

Industrial PRODUCTS

Our industrial products operations center on high-pressure hoses, sealants and adhesives, conveyor belts, antiseismic products, marine hoses, and pneumatic marine fenders. Operating income in those operations increased 5.2-fold in the fiscal year ended March 31, 2011, to ¥3.0 billion, on a 13.3% increase in sales, to ¥83.8 billion. Especially strong gains in high-pressure hoses and growth in sealants and adhesives more than offset weakness in antiseismic products, in marine hoses, and in pneumatic marine fenders.

High-Pressure Hoses

Strong growth in hoses for construction equipment

Sales of high-pressure hoses increased 35.8%, to ¥37.5 billion, led by strong growth in hoses for construction equipment. Japanese manufacturers of construction equipment expanded production capacity at their plants in Japan and in China, and increased demand at those plants was the chief factor in our sales growth in this product sector. Another positive factor was the recovery in vehicle manufacturing in the United States and Thailand and an accompanying increase in demand for our automotive hoses.

We project that our sales of high-pressure hoses will remain steady in the present fiscal period. In Japan, capacity utilization rates have declined in the construction equipment industry and in the automobile industry, and that will undercut our sales momentum. We will address that adversity by cultivating demand associated with the recovery effort and by positioning ourselves to serve the expected rebound in demand in construction equipment and automobiles. Overseas, our largest market for high-pressure hoses is China. And we will cultivate demand there by developing

business with construction equipment manufacturers, including Chinese-owned operations and the Chinese operations of our traditional Japanese manufacturers.

A new plant to produce high-pressure hoses in China

We will start work in late 2011 on a plant to produce high-pressure hoses in the Chinese city of Hangzhou. The plant will produce hoses for medium- to high-pressure applications. We will invest about ¥3.0 billion in building the plant, and our plans call for it to begin operation in January 2013. The plant will have an initial production capacity of about 400,000 meters of hose per month.

Chinese demand for construction equipment slumped amid the global financial crisis precipitated by the collapse of Lehman Brothers in 2008, but it has since recovered strongly. In addition to serving Japanese and Chinese manufacturers of construction equipment in China, we serve the surging demand in China for replacement hoses. We expect Chinese demand for high-pressure hoses for construction equipment to continue to grow, and our new Chinese plant will help us serve that demand.

Sealants and Adhesives

Growth in architectural sealants for residential construction

Our sales of sealants and adhesives grew 7.4%, to ¥24.6 billion. We achieved robust growth in architectural sealants and in sealants for double-pane windows, spurred by Japanese government incentives for energy-saving residential architecture. Another contributor to sales growth in sealants and adhesives was our line of urethane waterproofing materials. Growth contributors also included our new line of flexible adhesives for electrical appliances and our coatings for mobile phones and digital cameras.

Despite the growth in sales, profitability declined in sealants and adhesives. That decline was partly the result of the upward movement in raw material costs. It also reflected sales declines in high-margin architectural sealants and automotive window sealants.

We project that the pace of sales in sealants and adhesives will remain steady in the present fiscal year. Demand for architectural sealants is rising, partly on account of reconstruction and repairs associated with the Great East Japan Earthquake. In the automotive sector, we aim to maintain our large market share in the original equipment market for window sealants and hot-melt adhesives for lamps, and we are also working to expand our share of the replacement market for windshield sealants. We have developed structural adhesives for automobile bodies, meanwhile, and will begin promoting them to automakers in the present fiscal period.

Bolstering profitability will remain a heavy emphasis throughout our sealants and adhesives operations. Our measures will include continuing efforts to reduce costs and, as possible, raising the prices for our products.



Y-coat, a vacuum-deposition coating for mobile phones and digital cameras, is a highlight of Yokohama's progress in developing markets in new sectors. In the photo is an example of Y-coat on metal-imprinted plastic panels.

Industrial Materials

Growth in conveyor belts and in roadway joints

We posted a 7.3% decline in sales, to ¥21.7 billion, in industrial materials. The sales decline occurred despite sales gains in conveyor belts and in roadway joints and resulted from weakness in marine hoses, pneumatic marine fenders, and antiseismic products. In the present fiscal year, we project sales growth in industrial materials.

Our business in conveyor belts expanded in Japan and overseas. Japanese demand reflected a recovery in production volume at the nation's steelmakers. Shipments to mining operations in Australia led the growth in our overseas sales. Our overseas business expanded notably in steel-cord conveyor belts and heat-resistant conveyor belts. Cost-competitive conveyor belts from our Chinese plant buttressed profitability in this product category.

Japan presents a trying business environment for conveyor belts in the present fiscal year amid the



Yokohama's conveyor belt operations posted especially strong growth in the past fiscal year in steel-cord belts for large-volume, long-distance conveyance.

REVIEW OF OPERATIONS

aftereffects of the Great East Japan Earthquake. We will make the most of that environment by promoting our products in reconstruction and repair projects. Overseas, we will cultivate demand for high-value-added products in nations that are important sources of natural resources. That will include promoting distinctive products, such as flame-resistant conveyor belts and energy-saving conveyor belts. We will continue working, meanwhile, to cope with the rising cost of raw materials by raising prices and by focusing on profitable business in our marketing.

Our sales of marine hoses declined sharply amid slumping demand. The number of orders and product inquiries increased in the fiscal fourth quarter, however, and we anticipate a strong sales rebound in the present fiscal period.

Sales declined in pneumatic marine fenders as the strong yen diminished our cost competitiveness, especially in comparison with Korean competitors.

Those competitive dynamics remain an issue for us in the present fiscal period. We are seeking to restore our sales momentum by appealing to core customers with products of especially high quality.

The sales decline in antiseismic products reflected reduced public-sector investment in new bridge construction. Demand remains weak in regard to new bridge construction, but we are augmenting our business in this product category by promoting compact products as replacement fittings for bridge-refurbishing projects.

Our sales gains in roadway joints comprised sales growth in large joints for road surfaces on newly constructed bridges and in general-purpose joints for road-maintenance projects. We have augmented our product line with new offerings in simple steel joints, and we are stepping up our marketing of road-maintenance products.

Technological Support for the Physically Disabled

Medi-Air1 cushions for preventing wheelchair pressure sores

We launched a line of pressure-relieving air-cell cushions in September 2010 for preventing pressure sores on persons confined to wheelchairs. Dubbed Medi-Air1 (Medi-Air One), the new product line combines original Yokohama technologies for rubber cushioning and for pressure sensing. It is a promising foothold for us in personal-welfare products.

A unique sensory-and-control function automatically regulates the air pressure inside the cells of the Medi-Air1 cushions. That helps prevent pressure sores and allows for occupying wheelchairs comfortably for extended periods. A sensor detects a shift in posture that would cause the hip bones to press directly on the wheelchair seat and increases the air pressure as necessary to maintain protective cushioning.

Medi-Air1 is the first product line of its kind to incorporate such an automated pressure-maintenance function. It has received a certification for coverage under Japan's guidelines for geriatric-care insurance. Medi-Air1 also qualifies for payments under a Japanese program for helping disabled persons attain self-reliance.



The Medi-Air1's pressure-relieving air-cell technology will help prevent discomfort for people confined to wheelchairs.