.5% in fiscal 2011, to ¥520.0 billion. Resurgent demand appears likely to occasion an upturn in raw

material prices, however, and we expect the yen to strengthen during the year. In view of those factors, we project that net income will decline 30.4%, to ¥8.0 billion, on a 16.1% decline in operating income, to ¥18.0 billion. We plan to maintain the aggregate annual dividend at ¥10 per share.

Targets for fiscal 2012

We unveiled our medium-term management plan, Grand Design 100, in 2006. That plan covers the period up to our corporate centennial in 2017. Our chief financial targets for our centennial are net sales of ¥1 trillion and operating income of ¥100 billion, which would mean an operating profit margin of 10%.

Grand Design 100 consists of four phases of three years each. We completed the first phase in March 2009, and we are now in Phase II, which covers the three years to March 31, 2012. Our core emphasis in Phase II of Grand Design 100 is on quality growth. Our main quantitative targets in Phase II are to achieve operating profitability of 7% by increasing annual operating income to ¥38.5 billion while raising net sales to ¥550 billion and to generate free cash flow of more than ¥30 billion during Phase II's three-year span.

Growth strategy

Our strategy in the Tire Group centers on (1) building a higher-profile presence in overseas markets, (2) expanding and upgrading supply capacity to respond flexibly to demand in each nation, and (3) integrating operations locally in principal regions. Our measures for raising our profile in overseas markets have centered on introducing fuel-saving tires. That emphasis will continue in fiscal 2011, with launches of our fuel-saving DNA Earth-1 tires in Asian markets. We will also use new products to bolster our market presence

in Japan. Advances in environmental performance distinguish an important new line of tires, BluEarth, that we will launch in Japan in July 2010.

We are moving ahead with a fourth phase of expansion at Hangzhou Yokohama Tire Co., Ltd., in China; we are building a tire plant in Russia; and we are expanding capacity at our Shinshiro-Minami Plant, in Japan. Those and other measures will increase our annual production capacity to 58,590,000 tires by fiscal 2012, from 54,490,000 presently.

In the Multiple Business (MB) Group, our strategy centers on (1) globalizing operations further in growth sectors, including high-pressure hoses, conveyor belts, marine hoses, and marine fenders, and on (2) developing business in new sectors, especially in connection with environmental protection. Globalization included expanding production capacity in the past fiscal year at our subsidiary YH America, Inc., which produces power steering hoses. That company has become the largest supplier of power steering hoses in the United States. We have strengthened our European marketing for diversified products by establishing a marketing company in Germany in April 2009, and we are considering similar marketing platforms in other regions.

We are augmenting our presence in new product sectors with a high-pressure hose for filling fuel cell vehicles with hydrogen. Announced in April 2010, that hose accommodates storage pressures of up to 70 megapascals. Another product in our development pipeline is a line of cushions for preventing wheelchair pressure sores. We plan to begin marketing those cushions in summer 2010.

Technology strategy

Our technology strategy focuses on deploying products for reducing environmental impact and on helping to fulfill the Yokohama commitment to delivering the best products at competitive prices and on time. A recent product highlight is our progress in deploying our AIRTEX Advanced Liner in a growing range of tires.

That liner improves air retention and thus helps prevent the deterioration of fuel economy that results from underinflated tires.

We have improved our responsiveness to demand, meanwhile, with the May 2010 completion of a Thai plant for processing natural rubber. That plant improves our access to reliable supplies of natural rubber of high and consistent quality. It positions us to pursue further quality gains in tires.

Reinforcing our corporate foundation

Measures for reinforcing our corporate foundation center on reshaping our Japanese operations, strengthening our cost competitiveness, and redoubling our commitment to fulfilling our corporate social responsibility. Restructuring measures in Japan include merging our parent company operations for several MB products with eight sales companies. The merged operations will become Yokohama Industrial Products Japan Co., Ltd., in October 2010.

Measures for strengthening our cost competitiveness include our continuing program of Muda-dori activities. In those activities, employees take the initiative in identifying opportunities for cutting costs and in implementing the cost-cutting improvements. The Muda-dori activities have yielded cost savings of some ¥34 billion over four years.

At the heart of our commitment to fulfilling our corporate social responsibility are diverse measures for protecting the natural environment. We are planting 500,000 trees at 18 plants worldwide, for example, in the Yokohama Forever Forest project. And we continue to promote fuel-saving tires.

June 2010



Tadanobu Nagumo
President and Representative Director