

# NEWS RELEASE



# YOKOHAMA

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For immediate release

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## **Sales Up, Earnings Down at Yokohama Rubber in Fiscal First Half** *Continuing sales growth in tires offsets weakness in diversified products*

Tokyo—The Yokohama Rubber Co., Ltd., announced today a 53.7% decline in operating income from the same period of the previous year, to 5.6 billion yen, on a 1.3% increase in net sales, to 256.6 billion yen. Those results are for the six months ended September 30, 2008, the first half of the company's present fiscal year. Net income declined 95.7%, to 554 million yen.

Affected operating profitability adversely were the continuing upward trend in raw material prices, the appreciation of the yen, and increases in logistics costs and other selling expenses. Those adverse factors proved too large to offset fully through sales growth and cost-cutting measures. Aggravating the effect of the decline in operating profitability on net earnings was the partial relinquishment of a tax benefit associated with the write-down of unrealized gains on inventories.

Continuing sales growth in Yokohama's Tire Group offset a sales decline in the Multiple Business (diversified products) Group. Yokohama posted a 2.7% increase in sales of tires over the same period of the previous year, to 193.8 billion yen. Contributing to the growth in tires were increased sales to Japanese automakers; business gains in Russia, China, and the Middle East; and price increases. Operating income in the Tire Group declined 64.6%, to 3.2 billion yen, reflecting the upward trends in raw material prices, the appreciation of the yen, and growth in selling expenses.

Sales in the Multiple Business Group declined 2.7%, to 62.8 billion yen. That decline occurred despite growth in high-pressure hoses for off-the-road equipment. Sales were especially weak in aerospace products, largely because of a decline in government business. Sales also declined in golf equipment. Operating income in the Multiple Business Group declined 8.3%, to 2.7 billion yen. Aggravating the effect of the sales declines in aerospace products and golf equipment on operating profitability was the appreciation of the yen. The strengthening yen undercut profitability notably in marine hoses and marine fenders. Sales outside Japan account for an especially large proportion of Yokohama's business in those products.

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The stronger-than-expected appreciation of the yen and the sudden worsening of the global economic outlook have prompted downward revisions in Yokohama's full-year fiscal projections. Management now projects that net income will decline 54.9%, to 9.5 billion yen, on a decline of 21.5% in operating income, to 26.0 billion yen, and an increase of 1.0% in net sales, to 557.0 billion yen. The new projection for net income is 26.9% lower than Yokohama projected in May, when it announced its business and financial results for the previous fiscal year. The projection for operating income is unchanged from the earlier projection, and the projection for net sales is 1.4% lower.

## Financial Highlights

Millions of yen

	<b>Six months ended September 30, 2008</b>	Six months ended September 30, 2007	Fiscal 2008
	<b>April 1–September 30, 2008</b>	April 1–September 30, 2007	April 1, 2007– March 31, 2008
Net sales	<b>256,643</b>	253,327	551,431
Operating income	<b>5,613</b>	12,117	33,118
Income before income taxes and minority interests	<b>2,693</b>	10,648	20,478
Net income	<b>554</b>	13,026	21,060
Total net assets	<b>172,237</b>	196,302	181,538
Total assets	<b>523,851</b>	545,251	526,191
Per share (yen):			
Net income: basic	<b>1.65</b>	38.85	62.81
	<b>Three months ended September 30, 2008</b>	Three months ended September 30, 2007	
	<b>July 1–September 30, 2008</b>	July 1–September 30, 2007	
Net sales	<b>133,495</b>	131,724	
Operating income	<b>1,495</b>	7,858	
Income before income taxes and minority interests	<b>(3,044)</b>	4,727	
Net income	<b>(2,355)</b>	9,889	
Per share (yen):			
Net income: basic	<b>(7.03)</b>	29.50	

Note:

Yokohama has prepared this information in accordance with accounting principles generally accepted in Japan.

## Results by Business Segment and by Region

Millions of yen

	<b>Six months ended September 30, 2008</b>	Six months ended September 30, 2007	Fiscal 2008
	<b>April 1–September 30, 2008</b>	April 1–September 30, 2007	April 1, 2007– March 31, 2008
<b>Sales to third parties</b>			
Tires	<b>193,825</b>	188,747	419,834
Multiple Business	<b>62,817</b>	64,579	131,596
<b>Operating income</b>			
Tires	<b>3,200</b>	9,044	26,049
Multiple Business	<b>2,742</b>	2,989	7,044
Eliminations	<b>(329)</b>	83	24
<b>Sales to third parties</b>			
Japan	<b>179,584</b>	176,167	387,217
North America	<b>50,333</b>	53,689	111,995
Asia	<b>12,203</b>	10,743	22,992
Other Regions	<b>14,521</b>	12,726	29,226
<b>Operating income</b>			
Japan	<b>1,573</b>	7,911	22,900
North America	<b>1,967</b>	3,672	6,713
Asia	<b>1,544</b>	1,096	2,793
Other Regions	<b>551</b>	432	1,047
Eliminations	<b>(23)</b>	(995)	(335)
	<b>Three months ended September 30, 2008</b>	Three months ended September 30, 2007	
	<b>July 1–September 30, 2008</b>	July 1–September 30, 2007	
<b>Sales to third parties</b>			
Tires	<b>100,873</b>	98,071	
Multiple Business	<b>32,621</b>	33,652	
<b>Operating income</b>			
Tires	<b>(42)</b>	5,974	
Multiple Business	<b>1,734</b>	1,842	
Eliminations	<b>(196)</b>	40	
<b>Sales to third parties</b>			
Japan	<b>93,437</b>	88,045	
North America	<b>27,212</b>	29,471	
Asia	<b>6,593</b>	5,928	
Other Regions	<b>6,250</b>	8,279	
<b>Operating income</b>			
Japan	<b>(216)</b>	3,542	
North America	<b>631</b>	3,483	
Asia	<b>521</b>	477	
Other Regions	<b>178</b>	379	
Eliminations	<b>379</b>	(24)	

### Notes:

1. Yokohama has prepared this information in accordance with accounting principles generally accepted in Japan.
2. Under Results by Region, North America refers to the United States and Canada; Asia to the Philippines, Thailand, China, and Taiwan; and Other Regions to Oceania and Europe.