

PROFILE

Measures for accelerating growth highlight strategy at The Yokohama Rubber Co., Ltd. Yokohama, a leading tire manufacturer, is also an industry leader in several lines of diversified business, including high-pressure hoses, sealants and adhesives, other industrial products, aircraft components, and golf equipment. The company is laying the groundwork for strong, sustainable growth by expanding its global production capacity for tires and by cultivating global markets for its diversified products. Yokohama has detailed its strategy for accelerating growth in Grand Design 100, a medium-term management plan. Launched in April 2006, that plan is a systematic framework for achieving operating return on sales of 10% and annual net sales of ¥1 trillion by 2017.

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On the Cover

Team Yokohama EV Challenge's vehicle speeds up Pikes Peak on June 26, 2011. It is en route to the team's second-consecutive victory in the electric vehicle class of the Pikes Peak International Hill climb. The vehicle, sponsored by Yokohama and equipped with Yokohama tires, bettered its own record time over the 20-kilometer course and reached the 4,301-meter summit of Pikes Peak in just 12 minutes, 20.084 seconds. The Team Yokohama EV Challenge vehicle benefited from Yokohama breakthroughs in energy-efficient tires. Those same breakthroughs are a centerpiece of Yokohama's growth strategy in the global tire market.

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.



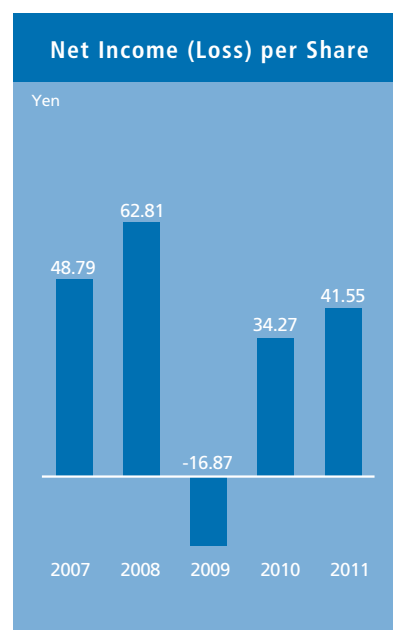
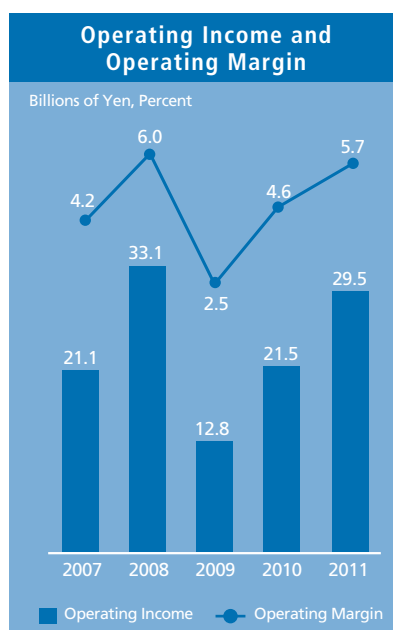
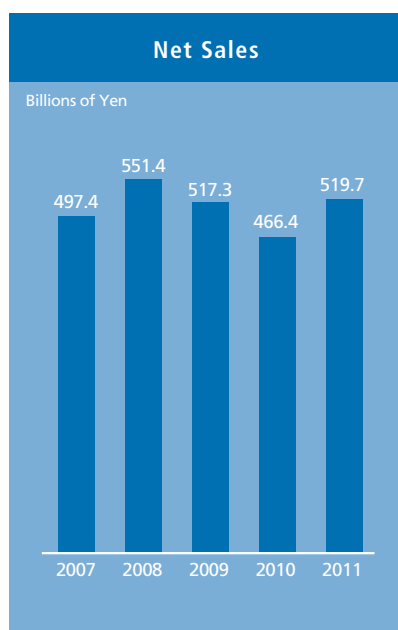


FINANCIAL HIGHLIGHTS

Years ended March 31, 2011 and 2010

	Millions of Yen		Percent Change (2011/2010)	Thousands of U.S. Dollars
	2011	2010		2011
Net sales	¥519,742	¥ 466,358	+ 11.4%	\$ 6,250,656
Operating income	29,491	21,455	+ 37.5	354,670
Income before income taxes and minority interests	21,880	18,969	+ 15.3	263,139
Net income	13,924	11,487	+ 21.2	167,450
			Change (2011/2010)	
Total assets	¥478,916	¥ 466,973	+ ¥11,943	\$ 5,759,659
Total net assets	170,872	163,382	+ 7,490	2,054,980
Per share:		Yen		U.S. Dollars
	2011	2010		2011
Net income: Basic	¥41.55	¥34.27	+ ¥7.28	\$0.50
Cash dividends	10.00	10.00	0.00	0.12

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 ¥83.15 = US\$1.00, the approximate exchange rate on March 31, 2011.





*Tadanobu Nagumo (right), Chairman and CEO, and
Hikomitsu Noji, President*

You see a new signature on our message to you this year. Hikomitsu Noji has succeeded Tadanobu Nagumo as the president of Yokohama Rubber, and Nagumo has assumed the position of chairman and chief executive officer. Those changes took effect on approval by the general meeting of shareholders on June 29, 2011.

We begin our first message to you as the chairman and president with a word about the tragic Great East Japan Earthquake of March 2011. We and our colleagues at Yokohama grieve for those who lost their lives in the quake and tsunami. We extend heartfelt sympathy to everyone who suffered human or material loss in that disaster. And we reaffirm the Yokohama commitment to supporting the recovery effort in every way possible. We also take this opportunity to report that the direct effect of the disaster on our employees and equipment was minimal.

Hefty gains in sales and earnings

Our net income increased 21.2% in the fiscal year ended March 31, 2011, to ¥13.9 billion, on a 37.5% increase in operating income, to ¥29.5 billion, and an 11.4% increase in net sales, to ¥519.7 billion. Strong sales growth in our tire operations and in our diversified operations more than offset the adverse effect on earnings of rising prices for raw materials and the appreciation of the yen. Earnings also benefited from continuing progress in measures for streamlining operations and trimming costs. We maintained the aggregate annual dividend at ¥10 per share—an interim dividend of ¥4 and a year-end dividend of ¥6.

TO OUR STAKEHOLDERS

A nine-month fiscal term

We will switch our fiscal accounting in 2011 from an April-to-March basis to a calendar-year basis. That will align the fiscal accounting at our Japanese operations with the fiscal periods employed at our overseas operations, and it will result in a one-time-only nine-month fiscal term: April 1 to December 31, 2011.

Our fiscal projections for the nine months to December 2011 call for net income of ¥11.0 billion on operating income of ¥21.0 billion and net sales of ¥471.0 billion. We plan to pay an aggregate dividend of ¥7 for the nine-month fiscal term: an interim dividend of ¥3 and a term-end dividend of ¥4.

The concluding year of Grand Design 100 Phase II

Our blueprint for growth is Grand Design 100, a medium-term management plan. Launched in April 2006, that plan covers the years to 2017, our corporate centennial. The plan's chief target is to raise operating return on sales to 10% on a sustainable basis. We are also working through Grand Design 100 to increase net sales to ¥1 trillion and—in accordance with our target for operating profitability—to raise operating income to ¥100 billion by 2017.

Grand Design 100 consists of four phases of three years each. We completed the first phase in March 2009, and we are now in the third and final year of Phase II (shortened to nine months on account of the change in our fiscal period). Our core emphasis in Phase II of Grand Design 100 has been on quality growth, and we continue focusing on reinforcing our corporate foundation in that spirit.

Growth strategy: tires

Our chief emphases in our tire business are on deploying environmentally friendly products globally, winning factory fitments on a global cast of vehicle

models, strengthening our position further in the Russian market, expanding production capacity, and integrating our operations locally in each principal region. We marked important progress in regard to each of those emphases in the past fiscal year.

In environmentally friendly products, we fortified our BluEarth line of fuel-saving tires with three new products: the BlueEarth-1, our premier offering in environmentally friendly tires; the BluEarth RV-01, for minivans; and the BluEarth AE-01, for a broad range of model types. We have launched the BluEarth-1 in Europe, as well as in Japan, and we will offer it in a growing range of markets around the world.

Our production capacity, meanwhile, continues to expand. We are undertaking expansion projects at our tire plants in the Philippines, China, Thailand, and the United States and will open a new tire plant this year in Russia. Those projects, along with previous expansion, will increase our annual production capacity to 60 million tires by the end of December 2011. That is an 11% increase over the end of March 2009.

Growth strategy: diversified products

In diversified products, our business spans industrial products and other products, mainly aircraft products and golf equipment. Our chief emphases in industrial products are on deploying products globally in growth sectors and on developing business in new product sectors, especially in regard to environmental protection.

We have bolstered our global marketing capabilities in industrial products with the May 2011 establishment of a Chinese sales company for high-pressure hoses, conveyor belts, and sealants and adhesives. In another move in China, we will build a plant to produce high-pressure hoses for construction equipment. Chinese demand is growing rapidly in that

product sector, and we plan for our new plant to begin operation in January 2013.

In new product sectors, we are stepping up our marketing effort in sealants for photovoltaic cells and in coatings for smart phones and other mobile terminals.

Our business in golf equipment gained additional momentum with the December 2010 launch of the all-new iD line of golf clubs. We broadened that line in February 2011 with the launch of the iD WOMAN'S series for female golfers.

Technology strategy

Two recent technological advances that have buttressed our competitiveness in tires are our nano BLEND compound and our Advanced inner liner. Our nano BLEND compound, which contains orange oil, resolves traditional tradeoffs and helps minimize rolling resistance while maximizing grip. Tire manufacturers use inner liners, meanwhile, to help minimize air seepage. And we have achieved new progress in preventing air loss in our newly developed Advanced inner liner. We have secured patent protection worldwide for our new liner technology.

Measures for reinforcing our corporate foundation

Recent measures for reinforcing our corporate foundation have included restructuring our Japanese sales operations. We have streamlined our industrial products operations by merging our Japanese sales subsidiaries into a single company in October 2010. That followed a similar consolidation of our tire sales operations in Japan.

Our *Muda-dori* activities, inaugurated in 2006, tap employee initiative in identifying and eliminating waste. They have yielded cumulative cost savings of some ¥44 billion.

We have been working to secure ISO 14001 certifications for sound environmental management at all our principal plants worldwide, and we expect to achieve that goal by the end of this year. Our environmental commitment includes working to eliminate landfill waste at our operations worldwide. In public-interest activities, we are working through the Yokohama Forever Forest project to plant 500,000 trees at Yokohama plants worldwide by 2017. The first plantings in that project took place in 2007, and we had planted 183,000 trees—37% of our goal—by March 31, 2011.

Rigorous compliance with high standards of corporate ethics is also part of our measures for reinforcing our corporate foundation. We continue working in every way to earn the confidence of our friends and neighbors in the global community. And we welcome your scrutiny of our progress.

June 2011



Tadanobu Nagumo
Chairman and CEO



Hikomitsu Noji
President



Trust

Management perspectives
from the new president,
Hikomitsu Noji

Tackle the next phase in Grand Design 100

We have entered the third and concluding fiscal period of Phase II in our Grand Design 100 medium-term management plan. My responsibilities as president center on finding ways to accelerate our growth as we approach Phase III, which begins next year. Phase III will be pivotal in positioning us to achieve the Grand Design 100 targets of raising operating return on sales to 10% while increasing net sales to ¥1 trillion and thus increasing operating income to ¥100 billion. I will therefore concentrate on laying a solid foundation in Phase III for achieving those goals in Phase IV.

Serve the global growth in tire demand

Our most pressing task in regard to achieving further growth is to expand our production capacity in tires. Global demand for tires is clearly trending upward, and we're expanding capacity at tire plants in the Philippines, China, the United States, and Japan.

Multistage expansion is under way at our Philippine tire plant, which has become a crucial export platform. By 2017, we will expand that plant's annual production capacity to 17 million tires—a 2.4-fold increase over its present capacity. Our new tire plant in

Russia will help us maintain our strong sales momentum in that fast-growing market. We continue to expand our production capacity in China. We've got the land to build a plant in India when the time is right, and we're also keeping an eye on market trends in Brazil.

Establish footholds in new product sectors

In diversified products, we'll be more aggressive in going after business in the global marketplace. We have especially strong competitive positions in such products as high-pressure hoses, conveyor belts, and sealants and adhesives. Those product categories will be the focus of our international push in diversified products.

We'll also be stepping up our efforts to develop business in new sectors. For example, we have developed useful products in sealants and adhesives for photovoltaic generation systems, hydraulic hoses for wind-power generation systems, coatings for mobile phones and digital appliances, and pressure-relieving air-cell cushions for wheelchairs. We will promote those products vigorously and continue to develop new products for similar applications and for new ones.

Assert a distinctive presence amid escalating competition

Business outside Japan generates nearly half our sales, and coping with global competition will become increasingly important for our company. Two crucial strengths for us in tackling that challenge will be our corporate scale and our technological capabilities.

We're small enough that we can mobilize our resources swiftly as necessary. We're big enough that we can undertake R&D programs that keep us in the vanguard of fast-evolving product technologies. That is evident in the strong position that we have staked out in the fast-growing global market for fuel-saving tires. Reconciling gains in fuel economy with simultaneous gains in wet grip requires extremely sophisticated technology. Our technological capabilities have supported world-class attainment in fuel-saving tires that also provide excellent handling, and we will make the most of our competitive edge in those products.

Another Yokohama strength is our extensive experience in motor sports. That experience has yielded a lot of insight into matching tire specifications and vehicle settings optimally. Such insight makes us a highly valued partner for world-leading automakers in vehicle-development projects. Thus do Yokohama tires appear as factory equipment on some of the world's most prestigious high-performance cars.

Nurture corporate growth by nurturing personal growth

I have spent a lot of time in manufacturing, including assignments as the assistant manager of the Shinshiro Plant, as the manager of the Mishima Plant, and as the president of our tire manufacturing subsidiary in the Philippines. That experience has taught me that corporate growth depends on personal growth by the people in the workplace. It has taught me that leaders need to cultivate a workplace environment where people can fulfill their full potential.

People don't grow if their leaders simply give orders. Leaders need to present a vision, trust their

people to translate it into action, and give them ample authority to get the job done. They need to be firm, though, in providing direction. For example, they need to make sure that the proposals that arise from the workplace are clear and forthright. The leaders need to reject proposals framed in such uncertainty as "maybe" or "I think so." They need to insist on definite phrasing based on a solid grasp of the pertinent facts.

Once a leader has signed off on a proposal, he or she then needs to take full responsibility for the outcome. This approach fosters trust that is far more important than the outcome of any single proposal. Even proposals that don't turn out as hoped become valuable opportunities for personal growth.

Raise efficiency by fostering trust

Trust is a crucial precondition for streamlining operations. We see that, for example, in the way that trust between people in production and their counterparts in sales can trim inventories. If the production people know that each order is for replacing goods that really have been sold, they'll respond promptly. And if the sales people trust their colleagues in production to respond promptly, they'll be less inclined to maintain extra inventory.

We've reduced our tire inventory steadily in recent years. And that's testimony to the kind of trust that I'm describing. Our workplace leaders need to keep up their good work in steering things in the right direction and in letting their people exercise initiative.

Foster a vibrant workplace

The workplace atmosphere is fantastic at our operations in every nation. People are taking the initiative in finding ways to raise efficiency and reduce waste. That shows that they've built good relations of trust with their leaders and with each other. I'll be doing everything possible to encourage that kind of camaraderie. For I love this work, and I want everyone at Yokohama to be able to love his or her work.