



Annual Report 2010

The Yokohama Rubber Co., Ltd.
Year ended March 31, 2010



Greener driving for everyone

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

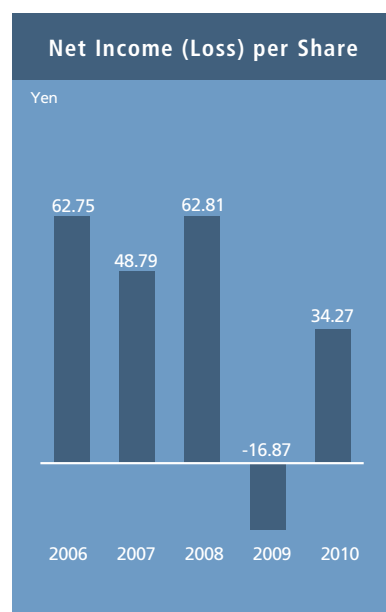
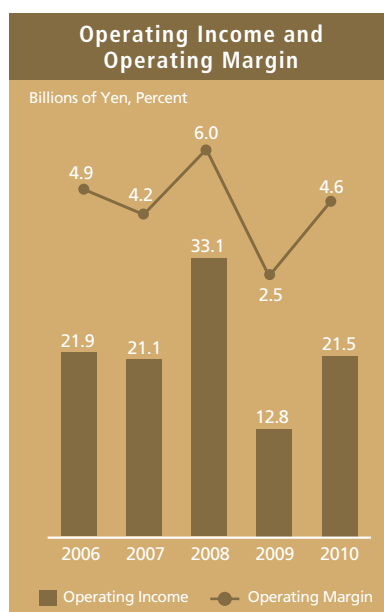
This annual report contains forward-looking estimates and forecasts based on management's plans, which are subject to unforeseeable risks and uncertainties. The company's business results could differ significantly from those estimates and forecasts.

Financial Highlights

Years ended March 31, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	Percent Change (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		U.S. Dollars
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

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

Conserving fuel, indulging drivers and passengers,
harmonizing transport with the community



A new line of fuel-saving tires



Our BluEarth line of tires, launched in July 2010, heralds a new era in tire technologies for improving fuel economy. The BluEarth tires complement continuing progress in reducing rolling resistance with attainment in comfort and quiet unprecedented in fuel-saving tires. Thus do these tires save fuel, indulge drivers and passengers, and harmonize transport with the community. We will position BluEarth as a global brand and will introduce the tires in markets worldwide.

Conserving fuel

The inaugural BluEarth tire, the AE-01, makes big advances in fuel-saving tire performance available at highly affordable prices. That tire has earned a high rating for rolling resistance under Japanese tire manufacturers' newly unified labeling standards for fuel-saving tires.

Indulging drivers and passengers

Safety and ease of handling have been big emphases in developing the BluEarth AE-01. The tire has qualified for an excellent rating for wet-surface grip under Japan's new labeling standards for fuel-saving tires. And the BluEarth AE-01 offers the additional appeal of a quiet, comfortable ride.

Harmonizing transport with the community

The BluEarth AE-01's environmental credentials include advances in reducing external, "pass-by" noise. That makes transport a less-obtrusive presence in the community.

We have deployed the BluEarth AE-01 in the mass-market price zone to maximize its value in preventing global warming. It accommodates a broad range of vehicle types, from medium-sized sedans and minivans to minicars. We offered the BluEarth AE-01 initially in 24 sizes and plan to increase the number of available sizes. Reinforcing the cost performance of the BluEarth AE-01 are advances in wear resistance, which have extended tire life.

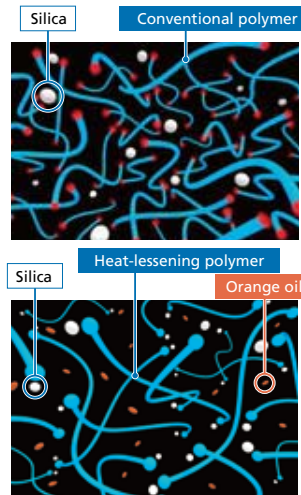


Key technologies 1

Special polymer for preventing temperature buildup during ordinary driving

We employed nanotechnology in developing a rubber polymer for the BluEarth AE-01's tread compound. The new polymer improves fuel economy by reducing the generation of heat during ordinary driving. It has especially long molecular chains. Longer chains increase strength, and they result in fewer polymer molecules and thus a smaller number of chain ends, where energy loss is greatest. We have configured the ends of the polymer chains, meanwhile, to minimize heat generation. Our new polymer improves wear resistance, as well as improving fuel economy.

Molecular diagrams of tread compound



Conventional tread compound

In conventional tread compound, the polymer chains are short and numerous, which limits strength. The large number of chain ends, meanwhile, results in the generation of a great deal of heat.

The AE-01's Nano-Power Rubber

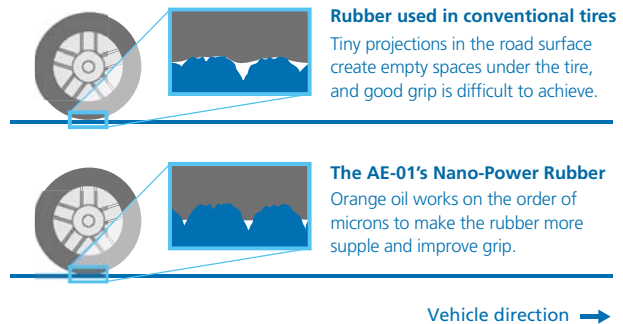
Lengthening the polymer chains increases strength and, by reducing the number of chain ends, reduces the generation of heat.



Key technologies 2

Orange oil compounding to improve grip

The tread compound that we developed for the BluEarth AE-01 contains orange oil. That oil seeps between the molecules of rubber polymer and imparts suppleness to the compound. As a result, the tread grasps even tiny projections on the road surface, and grip improves greatly. Incorporating orange oil in the BluEarth AE-01's tread compound improves grip further by promoting the generation of heat during braking and cornering.



Rubber used in conventional tires

Tiny projections in the road surface create empty spaces under the tire, and good grip is difficult to achieve.

The AE-01's Nano-Power Rubber

Orange oil works on the order of microns to make the rubber more supple and improve grip.

Vehicle direction →

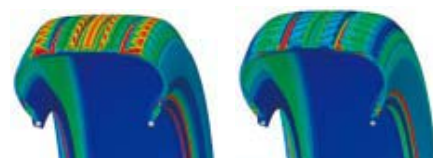


Key technologies 3

Fuel-saving simulations for improving overall fuel economy

Contributing to our fuel-saving advances in tires is original computer-simulation technology. That technology helps determine precisely the energy loss that can occur with different kinds of rubber compounds, tread patterns, and tire profiles. It allows for adjusting those and other variables to optimize overall energy efficiency in a tire.

Fuel-economy simulations



Previous-generation fuel-saving tire

Computer simulations highlight ways to optimize the tread compound, the tread pattern, and the tire profile in regard to reducing energy loss. In the diagrams, energy loss appears in red.

BluEarth AE-01

Russia becomes our third-biggest market for replacement tires, after Japan and the United States

Defying a Market Downturn with Continued Sales Growth



Our unit sales of tires in Russia increased more than 30% in calendar 2009 and exceeded 2 million tires for the first time. That growth occurred despite a sharp downturn in demand. The Russian market for replacement tires shrank more than 25% amid economic weakness, to about 30 million tires (source: LMC International Ltd.). Focusing on premium-grade products, we became Russia's largest tire importer, and Russia became our third-largest market for replacement tires, after Japan and the United States.

Focusing on large wholesalers in building sales channels

An important factor in our Russian sales growth in calendar 2009 was our progress in cultivating business with large wholesalers. Those partners have been a central emphasis for us in building sales channels. Our wholesaler recruiting includes initiatives for highlighting our high-performance products. Those initiatives include holding product presentations and conducting behind-the-wheel driving sessions at skating rinks to demonstrate studless snow tires. Reinforcing our appeal to wholesalers is our demonstrated commitment to providing partners with reliable supplies of superior-quality tires and with conscientious service.

Also expanding our network of affiliated retailers

Measures for broadening our marketing reach in Russia include recruiting more retailers for the Yokohama Club network. Retailers earn their membership in that network by fulfilling prescribed targets for sales of Yokohama tires. They receive preferential treatment in the allocation of tires, and we provide them with marketing tools and other support. The number of Yokohama Club retailers in Russia doubled in calendar 2009, to 220.



Retail outlets in the Yokohama Club network in Russia

Bolstering the Yokohama brand with an extensive product line and numerous sizes

We are working to strengthen our brand presence in Russia by deploying a more-extensive product line than our competitors and by offering tires in more-comprehensive ranges of sizes. Snow tires are the heart of the Russian market, accounting for about 60% of demand, and most of the snow tires sold in

Russia are studded tires. We deploy studded tires in Russia in more than 80 sizes to ensure a close fit for every user need. Most of our competitors in Russia focus on the core snow tire market, and we have earned high regard from dealers and from consumers by providing products to serve tire needs all year round.

Aiming for sales of 2.2 million tires in calendar 2010

Having passed the 2 million tire mark in calendar 2009, we are aiming for sales of 2.2 million in calendar 2010. We are deploying new products in snow tires with an eye to increasing our market share in that product sector. Meanwhile, we continue working on expanding our sales channels. A newly established office in Vladivostok will coordinate our measures for extending our sales reach beyond Russia's biggest metropolises.

Building a Russian tire plant

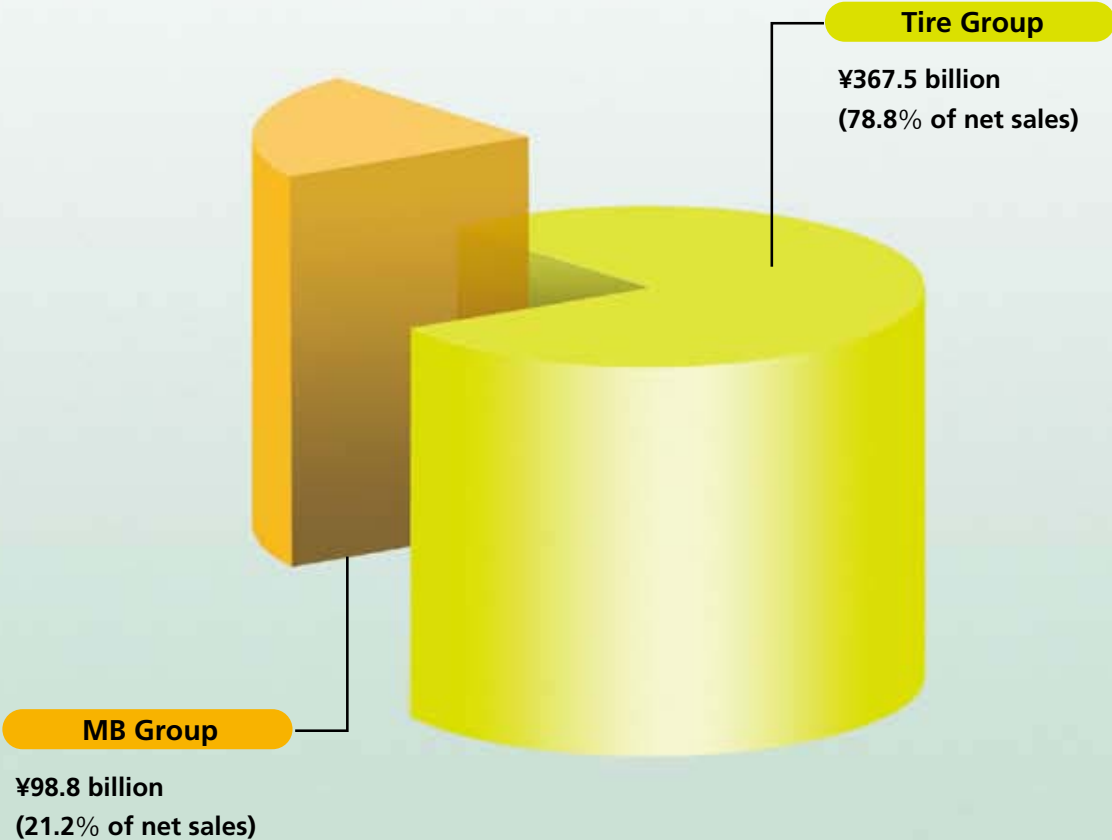
We began work in March 2010 on a tire plant south of Moscow in the Lipetsk special economic zone. That plant, slated to open in calendar 2011, will produce passenger car tires to serve Russia's immense potential demand. It will position us to help foster that demand with locally produced tires geared to local needs. We are investing about 4.8 billion rubles (about ¥14.8 billion) in the plant, which will be a showcase of environmentally sensitive and energy-efficient manufacturing. Our plans call for the plant to have an initial production capacity of 1.4 million tires a year.



Architect's rendering of the tire plant that we are building in Russia

Yokohama at a Glance

Fiscal 2010 net sales:
¥466.4 billion



Tire Group

Principal products

Tires for passenger cars and light trucks, for trucks and buses, and for construction and mining equipment, industrial vehicles, and other applications; aluminum alloy wheels and other peripheral products



A focus on environmentally friendly tires

Yokohama's DNA line of fuel-saving tires anchors the company's product portfolio in Japan. DNA tires contribute to fuel economy—and to minimizing the output of carbon dioxide—while providing superior performance in regard to the fundamental criteria of handling and comfort. Recent progress in extending DNA tires' useful life has further increased their environmental benefits.

Global scope in high-performance tires

We began marketing our high-performance ADVAN tires worldwide in calendar 2005 as a global brand for raising our market profile. ADVAN tires feature state-of-the-art advances in maximizing every aspect of tire value. They are a true showcase of Yokohama's leadership in tire technology.

MB Group

Principal products

High-pressure hoses, sealants and adhesives, conveyor belts, anti-seismic products, marine hoses, pneumatic marine fenders, aircraft products, golf products



Japan's market leader in high-pressure hoses and in construction and automotive sealants

Yokohama asserts unmatched strengths in high-pressure hoses for off-the-road equipment, in sealants for buildings, and in windshield sealants for automobiles.

A world leader in marine hoses and marine fenders

The company is the world's largest supplier of pneumatic fenders for protecting ship hulls. It is also a leading supplier of marine hoses for loading and unloading crude oil.

Lightweight, high-strength aircraft products

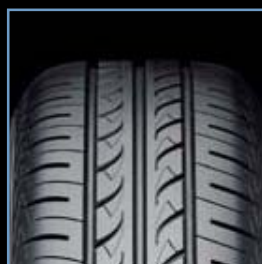
Yokohama supplies lavatory modules for the Boeing 737 airliner and drinking-water and wastewater tanks for the Airbus A380. Underlying the competitiveness of Yokohama's aircraft products are the company's unique strengths in fabricating lightweight, high-strength items from fiber-reinforced plastic.

Review of operations

TIRE group

Sales in the Tire Group declined 8.1% in fiscal 2010, to ¥367.5 billion, and operating income rose 106.9%, to ¥20.5 billion. Sales were generally weak throughout the first half of the fiscal year but picked up in the fourth quarter. The improvement in profitability resulted from declines in raw material costs and from progress in paring costs. Note that overseas sales included in the Tire Group's fiscal results are for the calendar year ended three months before the fiscal year-end.

We project a rebound in sales and a decline in operating income in the Tire Group in fiscal 2011. Our projections call for sales to rise 12.1%, to ¥412.0 billion, as demand recovers in principal markets. However, we project a decline of 34.0% in operating income, to ¥13.5 billion, on account of resurgent prices for raw materials.



The ADVAN dB: a quiet, comfortable ride and superbly steady handling perfectly suited to the latest luxury cars

JAPAN

Solid replacement demand for high-end and middle-market tires

Our Japanese business in replacement tires in fiscal 2010 was basically unchanged from the previous fiscal year in unit volume and in sales value. That performance mirrored overall demand, which was essentially unchanged despite signs of recovery in the fiscal second half.

We made the most of the lackluster business environment by optimizing our sales portfolio. That included product launches in high-end tires and a strategic emphasis on high-end and middle-market tires in marketing. The ADVAN dB, launched in July 2009, is our best-ever offering for providing a quiet ride. Sales benefited from the excellent market reception for that product and from continuing strong sales of our DNA GRAND map, for large minivans, and of our fuel-saving DNA Earth-1. Those products demonstrated the potential for winning business with distinctive offerings, even amid the general shift toward lower-priced tires.

Our unit sales of truck and bus tires declined in fiscal 2010. We improved our sales portfolio, however, by achieving sales growth with the fuel-saving, highly durable tires of the ZEN series. In addition, we augmented the ZEN series with a studless snow tire, the ZEN 902ZE.

We project little change in unit volume and sales value in fiscal 2011 in our Japanese replacement

tire business. That projection reflects our expectation that demand, too, will change little. Business opportunities will arise, however, following tire manufacturers' adoption in January 2010 of unified labeling standards for rolling resistance and wet-surface grip. The new standards promise to stimulate demand for environmentally oriented tires. We will emphasize our environmental credentials in working to strengthen our brand image, to increase the weighting of high-end and middle-market tires in our sales portfolio, and to thereby fortify our profitability.

The BluEarth AE-01, launched in July 2010, is an important new middle-market tire developed to secure large sales volume. It has qualified for the AA ranking for rolling resistance under the new labeling guidelines, which indicates excellent fuel economy. And its cost performance is superb. We will offer the BluEarth AE-01 in an increasing number of sizes, and we plan for it to become a core product for us within three years.

In truck and bus tires, we will continue to cultivate demand for the ZEN series. And we will reinforce our tire business through other measures. We will promote our HiTES system, for example, for monitoring the air pressure and air temperature inside

tires in real time. We will also develop business in marketing retreaded tires.

Declining demand for original equipment tires amid slumping vehicle production

Our Japanese business in original equipment tires declined in unit volume and in sales value as automakers cut back production amid shrinking exports. Demand began recovering, however, in the fiscal second half. Leading the nascent recovery were strong domestic sales of small cars and hybrid vehicles, spurred by tax incentives for purchases of fuel-saving models. We stepped up our marketing aimed at winning supply contracts for environmentally oriented vehicles, and we succeeded in winning factory fitments on two high-profile hybrid models: the Toyota Prius and the Honda CR-Z.

In fiscal 2011, we expect growth in unit volume and in sales value in our Japanese business in original equipment tires. Vehicle production volume is recovering, and we are expanding our business in original equipment tires for environmentally oriented vehicles. At the same time, we are redoubling our emphasis on sound profit margins in pursuing supply contracts.

The BluEarth AE-01: a showcase of advances in reducing rolling resistance destined to anchor our product line in Japan and in other markets



NORTH AMERICA

Sales decline despite growth in replacement tires as original equipment demand slumps

We posted declines in unit volume and in sales value in our U.S. tire business in fiscal 2010. Despite trade-in incentives from automakers, original equipment demand for passenger car tires weakened. We posted sales growth in the replacement sector, but the weakness in original equipment demand undermined our overall sales performance. Contributing to our sales growth in replacement tires was our Yokohama Advantage program, which provides tire retailers with sales incentives and marketing support. The number of participating retailers in that program increased during the fiscal year.

Our U.S. business in truck and bus tires focuses on the replacement market. In fiscal 2010, our sales of replacement tires for trucks and buses declined as demand sagged. We succeeded, however, in increasing our market share.

In fiscal 2011, we project growth in unit volume and in sales value in our U.S. tire business. Demand turned upward in the latter half of fiscal 2010, and we expect demand to increase overall in fiscal 2011.

Product launches are bolstering our sales momentum in passenger car tires and in truck and bus tires. Especially promising is the AVID ENVigor, a new kind of all-weather high-performance tire launched in spring 2010. The AVID ENVigor combines excellent handling with superior fuel economy.

In truck and bus tires, we are fortifying our brand image and promoting sales by emphasizing our advances in reducing environmental impact. We have earned accreditations for several products under the U.S. Environmental Protection Agency's SmartWay program for recognizing products that reduce transport-related emissions. Our marketing highlights the excellence of our ZEN series with respect to fuel economy and to the tires' resistance to camber wear and other kinds of wear.



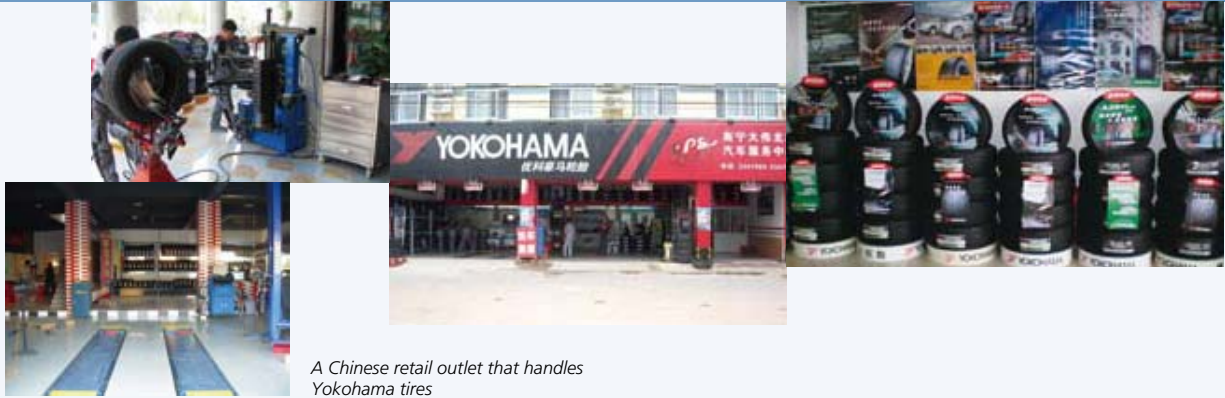
The AVID ENVigor: excellent handling and superior fuel economy to lend momentum to our North American marketing in fiscal 2011

Measures for expanding our growth potential in North America include new initiatives in Mexico. In that nation, we are strengthening our market presence by launching products configured expressly for local needs.

Sales gains in Canada led by snow tires

We registered growth in unit volume and in sales value in the Canadian market despite flat demand. Leading that growth were sales gains in snow tires, where we were successful with purchasing incentives for early orders. Another contributor to sales growth was our newly launched AVID Touring-S all-season tire.

Canadian demand appears likely to remain steady in fiscal 2011. We are strengthening our sales organization and are recruiting new members for our sales channels. In working to increase sales, we will make the most of the sales momentum of the AVID Touring-S and the new AVID ENVigor, launched in spring 2010.



A Chinese retail outlet that handles Yokohama tires

ASIAN NATIONS BESIDES JAPAN

Unit sales growth of more than 15% in China

Our Asian tire business outside Japan grew in fiscal 2010, led by growth in passenger car tires. Underlying that growth was recovering demand in emerging economies. Our unit sales in China, our largest Asian market outside Japan, increased more than 15%. Aiming to share fully in the upturn in demand, we cultivated new business with large wholesalers and expanded business with established partners. And we recruited new members for our retailer network.

Also showing double-digit growth were our unit tire sales in India, the Philippines, the Republic of Korea, and Thailand. The sales growth in India reflected the sweeping expansion of our network of affiliated retailers. In the Republic of Korea, our sales growth occurred mainly through expanded business with retail chains of large tire outlets. A marketing company that we established in Thailand in May 2008 cultivated new sales channels and otherwise coordinated our sales growth there. The growth in the Philippines reflected a continuing combination of marketing measures.

New Thai factory for processing natural rubber begins operation

We began processing natural rubber in May 2010 at a newly built factory in the southern Thai province of Surat Thani. Demand for natural rubber, an alternative to petroleum-based synthetic rubber, is growing annually. Our new plant, with a monthly processing capacity of 3,000 tons, improves our access to reliable supplies of high-quality natural

rubber. It incorporates our accumulated expertise in producing rubber of highly consistent specifications. We are counting on the plant to support advances in applications development for natural rubber, such as high-performance tires that contain an increased percentage of natural rubber.



Our new Thai factory for processing natural rubber, which began operation in May 2010



Yokohama in international motor sports: the exclusive tire supplier to the Macau Grand Prix and to the Federation Internationale de l'Automobile's World Touring Car Championship series (photo: the final race in the 2009 World Touring Car Championship season, held in Macau in November—the same month as the Macau Grand Prix)

Outlook for further growth in fiscal 2011 led by vigor in emerging economies

We project further sales growth in emerging economies in fiscal 2011, supported by expected growth in demand. The Yokohama Club network of affiliated retailers is a crucial plank in our strategy for increasing sales. And we will work in fiscal 2011 to raise the pace of growth in that network.

Our product launches will center on high-performance tires as we undertake marketing aimed at fortifying our brand image. In fiscal 2010, we launched the ADVAN NEOVA AD08, which we characterize as a "street sports tire," and the DNA Earth-1, which offers excellent fuel economy. Upcoming product launches include the ADVAN dB, a premier offering in riding comfort.

We will continue to reinforce our marketing with supplementary activities. That will include public relations and advertising for highlighting our position as the official tire supplier to the Macau Grand Prix. It will also include participating actively in motor shows and other events in each nation.

Expanding production capacity in Thailand and China

Plant expansion projects are increasing our supply capacity in China and in Thailand. China passed the United States in 2009 to become the world's largest automobile market, and vehicle demand there is poised to continue growing. That will mean parallel growth in demand for tires, so we are expanding our Hangzhou Plant, which produces passenger car tires. The expansion will increase the plant's annual production capacity to 5.1 million tires by the end of fiscal 2012, from 3.0 million presently.

Our tire plant in Thailand produces tires for passenger cars and for light trucks. We will increase its annual production capacity to 4.0 million tires by the end of fiscal 2012, from 2.6 million presently. Our Thai plant exports tires to other Asian nations and to North America and Europe, as well as serving local demand. The expansion is mainly for increasing the plant's capacity to serve growing demand in export markets.

EUROPE

Russian-led sales growth amid weakening demand

Our unit sales in Europe increased in fiscal 2010 despite adverse market trends. Demand for replacement tires weakened in Europe amid deteriorating economic conditions. Weighing notably on overall demand were downturns in the formerly robust markets of eastern Europe and Russia. Our sales increase reflected growth of more than 20% in Russia, which offset sales declines elsewhere in Europe.

Outlook for further growth in fiscal 2011 stimulated by product launches

Uncertainty clouds the economic outlook for Europe, but our sales are improving gradually throughout the region, and we expect European demand to firm in fiscal 2011. We are aiming for further sales growth in Europe and are promoting new products aggressively to achieve that aim.

The drive series is our main product line in passenger car tires in Europe, and we fortified that line in fiscal 2010 with the C.drive2. That tire, the successor to the comfort-oriented C.drive, features improved wet-surface performance. We are offering the C.drive2 in an increased number of sizes in fiscal 2011 and are promoting it in the mass-market price range.

In Russia, we are expanding our presence in snow tires, the main product category in the tire market there. We will make the most of product launches in snow tires in a bid to increase sales greatly.

Tires for minimizing environmental impact are a strategic emphasis in measures for strengthening our brand image in Europe. We fortified our European product line in fiscal 2010 with the launch of the dB super E-spec, which provides superior fuel-saving performance. And we will launch another important tire product oriented toward fuel economy in fiscal 2011.

Promoting environmentally oriented products is a European emphasis for us in truck and bus tires. We underlined that emphasis with the fiscal 2010 launch of the ZEN series, which features important advances in fuel savings and wear resistance. The ZEN series will highlight our marketing in truck and bus tires in fiscal 2011.

We have broadened our European marketing reach through a newly concluded alliance with the Italian company Marangoni Spa. Our partner is a leading supplier of retreading technologies and retreading services, and it also has solid positions in tire manufacturing and marketing. The alliance will greatly fortify our European marketing position in truck and bus tires.

Also fortifying our European presence is our new European Distribution Center, opened in Germany in April 2010. We are counting on that center to contribute to sales growth by shortening lead times in product delivery and to lower costs by consolidating our European inventories.



Above: A new studded snow tire that we have deployed in the Russian market

Right: Our C.drive2, the successor to the C.drive, which supplements the comfortable, quiet ride of its predecessor with improved wet-surface performance

Other regions

MIDDLE EAST

Our Middle Eastern unit sales declined in the wake of the sales surge that accompanied the previous fiscal year's oil price spike. Tire demand turned upward in the fiscal second half, and our sales rebounded as we allocated ample product volume to the region.

We project rising demand and sales growth in the Middle East in fiscal 2011. Highlighting our marketing strategy is the scheduled launch in the gulf states of A.drive tires specially configured to withstand high temperatures.

OCEANIA

In Oceania, our unit sales declined in fiscal 2010. That decline resulted primarily from decreased shipments to automakers in Australia, who experienced production declines. We posted strong sales in replacement passenger car tires, led by our GEOLANDAR tires for sport-utility vehicles. Our sales declined in the region, however, in truck and bus tires.

Vehicle production in Australia is turning upward in fiscal 2011, and we project growth in original equipment sales. We are eyeing sales growth in passenger car tires, especially through our company-owned Tyres & More network of retail outlets. And we are readying product launches in truck and bus tires to support sales growth in that sector.

LATIN AMERICA

We posted a decline in unit sales in Latin America in fiscal 2010. A big reason for that decline was the Argentine government's imposition of import restrictions, which diminished our Argentine business greatly. Our sales increased in Brazil, however, as the Brazilian currency appreciated and as demand expanded.

Fiscal 2011 promises to occasion resurgent sales for the Tire Group in Latin America. We will



An A.drive tire specially configured to provide increased heat resistance in the Arab states of the Persian Gulf

allocate ample supply capacity to serve the growing demand in Brazil, where economic expansion continues. In Argentina, we are aggressively promoting a line of studless snow tires that we launched in fiscal 2010. Our distributors throughout Latin America have bolstered their marketing capabilities impressively, and we will support their efforts by augmenting our product line in each nation. We have fortified our marketing staff for off-the-road tires in Latin America, for instance, with an eye to increasing sales.

AFRICA

Our African business centers on South Africa, and our unit sales there declined in fiscal 2010, undermined by the sharp weakening of the rand. We asserted a renewed presence in Egypt, where the government lifted an antidumping import tariff in 2009, and our Egyptian sales gained strong momentum. Our activity in Africa includes developing business in nations where we formerly lacked a market presence, and we recently began serving customers in Madagascar and in Senegal.

We are tentatively optimistic of improvement in our African sales performance in fiscal 2011. South Africa's hosting of the soccer World Cup tournament has stimulated demand in that nation, and the rand appears to be stabilizing. In addition, we expect continuing sales growth in Egypt, which is becoming a second important market for us in Africa.

Review of operations

MB group

Multiple Business

In the MB Group, sales declined 15.9% in fiscal 2010, to ¥98.8 billion, and operating income declined 74.3%, to ¥880 million. Those declines reflected weak sales in the group's main products, especially in high-pressure hoses and conveyor belts. A business highlight of the year was sales growth in golf products.

We expect sales and earnings to rebound in the MB Group in fiscal 2011. Our projections call for sales to rise 9.3%, to ¥108.0 billion, led by growth in high-pressure hoses but including growth in most product sectors. And we expect operating income to increase more than fivefold, to ¥4.5 billion.



HIGH-PRESSURE HOSES

Slumping demand in construction equipment and automobiles

Our sales of high-pressure hoses declined 24.4% in fiscal 2010, to ¥27.6 billion. Demand for hydraulic hoses and automotive hoses slumped in Japan, our largest market for those hoses. Undercutting demand were declines in Japanese production of construction equipment and automobiles, though output turned upward in the fiscal second half.

In the United States, our subsidiary YH America, Inc., increased its hose production capacity with the purchase of manufacturing equipment and translated that increase into sales growth. Sales at another U.S. subsidiary, SAS Rubber Company, declined on account of the fiscal first-half decline in automobile production. Sales also declined at our subsidiaries SC Kingflex Corporation, in Taiwan, and Yokohama Rubber (Thailand) Co., Ltd.

Highlighting our marketing in Japan in fiscal 2010 were stepped-up efforts to cultivate business with new customers. That included reaching out to small and medium-sized manufacturers of construction equipment. Overseas, we supplemented our business in supplying hoses to equipment manufacturers with new business in marketing replacement hoses for construction equipment and for machine tools. We supported that new business by dispatching personnel to North America and to Southeast Asia to monitor and analyze market needs.

In fiscal 2011, we project sales growth of 19.6% in high-pressure hoses, to ¥33.0 billion. Underlying that projection is the recovery under way in Japan and overseas in the production of construction equipment and automobiles. That recovery promises to support growth in sales of hydraulic hoses and automotive hoses. We are working to maximize our growth potential by making the most of our new business in replacement hoses overseas and by fostering demand in Japan.

INDUSTRIAL PRODUCTS

Weak demand in Japan and overseas

We posted a 21.3% decline in sales of industrial products in fiscal 2010, to ¥23.4 billion. That decline reflected weakness in Japan and overseas in all of our main products in this category: conveyor belts, marine hoses, marine fenders, anti-seismic rubber-and-steel fittings for protecting bridges and other structures from earthquakes, and rubber joints for road surfaces on bridges. We expect sales to increase 13.2% in fiscal 2011, to ¥26.5 billion, led by growth in conveyor belts and marine hoses.

The fiscal 2010 sales decline in conveyor belts resulted from a sharp drop in demand at overseas mining projects. Business with those projects had accounted for most of our sales growth in conveyor belts in recent years. Mining demand is recovering in the resurgent economies of Asia and Oceania, and we are eyeing renewed growth in conveyor belts in fiscal 2011. We are bolstering our growth prospects by supplying a growing portion of our conveyor belts from a Chinese subsidiary. Those conveyor belts, fully comparable in quality to our Japanese products, increase our cost competitiveness.

In marine hoses, the sales decline in fiscal 2010 reflected a decline in the number of large oil-development projects worldwide. Activity in oil development is recovering gradually in fiscal 2011, engendering expectations of a sales upturn in marine hoses.

Bucking the overall weakness in marine fenders in fiscal 2010 were orders for buoys for preventing contact between oil tankers. We expect sales to remain steady in marine fenders in fiscal 2011.

Japanese budgetary reductions in public works spending diminished demand for our anti-seismic rubber-and-steel fittings for protecting bridges in fiscal 2010. Amplifying the downturn was our fulfillment of orders in the previous fiscal year in connection with a Japanese freeway construction project. We are aiming to avoid a further sales decline

in fiscal 2011 despite Japan's continuing cutbacks in public works spending. Our marketing includes promoting anti-seismic fittings as maintenance replacements for conventional fittings and deploying new and improved products.

The fiscal 2010 sales decline in rubber joints for road surfaces on bridges reflected the cutbacks in public works spending. We are working to achieve renewed sales growth in fiscal 2011 by expanding business in replacement joints for maintenance work.

SEALANTS AND ADHESIVES

Sluggish demand for construction sealants

Our sales of sealants and adhesives declined 5.3% in fiscal 2010, to ¥22.9 billion. Operating profitability improved greatly in this product category, however, as raw material prices declined, as we made progress in raising productivity, and as we switched to less-expensive materials where possible.

Construction starts for office buildings and condominiums in Japan continued to decline, and that undercut demand for our biggest-selling product in this category, construction sealants. Our business in automotive sealants expanded, as Japanese vehicle production began to recover in the fiscal second half. That upturn supported sales growth for us in windshield sealants and in hot-melt sealants for automotive lamps.

Overseas, our sales of sealants were steady at Yokohama Rubber (Thailand) but declined at YH America. Sealant business at both of those companies began growing in the fiscal second half, supported by recoveries in vehicle production.

We project that sales in sealants and adhesives will grow 2.6% in fiscal 2011, to ¥23.5 billion. Office building and condominium construction remains sluggish in Japan, and a further sales decline in construction sealants appears unavoidable. We expect

*The Boeing 737: a family of short- and medium-haul airliners that is the manufacturer's best-selling product line
Yokohama: the exclusive supplier of lavatory modules for the 737—up to four per aircraft—since 2004*



strong growth in automotive sealants, though, as the recovery in vehicle production gains momentum worldwide. A government program of incentives for energy-efficient housing took effect in Japan in March 2010, and that promises to occasion growth in sales of sealants for single-family homes.

Cultivating new markets

Developing new markets has been a priority for us in recent years in sealants and adhesives. Our work has focused on studying possibilities and developing products to serve the growing demand in electronic components and materials and in solar cells. In January 2010, we launched a hard-coating product, VH322F, for protecting the surfaces of plastic materials. That product combines extreme hardness with greater toughness than other coatings of similar hardness. We have begun filling orders for VH322F from manufacturers of home appliances, who welcome its performance in preventing scratches and cracking.

In February 2010, we launched a sealant, M-155P, for solar cell modules. Manufacturers use our sealant to affix the solar panels to aluminum frames and to prevent water vapor from getting inside. M-155P features important advances in heat resistance and in adhesiveness.

AIRCRAFT PRODUCTS

Stagnant demand across the public and private sectors

We posted a 5.2% decline in sales of aircraft products in fiscal 2010, to ¥15.4 billion. Business suffered from weak demand in the public and private sectors in Japan and, in overseas business, from the appreciation of the yen. Our government business languished amid a dearth of large-volume orders for applications in new aircraft and a decline in orders for replacement products. In the private sector, our business volume was basically steady in lavatory modules and drinking-water tanks for new commercial aircraft. Fiscal weakness in the airline industry worldwide obliged airlines, however, to postpone orders for replacement equipment.

We project growth of 3.9% in aircraft products in fiscal 2011, to ¥16.0 billion. Government demand remains sluggish, but private-sector demand for replacement equipment is beginning to recover. We are striving, meanwhile, to achieve profitability growth in excess of our projected sales growth. Our efforts include raising prices, modifying product specifications to reduce material costs, and training and deploying employees to handle a flexibly variable range of work.

Consolidating MB sales operations in Japan

We will consolidate our eight Japanese sales companies and the headquarters sales unit for high-pressure hoses, sealants and adhesives, conveyor belts, anti-seismic rubber-and-steel fittings for structures, and rubber joints for road surfaces. Those operations will all become part of Yokohama Industrial Products Japan Co., Ltd., which we will establish on October 1, 2010. The new company

will sharpen our marketing focus in industrial products. It will retain the closeness to customers that its predecessor sales companies established, and it will complement that closeness with strengthened ties to manufacturing. We are counting on our new subsidiary to make us more responsive than ever to customer needs and expectations.

Today



After the consolidation



GOLF PRODUCTS AND OTHER PRODUCTS

Strong sales of golf clubs despite market weakness

Sales of golf products and other products declined 11.9% in fiscal 2010, to ¥9.5 billion. That decline occurred despite sales growth in golf products and resulted from reduced revenue from miscellaneous products. Leading our sales gains in golf equipment was growth in golf clubs in Japan, where the market was generally weak. A product highlight was our popular Silver-Blade line of putters, designed to optimize roll. Another highlight was our series of clubs dubbed egg. We have incorporated counterintuitive design concepts in that series to achieve parallel improvements in range and in ease of striking, and the egg clubs have become popular with a wide range of golfers.

Japan's market for golf equipment appears likely to continue shrinking in fiscal 2011, and we project a sales decline in golf products and other products of 5.6%, to ¥9.0 billion. We will strive to maintain sales momentum by launching golf products conceived to differentiate our equipment advantageously from the competition's. And we will step up our efforts to cultivate markets outside Japan.



The egg Iron II, with a head of revolutionary design to overcome the traditional incompatibility between distance and ease of striking



Environmental Initiatives

Our Global Design 100 medium-term management plan calls for us to assert world-class strengths in technologies for protecting the environment. We have formulated three guidelines to steer our efforts toward fulfilling that goal:



- Position environmental protection as a continuous emphasis in management
- Work to help prevent global warming
- Strive to help establish an environmentally sustainable foundation for society

Below are some highlights of activities that we have undertaken recently in accordance with those guidelines.

Deploying fuel-saving tires

Yokohama was a pioneer in focusing on fuel economy in tire development, and we launched our DNA series of tires, which conserves fuel by reducing rolling resistance, in 1998. Since then, we have improved the fuel-saving performance of the DNA tires and have augmented the DNA lineup. Customers have responded positively, and the DNA series now accounts for about 70% of our Japanese unit sales of replacement tires for passenger cars. The July 2010 launch of the BluEarth series opens a new chapter in our continuing commitment to improving fuel economy. We have dedicated the new product line to the spirit of benefiting the environment, people, and society. And we will deploy the BluEarth tires in markets worldwide.

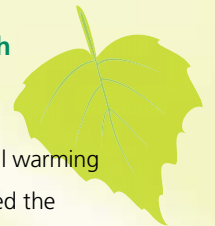
Planting 500,000 trees worldwide in the Yokohama Forever Forest project

We inaugurated the Yokohama Forever Forest project in November 2007, which provides for planting 500,000 trees at 18 Yokohama plants worldwide. The tree plantings provide natural buffers against natural and industrial disasters and promote

biodiversity, as well as helping to prevent global warming by absorbing carbon dioxide. We have engaged the prominent plant ecologist Akira Miyawaki to oversee the project. Plant employees and members of the community carry out the forestation work, from gathering seeds and growing seedlings to preparing the soil and carrying out the planting. We had planted about 130,000 trees in the Yokohama Forever Forest project by December 2009.

Minimizing environmental impact in all products


Our plans call for incorporating environmentally beneficial features in all of our products by fiscal 2018. We adopted original quantitative evaluation criteria for that goal in fiscal 2007 that span four categories: preventing global warming, reusing and recycling resources, reducing the consumption of resources, and ensuring safety and comfort. In developing new products, we mandate an average improvement for all the criteria of at least 5% over the predecessor products. And we require that all new products rank higher than their predecessors in all four criteria.



Our DNA Earth-1, in which adding orange oil to the tread compound reduces rolling resistance and improves grip



Continuing progress in the Yokohama Forever Forest project: tree-planting ceremonies in April 2009 in the United States at Yokohama Tire Corporation and in May 2009 in Japan at our Shinshiro Plant



Environmentally beneficial products accounted for 83% of our products in fiscal 2010, compared with 75% in fiscal 2009. All of our new products in each of the past two fiscal years have incorporated environmentally beneficial features.

Winning the electric vehicle class in the Pikes Peak International Hill Climb

A Yokohama-sponsored electric vehicle won the electric vehicle class in the 2010 Pikes Peak International Hill Climb in record time. That race, held on the eponymous mountain in Colorado, is the world's best-known hill-climbing competition, and the 2010 edition took place on June 27. We began participating in the race in 2009 to help promote electric-powered transport and to support our work in developing tires for electric vehicles. Team Yokohama EV Challenge placed second in the race in the team's debut entry in 2009. In 2010, the team's independently developed battery-powered race car, equipped with prototype tires, placed first in the electric vehicle class. Driver Ikuo Hanawa steered the car to the finish line in 13 minutes and 17.57 seconds. That performance knocked 1 minute and 15 seconds off of a record that had stood for seven years.

Progressing toward eliminating landfill waste at all our plants by fiscal 2012

Our Japanese operations eliminated landfill waste completely by the end of fiscal 2006, and we aim to eliminate landfill waste at all of our overseas operations by the end of fiscal 2012. In April 2010, our Chinese tire plant in Hangzhou became our first overseas plant to

eliminate landfill waste. And our Philippine tire plant eliminated landfill waste three months later. In Japan, we reuse all waste material as raw material or as fuel for energy-recovering systems. All our Japanese plants phased out nonregenerative incineration by the end of fiscal 2010, a year ahead of schedule.

Reducing output of greenhouse gases

We participate proactively in Japan's commitment to reducing overall emissions of greenhouse gases. The Japanese government has pledged to reduce those emissions 6% by 2012, compared with 1990 in regard to carbon dioxide, methane, and nitrous oxide and compared with 1995 in regard to hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride. That pledge is Japan's commitment under the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Our Japanese operations have reduced their output of greenhouse gases more than 6% in each of the past four fiscal years. We had set an interim target of reducing our Japanese output of greenhouse gases 12% by fiscal 2011, compared with 1990 and 1995, and we attained that target two years ahead of schedule. Our annual reduction in fiscal 2010 was 8.9%, which brought our cumulative reductions (1990 and 1995 comparisons) to 21.1%. The reductions in our output of greenhouse gases have resulted partly from decreased production volume associated with economic sluggishness. But they also reflect energy-saving measures, such as shifting energy sources and installing cogeneration systems at our principal tire plants.



The electric race car sponsored by Yokohama and equipped with Yokohama tires that won the 2010 Pikes Peak International Hill Climb in record time



Hangzhou Yokohama Tire Co., Ltd.: our first overseas plant to eliminate landfill waste

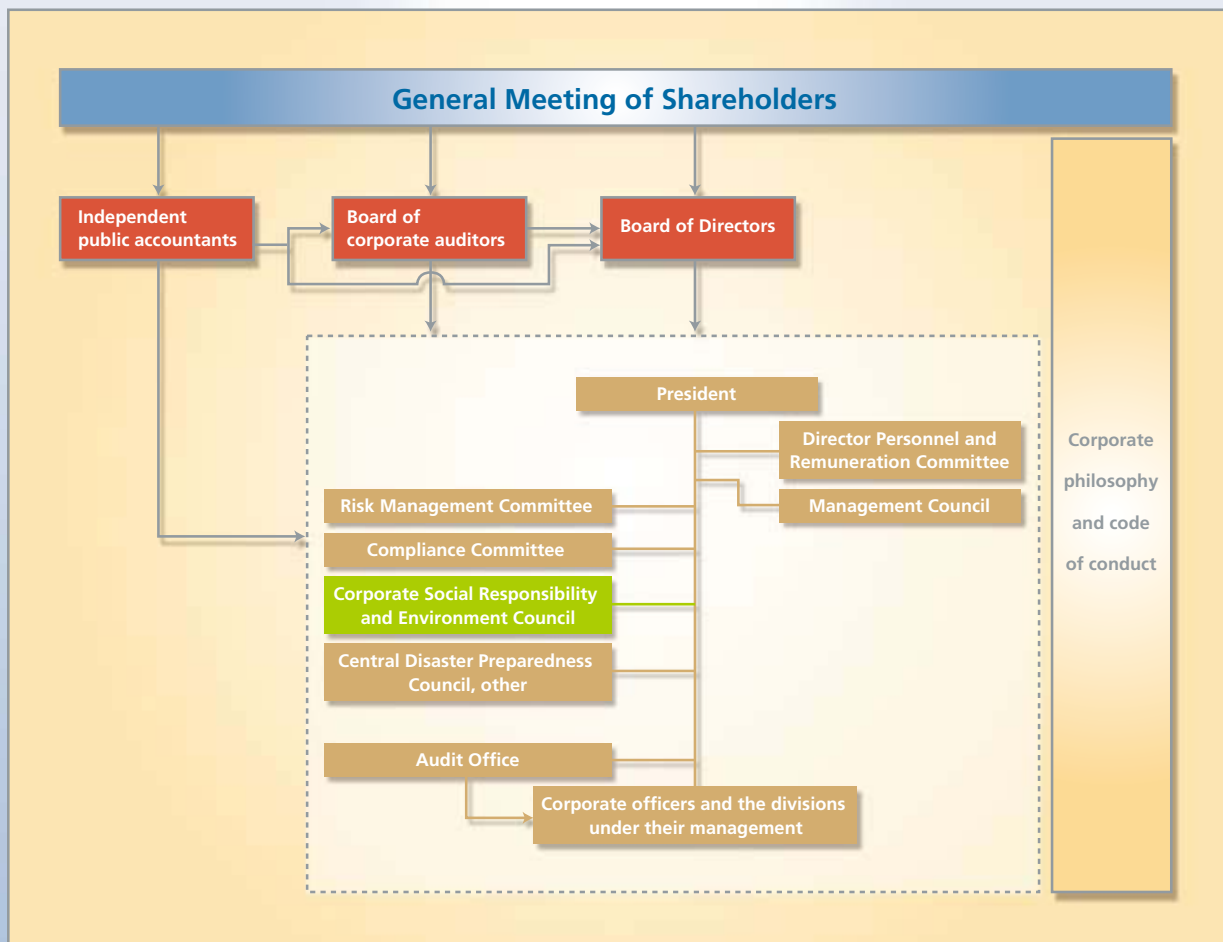


A cogeneration system at our Shinshiro Plant, in Japan

Corporate Governance

We have built a corporate governance framework to ensure soundness, transparency, and fairness in management, and we continue working to strengthen that framework. Our goal is to earn the unwavering confidence of all our stakeholders by achieving continuing growth in corporate value.

Yokohama's Framework for Corporate Governance



Framework

The members of the Board of Directors agree on guidelines for fulfilling their responsibilities under the internal controls prescribed by Japanese law. Those guidelines are a means of ensuring that the directors comply with pertinent laws and regulations and with our articles of incorporation. The directors monitor each other's performance and render decisions at meetings

of the Board of Directors on important corporate matters. Overseeing the performance of the directors are five corporate auditors, including three auditors recruited from outside the company. We reinforce the auditing function by retaining an independent public auditing firm to audit our financial accounting and by maintaining our Audit Office to oversee operations and accounting at the parent company and at our subsidiaries.

We have established several councils and committees to formulate management guidelines, including risk management, for different sectors of operations and to oversee management performance in their sectors. The senior most of those groups is our Management Council, which comprises the chairman and other selected members of the Board of Directors and other executives.

Our Director Personnel and Remuneration Committee abides by rigorous standards of transparency and fairness in making recommendations for appointments and compensation. The Board of Directors reviews and makes final decisions on the committee's recommendations. Compensation for our directors includes a component linked to performance.

Internal-control mechanisms

The Board of Directors passed a resolution in May 2006 that called for establishing the internal-control mechanisms mandated by Japanese law and for monitoring the performance of those mechanisms. In April 2009, the Board of Directors passed a resolution that called for instituting measures for preventing corporate involvement in racketeering and other illicit activity.

Legislation took effect in Japan in the fiscal year to March 31, 2009, that is similar to the U.S. Public Company Accounting Reform and Investor Protection Act of 2002, commonly known as the Sarbanes-Oxley Act. We have established internal-control mechanisms to help ensure compliance with that legislation and with other laws and regulations.

Risk-management system

Our Risk Management Committee is responsible for coordinating a swift and effective response to emergencies. The committee also evaluates significant risks from a cross-sector perspective and determines measures for addressing those risks.

A recent example of an emergency that commanded attention at Yokohama was the 2009 outbreak of swine influenza A (H1N1). In April 2009, the World Health Organization raised its warning level for swine influenza to Phase IV. That prompted us to establish a response team under the leadership of our president. The team coordinated measures for addressing the risk of mass infections until that risk abated and the team disbanded in April 2010.

We have devised plan-do-check-act cycles for responding to a comprehensive range of foreseeable risks. Our risk management encompasses workplace safety, earthquake preparedness, fire prevention and preparedness, ethical compliance, environmental protection, product quality, and operational continuity. The committees, divisions, and other organizational units responsible for those and other facets of risk management work out appropriate measures for addressing risk and oversee the implementation of those measures.

Ethical compliance

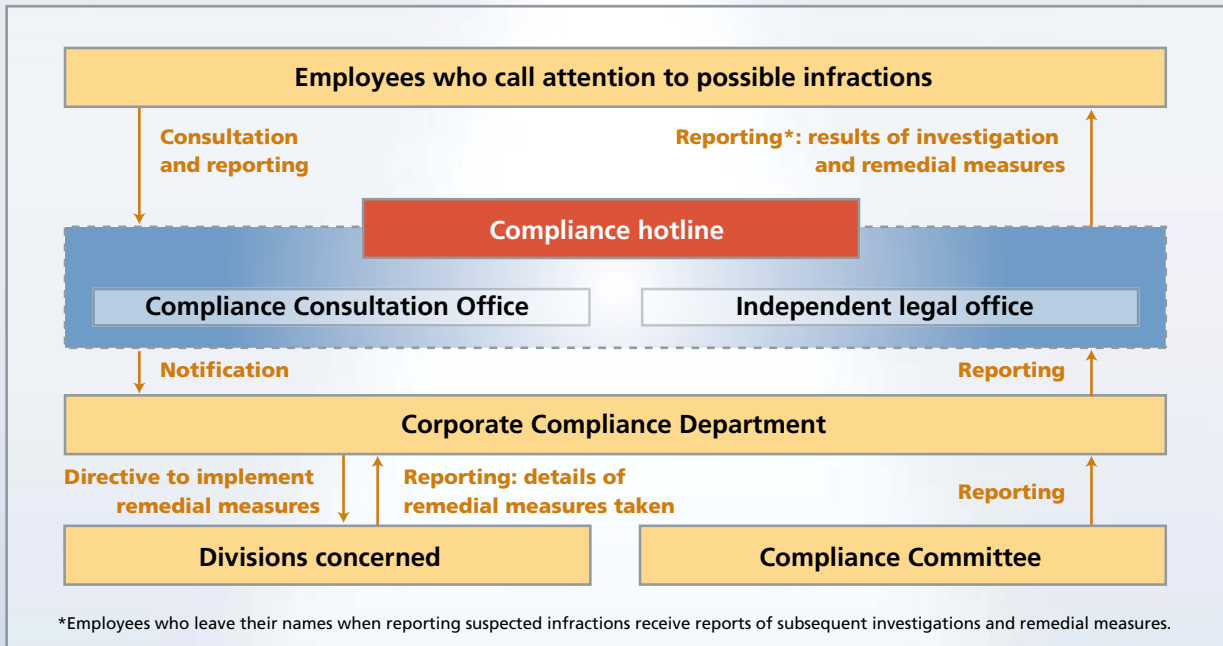
Basic approach

Rigorous and broad-ranging guidelines anchor our commitment to ensuring compliance with the highest standards of corporate ethics. Those guidelines proscribe a single-minded pursuit of profit and call attention to the need for earning a trusted place in the community as a reputable enterprise. That includes devoting careful attention to the need for safeguarding the environment.

Framework

Our Compliance Committee, chaired by our president, meets quarterly. It reviews activity in ethics-related education, reports from the company's divisions, and notifications and input from employees about ethical concerns, and it deliberates measures for preventing ethical breaches. Our Corporate Compliance Department serves as the secretariat for the committee.

How the Compliance Hotline Works



Each sector of operations at the parent company has named a compliance monitor to represent the Corporate Compliance Department in the workplace. The compliance monitors spearhead awareness-raising activities in their sectors and coordinate with each other in sharing mutually useful information. Our Japanese subsidiaries have also deployed compliance monitors, and we are promoting similar moves at our overseas operations.

In fiscal 2010, our Japanese operations committed no serious infringements of Japan's antitrust regulations. Nor did we receive any citations for serious violations of any other laws or regulations in Japan.

Internal channels for reporting suspected violations

Our compliance hotline enables employees at the parent company and at subsidiaries in Japan to report suspected violations of legal regulations or corporate guidelines anonymously. The hotline is in conformance with Japanese legislation that mandates protection for whistleblowers. It allows employees to report suspected violations to an independent legal office. We have

distributed cards that bear the hotline telephone number, fax number, and e-mail address to all employees at the parent company and its subsidiaries in Japan. The hotline handled eight reports in fiscal 2010.

In addition, we have established an internal e-mail function to respond to employee doubts or suspicions about any company-related subjects. That consultation function is available to everyone who has access to internal e-mail at our operations in Japan. Employees can use the consultation function to discuss the legality or propriety of any ongoing or proposed activity. The e-mail consultation function handled 14 inquiries in fiscal 2010.

Education

Bolstering our ethical-compliance program are educational initiatives. Those initiatives include an online e-learning curriculum that provides a grounding in ethical compliance. They also include classroom instruction that covers items that require attention in daily work to avoid ethical breaches. We supplement the instruction with presentations by invited experts.

Directors, Corporate Auditors, and Corporate Officers

As of June 25, 2010

Board of Directors

Tadanobu Nagumo

President and Representative Director

Norio Karashima

Director and Vice President

Chairman & President of Yokohama Rubber (China) Co., Ltd.

Tooru Kobayashi

Director and Senior Managing Corporate Officer

President of Multiple Business Group

Hikomitsu Noji

Director and Managing Corporate Officer

President of Tire Group, General Manager of Tire Global Production Div.

Toshihiko Suzuki

Director and Managing Corporate Officer

General Manager of Tire Global Technical Div.

Takashi Fukui

Director and Managing Corporate Officer

In charge of Global HR Dept., General Manager of Corporate Social Responsibility Div.

Kinya Kawakami

Director and Corporate Officer

General Manager of R&D Center, General Manager of Global Procurement Div.

Fumio Morita

Director and Corporate Officer

In charge of Corporate Finance & Accounting Dept., Internal Audit Dept.; General Manager of Corporate Finance & Accounting Dept.; President of Yokohamagomu Finance Co., Ltd.

Board of Corporate Auditors

Michio Yuge

Hideo Fujiwara

Junnosuke Furukawa

Yuzuru Fujita

Naozumi Furukawa

Corporate Officers

Koichi Tanaka

Senior Managing Corporate Officer

Deputy President of Tire Group.,
President of Yokohama Tire Japan Co., Ltd.

Shinichi Suzuki

Managing Corporate Officer

In charge of MIS Dept.,
General Manager of Tire Global Logistics Div.,
General Manager of Russia Tire Plant Div.

Yuji Goto

Managing Corporate Officer

General Manager of O.E. Tire Sales & Marketing Div.

Misao Hiza

Managing Corporate Officer

General Manager of Industrial Products Business Group,
General Manager of Industrial Products Technical Div.

Takao Oishi

Managing Corporate Officer

President of Yokohama Tire Corporation,
President of Yokohama Corporation of America,
President of Yokohama Corporation of North America

Hirohiko Takaoka

Corporate Officer

General Manager of Sports Business Div.

Shigeo Komatsu

Corporate Officer

General Manager of Tire Global Product Planning Div.

Yasushi Tanaka

Corporate Officer

In charge of Corporate Planning Dept., Secretariat,
GD100 Promotion Dept.

Tatsuya Murata

Corporate Officer

General Manager of Aerospace Div.

Toshiyuki Nishida

Corporate Officer

General Manager of Industrial Products Production Div., General
Manager of Hiratsuka Factory

Takaharu Fushimi

Corporate Officer

General Manager of Tire Overseas Sales & Marketing Div.

Tadashi Suzuki

Corporate Officer

Vice President of Yokohama Tire Corporation,
General Manager of Salem Plant

Hideto Katsuragawa

Corporate Officer

Deputy General Manager of O.E. Tire Sales & Marketing Div.,
General Manager of O.E. Tire Sales & Marketing Dept. No. 2

Hirohisa Hazama

Corporate Officer

Deputy General Manager of Tire Global Product Planning Div., General
Manager of PC & LT Tires Product Planning Dept.

Tetsuya Kuze

Corporate Officer

Deputy General Manager of Tire Global Technical Div., General
Manager of Tire Designing Dept. No. 1

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Financial Review

Operating results

Net sales declined 9.8%, to ¥466.4 billion in fiscal 2010, ended March 31, 2010. Sales declined in Yokohama's Tire Group and in the Company's MB (diversified products) Group. In the Tire Group, sales began to recover in Japan and overseas in the fiscal fourth quarter, but that recovery was insufficient to offset weakness in the fiscal first half. In the MB Group, sales increased in golf products but declined in high-pressure hoses, conveyor belts, and other principal products.

Cost of sales declined 12.3%, to ¥323.7 billion, reflecting the decline in sales volume and declines in raw material costs. Selling, general and administrative expenses declined 10.6%, to ¥121.2 billion. That decline resulted mainly from declines in logistics expenses and other variable costs and from the Company's progress in trimming costs. Research and development expenses, included in cost of sales and in selling, general and administrative expenses, declined 13.1%, to ¥13.3 billion.

Operating income increased 67.5%, to ¥21.5 billion, and the operating profit margin increased 2.1 points, to 4.6%. The principal reasons for the improvement in operating profitability were the factors cited above in regard to cost of sales and to selling, general and administrative expenses.

Other expenses, net of other income, totaled ¥2.5 billion, compared with ¥16.0 billion in the previous fiscal year. The appreciation of the yen was more modest than in the previous fiscal year, and that resulted in a large decline in translation losses on foreign currency denominated receivables and on yen-denominated liabilities at overseas subsidiaries.

Yokohama recorded income before income taxes and minority interests of ¥19.0 billion, compared with a loss before income taxes and minority interests of ¥3.2 billion in the previous fiscal year, and income taxes increased ¥5.0 billion, to ¥7.1 billion. The Company recorded net income of ¥11.5 billion, compared with a net loss of ¥5.7 billion in the previous fiscal year.

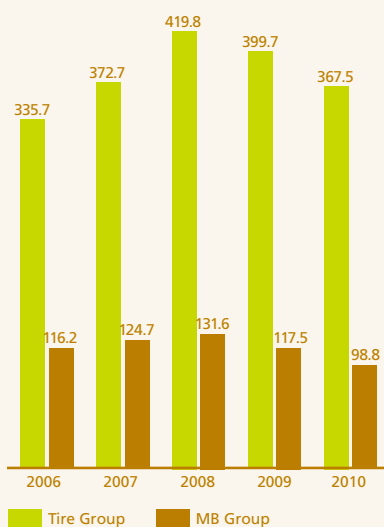
Results by segment

By business segment

Sales declined 8.1% in Yokohama's Tire Group, to ¥367.5 billion, and operating income increased nearly 2.1-fold, to ¥20.5 billion. As noted elsewhere, sales began to recover in Japan and overseas in the fiscal fourth quarter, but that recovery was insufficient to offset weakness in the fiscal first half. The increase in operating profitability reflected the declines in raw material costs and progress in trimming costs.

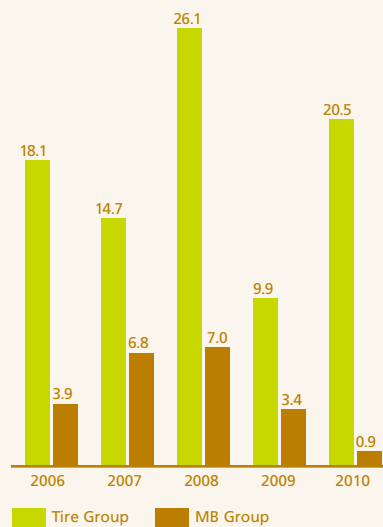
Sales by Group

Billions of Yen



Operating Income by Group

Billions of Yen



In Yokohama's MB Group, sales declined 15.9%, to ¥98.8 billion, and operating income declined 74.3%, to ¥880 million. As noted elsewhere, sales increased in golf products but declined in high-pressure hoses, conveyor belts, and other principal products.

By geographical segment

Sales in Japan declined 9.8%, to ¥324.0 billion, and operating income increased 3.8-fold, to ¥16.8 billion. The sales decline comprised declines in tires and in diversified products. The increase in operating profitability reflected the declines in raw material costs and the Company's progress in trimming costs.

In North America, sales declined 11.0%, to ¥90.6 billion, and operating income declined 46.5%, to ¥2.2 billion. Sales of tires turned upward in the fiscal second half, but the upturn was insufficient to offset the decline in the fiscal first half. The appreciation of the yen also weighed on sales and on earnings.

Sales declined 7.1% in Asian nations besides Japan, to ¥22.0 billion, and operating income increased 70.7%, to ¥3.4 billion. The sales decline resulted from declining sales in MB products, especially high-pressure hoses, which more than offset growth in tires. As in Japan, the decline in raw material costs occasioned improvement in profitability despite the weakness in sales.

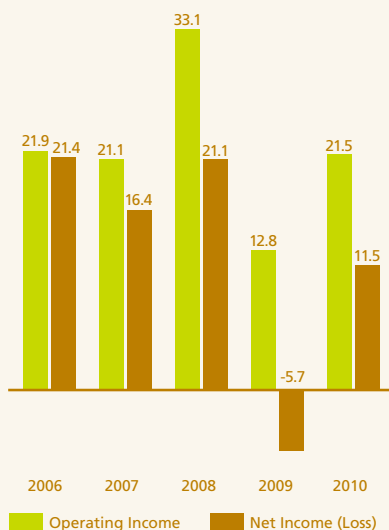
In other regions, sales declined 8.3%, to ¥29.8 billion, and operating income declined 68.7%, to ¥483 million. Yokohama posted strong growth in tires in Russia, but its tire sales declined in other nations of Europe and in Oceania. Also undermining sales was the appreciation of the yen.

Capital spending

Capital spending declined 59.7%, to ¥17.5 billion. Yokohama funded that investment with a combination of internally generated funds and borrowings. In the Tire Group, capital spending totaled ¥14.8 billion. That total included ¥6.5 billion of investment at the parent company for expanding production capacity, for raising productivity, and for improving product quality. It also included ¥3.8 billion of investment at Yokohama Tire Manufacturing (Thailand) Co., Ltd., for expanding production capacity for tires for passenger cars and light trucks and for building a proving ground. In the MB Group, capital spending totaled ¥2.4 billion. That investment was mainly for expanding production capacity for high-pressure hoses.

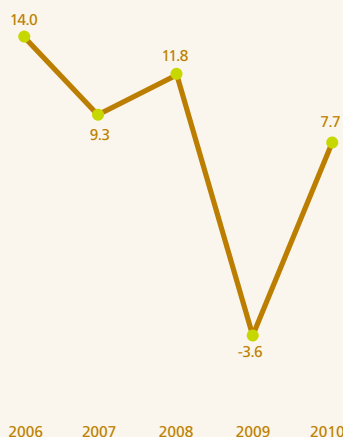
Operating Income and Net Income (Loss)

Billions of Yen



Return on Shareholders' Equity

Percent



Financial position

Total assets declined ¥6.4 billion, to ¥467.0 billion at fiscal year-end. Notes and accounts receivable increased on account of the sales upturn in the fiscal second half, but Yokohama made progress in paring inventories, and liquid assets declined ¥13.0 billion from the previous fiscal year-end. Investment securities increased ¥15.4 billion on account of a recovery in the market prices of equities.

Total liabilities declined ¥25.6 billion, to ¥303.6 billion at fiscal year-end. Accounting for most of that decline was a decline of ¥24.7 billion in interest-bearing debt. The decline in total liabilities also included a decline in accrued expenses that resulted partly from Yokohama's progress in trimming costs. Net assets increased ¥19.2 billion, to ¥163.4 billion. That increase occurred as the improvement in net profitability bolstered retained earnings and as an increase in unrealized gains on listed equity shares bolstered Yokohama's unrealized gains on securities.

Cash flow

Net cash provided by operating activities increased ¥30.2 billion, principally because of the improvement in

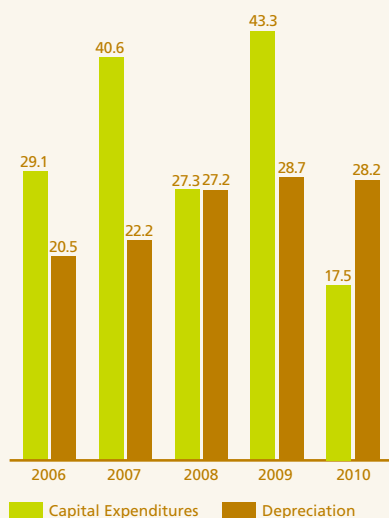
profitability before income taxes and minority interests and because of a reduction in inventories. Net cash used in investing activities declined ¥13.8 billion, reflecting the curtailment of capital spending. Free cash flow—net cash provided by operating activities less net cash used in investing activities—thus increased ¥44.0 billion, to ¥24.6 billion. The Company used the increase in free cash flow to repay borrowings and to fund dividend payments. Net cash used in financing activities totaled ¥29.4 billion. Cash and cash equivalents at year-end declined ¥4.7 billion, to ¥11.6 billion.

Fiscal outlook

Yokohama's projections for fiscal 2011 call for net sales to increase 11.5%, to ¥520.0 billion; for operating income to decline 16.1%, to ¥18.0 billion; and for net income to decline 30.4%, to ¥8.0 billion. Underlying the projected sales growth is an expected upturn in demand occasioned by economic recovery. The projected declines in operating income and net income reflect management's expectations of a further strengthening of the yen and an increase in raw material costs.

Capital Expenditures and Depreciation

Billions of Yen



Interest-Bearing Debt, Net Assets*, and Debt-to-Equity Ratio**

Billions of Yen, Times



* Less minority interests
** Interest-bearing debt divided by net assets less minority interests

Risk

Below is a partial listing of risks that could adversely affect the Company's business performance, financial position, or share price. All references to possible future events are from the standpoint of the fiscal year ended March 31, 2010.

Economic conditions

Vehicle tires account for most of the Company's worldwide revenues. Demand for those tires reflects economic conditions in nations and regions where the Company sells its products. Therefore, economic trends and developments that diminish demand in the Company's main markets—including Japan, North America, Europe, and Asian nations besides Japan—could adversely affect the Company's business performance and financial position.

Exchange rates

The Company conducts most of its business transactions and investment in yen, but it conducts some transactions and investment in dollars and in other currencies. The Company continues to expand its operations globally. That expansion will increase the Company's exposure to fluctuations in currency exchange rates. The Company hedges its exposure to currency exchange rates with forward exchange contracts and with other instruments, but hedging cannot fully offset the effect of fluctuations in currency exchange rates on the Company's business performance and financial position.

Seasonal factors

Historically, the Company's sales and earnings performance has tended to be stronger in the fiscal second half (October to March) than in the first half (April to September). That is partly because sales of studless snow tires are an important contributor to the Company's sales and earnings. It is also partly because purchases of warm-weather tires are most vigorous during the fiscal second half. A later-than-usual onset of winter or lighter-than-usual snowfall could diminish demand for snow tires and thereby adversely affect the Company's business performance and financial position.

Raw material prices

Yokohama's principal raw materials are natural rubber and petrochemical products, including synthetic rubber and carbon black. Sharp increases in prices for natural rubber or for crude oil could adversely affect the Company's business performance and financial position.

Access to funding

Instability in any of the world's principal financial markets could affect the Company's access to funding adversely. In addition, the lowering of the Company's credit rating by leading credit-rating agencies could adversely affect the Company's access to debt financing and could increase the Company's cost of funds. That could adversely affect the Company's financial performance and financial position.

Interest rates

As of March 31, 2010, the Company's interest-bearing debt was equivalent to 33.8% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position.

Securities

The Company owns marketable securities, mainly Japanese equities. A decline in the value of those securities could adversely affect the Company's financial performance and financial position.

Investment

In response to growing demand for automobile tires, the Company is investing in expanding its tire production capacity, especially in Asia. Changes in the regulatory environment, in economic conditions, in industrial circumstances, or in political and social stability in the host nations for the Company's investment could adversely affect the Company's business performance and financial position.

Retirement benefit obligations

The Company calculates retirement benefit obligations and retirement benefit expenses according to predetermined criteria, including expected returns on pension assets. If actual return on the Company's pension assets declined substantially below the expected return, that could adversely affect the Company's financial performance and financial position. Similarly, if the Company revised its retirement plan in a manner that increased future payment obligations as a result of unforeseen changes in actuarial calculations or for any other reason, that could adversely affect the Company's financial performance and financial position.

Natural disasters

Earthquakes and other natural disasters could damage the Company's plants and other facilities and could limit the Company's access to essential raw materials and services. That could adversely affect the Company's business performance and financial position.

Eleven-Year Summary

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
Fiscal Years Ended March 31

	2010	2009	2008	2007
Net sales	¥466,358	¥517,263	¥551,431	¥497,396
Operating income	21,455	12,808	33,119	21,070
Income (loss) before income taxes and minority interests	18,969	(3,166)	20,478	26,038
Net income (loss)	11,487	(5,654)	21,060	16,363
Depreciation	28,184	28,684	27,238	22,166
Capital expenditures	17,471	43,341	27,292	40,638
R&D expenditures	13,280	15,277	15,289	14,649
Interest-bearing debt	154,675	179,379	165,614	167,474
Total net assets	163,382	144,159	181,538	186,528
Total assets	466,973	473,376	526,192	536,322
Per share (yen):				
Net income (loss): basic	¥ 34.27	¥ (16.87)	¥ 62.81	¥ 48.79
Net assets	475.26	417.45	525.96	542.10
Cash dividends	10.00	10.00	13.00	12.00
Key financial ratios:				
Operating margin (%)	4.6	2.5	6.0	4.2
Return on shareholders' equity (%)	7.7	(3.6)	11.8	9.3
Capital turnover (times)	1.0	1.0	1.0	1.0
Interest-bearing debt to shareholders' equity (times)	1.0	1.3	0.9	0.9
Interest coverage (times)	8.0	4.3	9.0	7.0
Number of employees	17,566	16,772	16,099	15,423

	2006	2005	2004	2003	2002	2001	Millions of Yen 2000
	¥451,911	¥419,789	¥401,718	¥400,448	¥399,824	¥387,855	¥392,193
	21,947	20,955	21,073	23,184	22,701	19,845	19,043
	22,673	16,337	16,931	18,778	16,076	7,052	(13,692)
	21,447	11,322	10,331	10,144	7,363	96	(9,009)
	20,491	19,616	19,199	19,040	19,247	20,083	21,922
	29,067	27,533	23,735	22,708	16,940	18,118	19,470
	14,557	14,265	13,818	12,520	12,298	11,827	11,626
	163,022	151,758	159,700	167,832	179,098	191,289	198,930
	174,609	139,534	130,622	114,719	116	114,205	96,837
	502,014	432,717	429,350	412,626	437,771	448,130	425,927
	¥ 62.75	¥ 32.95	¥ 29.95	¥ 29.38	¥ 21.32	¥ 0.28	¥ (26.30)
	508.64	398.24	373.23	327.61	334.24	328.81	276.54
	10.00	8.00	8.00	8.00	6.00	—	6.00
	4.9	5.0	5.2	5.8	5.7	5.1	4.9
	14.0	8.6	8.6	8.9	6.5	0.1	(9.0)
	1.0	1.0	1.0	0.9	0.9	0.9	0.9
	1.0	1.1	1.2	1.5	1.6	1.7	2.1
	10.1	11.2	9.2	7.9	4.9	3.5	3.7
	14,617	13,464	13,264	12,979	13,130	13,362	13,764

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2010 and 2009

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Current Assets:			
Cash and deposits	¥ 11,561	¥ 16,274	\$ 124,256
Trade receivables:			
Notes and accounts (Note 6)	103,400	91,103	1,111,353
Inventories (Note 3)	67,612	86,976	726,701
Deferred income taxes (Note 15)	7,990	8,240	85,872
Other current assets	8,890	9,912	95,555
Allowance for doubtful receivables	(916)	(1,008)	(9,843)
Total current assets	198,537	211,497	2,133,894
Property, Plant and Equipment, at Cost (Notes 4, 5 and 10):			
Land	34,413	34,778	369,870
Buildings and structures	138,442	134,710	1,487,984
Machinery and equipment	403,587	390,334	4,337,784
Leased assets	2,082	1,484	22,378
Construction in progress	6,620	14,632	71,154
	585,144	575,938	6,289,170
Less accumulated depreciation	(401,191)	(381,644)	(4,312,029)
Total property, plant and equipment, net	183,953	194,294	1,977,141
Investments and Other Assets:			
Investment securities (Note 12)	59,257	43,869	636,899
Deferred income taxes (Note 15)	5,970	9,116	64,171
Other investments and other assets	20,169	16,174	216,775
Allowance for doubtful receivables	(913)	(1,575)	(9,814)
Total investments and other assets	84,483	67,585	908,031
Total assets	¥466,973	¥473,376	\$5,019,066

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Current Liabilities:			
Bank loans	¥ 74,770	¥ 77,649	\$ 803,637
Current maturities of long-term debt (Note 4)	23,295	15,538	250,372
Commercial paper	—	19,000	—
Trade notes and accounts payable	69,858	71,385	750,834
Accrued income taxes	1,942	1,608	20,875
Accrued expenses	25,457	29,791	273,616
Other current liabilities (Note 15)	10,665	12,365	114,631
Total current liabilities	205,987	227,336	2,213,965
Long-Term Liabilities:			
Long-term debt (Note 4)	56,610	67,193	608,446
Deferred income taxes (Note 15)	8,425	1,463	90,548
Reserve for pension and severance payments (Note 14)	16,913	17,448	181,780
Other long-term liabilities	15,656	15,777	168,281
Total long-term liabilities	97,604	101,881	1,049,055
Total liabilities	303,591	329,217	3,263,020
Contingent liabilities (Note 6)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares in 2010 and 2009			
Issued: 342,598,162 shares in 2010 and 2009	38,909	38,909	418,198
Capital surplus	31,953	31,953	343,432
Retained earnings (Note 8)	92,740	83,273	996,775
Treasury stock, at cost: 7,492,603 shares in 2010 and 7,408,825 shares in 2009	(4,730)	(4,700)	(50,838)
Total shareholders' equity	158,872	149,435	1,707,567
Valuation and Translation Adjustments:			
Unrealized gains on securities	16,402	7,966	176,288
Foreign currency translation adjustments	(16,010)	(17,478)	(172,076)
Total valuation and translation adjustments	392	(9,512)	4,212
Minority Interests	4,118	4,236	44,267
Total net assets	163,382	144,159	1,756,046
Total liabilities and net assets	¥466,973	¥473,376	\$5,019,066

Consolidated Statements of Operations

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	2010
Net sales	¥466,358	¥517,263	¥551,431	\$5,012,451
Cost of sales (Notes 5 and 7)	323,681	368,933	381,447	3,478,950
Gross profit	142,677	148,330	169,984	1,533,501
Selling, general and administrative expenses (Notes 5 and 7)	121,222	135,522	136,865	1,302,903
Operating income	21,455	12,808	33,119	230,598
Other income (expenses)				
Interest and dividend income	1,332	2,053	1,921	14,317
Interest expense	(2,848)	(3,479)	(3,898)	(30,607)
Other, net	(970)	(14,548)	(10,664)	(10,422)
	(2,486)	(15,974)	(12,641)	(26,712)
Income (loss) before income taxes and minority interests	18,969	(3,166)	20,478	203,886
Income taxes (Notes 2 and 15):				
Current	2,775	2,975	5,334	29,821
Deferred	4,337	(911)	(6,373)	46,618
	7,112	2,064	(1,039)	76,439
Minority interests in net income of consolidated subsidiaries	(370)	(424)	(457)	(3,982)
Net income (loss)	¥ 11,487	¥ (5,654)	¥ 21,060	\$ 123,465
Per Share Amounts:				
		Yen		U.S. Dollars (Note 1)
Net income (loss): basic	¥34.27	¥(16.87)	¥62.81	\$0.37
Net income: diluted	—	—	—	—
Cash dividends	¥10.00	¥10.00	¥13.00	\$0.11

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen								
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2007	342,598,162	¥38,909	¥31,953	¥80,065	¥(4,600)	¥146,327	¥35,460	¥4,741	¥186,528
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	(1,557)	—	(1,557)	—	—	(1,557)
Net income	—	—	—	21,060	—	21,060	—	—	21,060
Cash dividends paid	—	—	—	(4,694)	—	(4,694)	—	—	(4,694)
Increase in retained earnings due to merger	—	—	—	114	—	114	—	—	114
Decrease in retained earnings due to change in accounting policies in overseas subsidiaries	—	—	—	(132)	—	(132)	—	—	(132)
Repurchase of treasury stock, net	—	—	—	(0)	(81)	(81)	—	—	(81)
Valuation and translation adjustments									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(20,303)	—	(20,303)
Foreign currency translation adjustments	—	—	—	—	—	—	130	—	130
Increase in minority interests	—	—	—	—	—	—	—	473	473
Balance at March 31, 2008	342,598,162	38,909	31,953	94,856	(4,681)	161,037	15,287	5,214	181,538
Effect of changes in accounting policies applied to overseas subsidiaries	—	—	—	(163)	—	(163)	—	—	(163)
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	(1,398)	—	(1,398)	—	—	(1,398)
Net income	—	—	—	(5,654)	—	(5,654)	—	—	(5,654)
Cash dividends paid	—	—	—	(4,358)	—	(4,358)	—	—	(4,358)
Repurchase of treasury stock, net	—	—	—	(10)	(19)	(29)	—	—	(29)
Valuation and translation adjustments									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(11,366)	—	(11,366)
Foreign currency translation adjustments	—	—	—	—	—	—	(13,433)	—	(13,433)
Decrease in minority interests	—	—	—	—	—	—	—	(978)	(978)
Balance at March 31, 2009	342,598,162	38,909	31,953	83,273	(4,700)	149,435	(9,512)	4,236	144,159
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	663	—	663	—	—	663
Net income	—	—	—	11,487	—	11,487	—	—	11,487
Cash dividends paid	—	—	—	(2,681)	—	(2,681)	—	—	(2,681)
Repurchase of treasury stock, net	—	—	—	(2)	(30)	(32)	—	—	(32)
Valuation and translation adjustments									
Net unrealized gains and losses on securities	—	—	—	—	—	—	8,436	—	8,436
Foreign currency translation adjustments	—	—	—	—	—	—	1,468	—	1,468
Decrease in minority interests	—	—	—	—	—	—	—	(118)	(118)
Balance at March 31, 2010	342,598,162	¥38,909	¥31,953	¥92,740	¥(4,730)	¥158,872	¥ 392	¥4,118	¥163,382

See accompanying Notes to Consolidated Financial Statements.

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2009	\$418,198	\$343,432	\$895,021	\$(50,515)	\$1,606,136	\$(102,230)	\$45,529	\$1,549,435
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	7,135	—	7,135	—	—	7,135
Net income	—	—	123,462	—	123,462	—	—	123,462
Cash dividends paid	—	—	(28,821)	—	(28,821)	—	—	(28,821)
Repurchase of treasury stock, net	—	—	(22)	(323)	(345)	—	—	(345)
Valuation and translation adjustments								
Net unrealized gains and losses on securities	—	—	—	—	—	90,663	—	90,663
Foreign currency translation adjustments	—	—	—	—	—	15,779	—	15,779
Decrease in minority interests	—	—	—	—	—	—	(1,262)	(1,262)
Balance at March 31, 2010	\$418,198	\$343,432	\$996,775	\$(50,838)	\$1,707,567	\$ 4,212	\$44,267	\$1,756,046

Consolidated Statements of Cash Flows

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	2010
Operating Activities:				
Income (loss) before income taxes and minority interests	¥ 18,969	¥ (3,166)	¥ 20,478	\$ 203,885
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation (Notes 2 and 5)	28,184	28,684	27,238	302,922
Reserve for pension and severance payments	(526)	(1,052)	(1,930)	(5,657)
Gain on sale of investment securities	(718)	(303)	(168)	(7,721)
Loss on revaluation of investment securities	33	2,914	3,472	357
Other, net	1,103	5,210	3,136	11,854
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	(9,709)	18,140	(7,568)	(104,357)
Inventories	20,701	(12,618)	(5,473)	222,496
Notes and accounts payable	(3,575)	(9,413)	1,418	(38,421)
Other, net	(497)	(759)	7,072	(5,337)
Interest and dividends received	1,295	2,175	1,904	13,919
Interest paid	(2,845)	(3,488)	(3,920)	(30,580)
Income taxes paid	(2,570)	(6,445)	(4,010)	(27,619)
Compensation for damage paid	—	(188)	—	—
Net cash provided by operating activities	49,845	19,691	41,649	535,741
Investing Activities:				
Purchases of property, plant and equipment	(19,690)	(42,041)	(28,535)	(211,626)
Purchases of marketable securities and investment securities	(6,268)	(2,213)	(5,654)	(67,372)
Proceeds from sales of marketable securities, investment securities and property	1,230	2,234	564	13,219
Proceeds from redemption of investment securities	—	2,000	—	—
Other, net	(502)	989	(110)	(5,400)
Net cash used in investing activities	(25,230)	(39,031)	(33,735)	(271,179)
Financing Activities:				
Increase (decrease) in short-term bank loans	(3,782)	761	18,916	(40,646)
Increase (decrease) in commercial paper	(19,000)	18,000	—	(204,213)
Proceeds from long-term debt	13,167	7,439	4,022	141,517
Decrease in long-term debt	(16,363)	(4,708)	(25,894)	(175,874)
Proceeds from issuance of bonds	—	10,000	—	—
Redemption of bonds	—	(10,000)	—	—
Payment of cash dividends	(2,728)	(4,357)	(4,694)	(29,324)
Other, net	(729)	(397)	3,642	(7,827)
Net cash provided by (used in) financing activities	(29,435)	16,738	(4,008)	(316,367)
Effect of exchange rate changes on cash and cash equivalents	140	(2,922)	340	1,502
Increase (decrease) in cash and cash equivalents	(4,680)	(5,524)	4,246	(50,303)
Cash and cash equivalents at beginning of year	16,239	19,530	14,812	174,539
Effect of changes in consolidation scope on cash and cash equivalents	—	2,233	472	—
Cash and cash equivalents at end of year	¥ 11,559	¥ 16,239	¥ 19,530	\$ 124,236

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. (the "Company"), and its domestic consolidated subsidiaries were prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The Company's subsidiaries in the United States of America (the "USA") prepared their financial statements in accordance with accounting principles generally accepted in the USA.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically to present these statements in a form that is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under accounting principles generally accepted in Japan.

The U.S. dollar amounts included herein are solely for the convenience of the reader and have been translated from the Japanese yen amounts at the rate of ¥93.04 = US\$1.00, the approximate exchange rate prevailing on March 31, 2010.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned domestic and foreign subsidiaries (together, the "Companies"). Investment in significant unconsolidated subsidiaries and affiliated companies (companies owned 20% to 50%) is accounted for by the equity method.

All significant intercompany transactions and balances have been eliminated in consolidation. The excess of the cost of the Companies' investments in subsidiaries and affiliated companies over their equity in the net assets at the dates of acquisition was not material and was fully written off when acquired.

b. Foreign Currency Translation

Foreign currency receivables and payables are translated at the year-end spot rates. The resulting exchange gains and losses are charged or credited to income.

The assets and liabilities of the consolidated subsidiaries outside Japan are translated at the fiscal year-end rates of those companies, and the income and expense accounts of those companies are translated at the average rates of those companies.

Differences arising from such translation are recorded in foreign currency translation adjustments and minority interests in net assets.

c. Cash Equivalents

For purposes of the consolidated statements of cash flows, highly liquid investments with a maturity of three months or less are considered cash equivalents.

d. Marketable Securities and Investment Securities

Securities classified as available for sale and whose fair value is readily determinable are carried at fair value with unrealized gains or losses included as a component of net assets, net of applicable taxes. Costs are determined by the moving-average method.

Securities whose fair value is not readily determinable are carried at cost. Costs are determined by the moving-average method.

e. Derivative Instruments

Derivative instruments whose fair value is readily determinable are carried at fair value.

f. Inventories

Inventories are stated at cost determined by the moving-average method, except that the finished products of certain domestic subsidiaries are valued by the most recent purchase price method and inventories of certain foreign subsidiaries are valued at the lower of cost based on the first-in first-out method or market. The book value of inventories of the Company and its domestic consolidated subsidiaries reflects a write-down due to declines in profitability.

g. Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided at an estimated amount of probable bad debts plus an amount based on past credit loss experience.

h. Depreciation

Depreciation of property, plant and equipment is computed principally by the declining-balance method based on the estimated useful lives of the respective assets.

i. Reserve for Severance Payments and Employee Benefit Plans

Employees who terminate their service with the Companies are, under most circumstances, entitled to lump-sum severance payments determined by reference to their current basic rate of pay and length of service. The Company and certain consolidated subsidiaries have noncontributory pension plans for termination caused by age limit.

The Companies accounted for these liabilities based on the projected benefit obligations and plan assets at the balance sheet date.

Unrecognized actuarial gain and loss are amortized starting in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 10 years, which is shorter than the average remaining service period of employees.

Unrecognized prior service cost is amortized by the straight-line method over 10 years.

In addition to providing pension and severance benefits, certain foreign subsidiaries sponsor several unfunded defined benefit postretirement plans that provide certain health care and life insurance benefits to eligible employees and, in 1993, adopted Statement of Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106).

Additionally, on December 31, 2007, those subsidiaries adopted SFAS No. 158, "Employers' Accounting for Defined Pension and Other Postretirement Plans—an Amendment of Financial Accounting Standards Board Statements No. 87, 88, 106, and 132(R)."

j. Income Taxes

Income taxes in Japan comprise a corporate tax, an enterprise tax and prefectural and municipal inhabitants' taxes.

Provision is made for deferred income taxes arising from temporary differences between assets or liabilities for financial and tax reporting purposes.

k. Revenue Recognition

Sales of products are recognized upon product shipments to customers.

l. Research and Development Costs

Research and development costs are charged to income as incurred.

m. Earnings per Share

Basic net income per share is computed by dividing net income available to common shareholders by the average number of common shares outstanding during each period. Diluted net income per share is not disclosed because there were no dilutive securities in the years ended March 31, 2010, 2009, and 2008.

n. Adoption of New Accounting Standards

Effective as of the fiscal year ended March 31, 2010, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008) and made requisite adjustments.

This change had no effect on operating income, ordinary income or income before income taxes.

3. Inventories

Inventories at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finished products	¥47,229	¥61,392	\$507,615
Work in process	7,523	8,588	80,857
Raw materials and supplies	12,860	16,996	138,229
	¥67,612	¥86,976	\$726,701

4. Long-Term Debt

Long-term debt at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
0.84% straight bonds due 2010	¥10,000	¥10,000	\$107,481
1.688% straight bonds due 2013	10,000	10,000	107,481
1.68% straight bonds due 2014	10,000	10,000	107,481
Loans, principally from banks and insurance companies	49,904	52,731	536,376
	79,904	82,731	858,819
Less current maturities	13,295	15,538	142,891
	¥66,609	¥67,193	\$715,928

Assets pledged to secure bank loans and long-term debt at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Property, plant and equipment	¥58,479	¥65,028	\$628,541

5. Depreciation

Depreciation charges were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Selling, general and administrative expenses	¥ 2,964	¥ 3,137	¥ 3,370	\$ 31,855
Manufacturing costs	¥25,220	¥25,547	¥23,868	\$271,067

6. Contingent Liabilities

Contingent liabilities at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Notes discounted and endorsed	¥ —	¥ 367	\$ —
Guarantees	¥1,912	¥1,248	\$20,551

7. Research and Development Expenses

Research and development expenses charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2010, 2009, and 2008 were ¥13,280 million (\$142,741 thousand), ¥15,277 million and ¥15,289 million, respectively.

8. Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Corporate Law of Japan is based on the amount stated in the nonconsolidated financial statements of the Company. Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable.

9. Supplementary Cash Flow Information

Cash and cash equivalents as of the years ended March 31, 2010, 2009 and 2008 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Cash and deposits	¥11,561	¥16,274	¥19,589	\$124,256
Time deposits with maturities of more than three months	(2)	(35)	(59)	(20)
Cash and cash equivalents	¥11,559	¥16,239	¥19,530	\$124,236

10. Leases

Leased assets under finance lease agreements include molds and warehouse equipment. Depreciation of leased assets is computed by the straight-line method over the term of the leases.

Future rental payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Within one year	¥ 741	¥ 773	\$ 7,960
After one year	3,033	3,501	32,601
	¥3,774	¥4,274	\$40,561

11. Financial Instruments

a. Policies for the Status of Financial Instruments

The Companies raise funds through bank loans and the issuance of corporate bonds, mainly in accordance with their capital investment plan for manufacturing and selling tires, and raise short-term working capital through commercial paper.

Derivative transactions are carried out to reduce risks, as mentioned below, and not for speculative trading.

b. Matters and Risks of Financial Instruments

Trade receivables, which are notes and accounts receivable, are subject to customer credit risk. Also, some trade receivables denominated in foreign currencies as a result of global business are subject to exchange rate fluctuation risk. Therefore, the Companies use forward exchange contracts for hedging purposes.

Securities, principally corporate equities, are subject to market price fluctuation risk.

Trade liabilities, which are notes and accounts payable, are mostly due within one year. Some trade liabilities denominated in foreign currencies in relation to imported raw materials are subject to exchange rate fluctuation risk.

Bank loans and corporate bonds are for the purpose of capital investment. The longest maturity is six and half years after March 31, 2010. Some of the bank loans and corporate bonds have floating interest rates and are subject to interest rate fluctuation risk.

Derivative transactions are forward exchange contracts and currency swaps for the purpose of hedging against exchange rate fluctuation risk in relation to trade receivables and trade liabilities denominated in foreign currencies and interest rate swaps for the purpose of hedging against interest rate fluctuation risk in relation to bank loans.

c. Risk Management of Financial Instruments

(1) Credit risk management (customer credit default)

Under credit management standards, the Companies manage due dates and balances of trade receivables for customers to assess and reduce collection risks.

Derivative transactions are only carried out with high-rated financial institutions to reduce credit risks.

The amounts of the largest credit risks as of March 31, 2010, are indicated in the balance sheets accounting for the financial assets subject to those risks.

(2) Market risk management (fluctuation risk of foreign currency exchange rates and interest rates and others)

The Company and some of its consolidated subsidiaries use forward exchange contracts and currency swaps to hedge against exchange rate fluctuation risk in connection with trade receivables and trade liabilities denominated in foreign currencies. They assess the amount of risk monthly by currency. Some consolidated subsidiaries also use interest swaps to hedge against interest rate fluctuation risk in connection with bank loans.

The Companies regularly assess the fair market value of their holdings of securities issued by customer corporations. They also assess the financial condition of the issuers of those securities and review the holdings in light of the status of their business relationships with the issuers.

Derivative transactions are carried out under internal regulations that specify trading authority and limits, and details of transactions are reported to the responsible executive officers. Consolidated subsidiaries also manage their derivative transactions in accordance with the regulations.

(3) Liquidity risk in fund-raising management (risk of being unable to make payment at due date)

Based on reports from each department, the corporate finance and accounting department prepares a cash flow plan and revises as appropriate to reduce liquidity risk.

d. Supplementary Information about the Fair Value of Financial Instruments

The fair value of financial instruments is the market price or, for instruments that do not have market price, a value calculated by appropriate means. The calculation of fair values incorporates variables, and the values are therefore subject to change, depending on diverse factors. The contract amounts for derivative transactions cited in "13. Derivative Instruments" do not indicate the market risk related to derivative transactions.

e. Fair Value of Financial Instruments

The amounts recorded on the consolidated balance sheets for fair values and for the variances between them as of March 31, 2010, were as follows. However, financial instruments whose fair value is extremely difficult to ascertain are not included in the table below (see Note 2).

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Book Value on the Consolidated Balance Sheets	Fair Value	Variance	Book Value on the Consolidated Balance Sheets	Fair Value	Variance
(1) Cash and deposits	¥ 11,561	¥ 11,561	¥ —	\$ 124,256	\$ 124,256	\$ —
(2) Trade receivables: notes and accounts	103,400	103,400	—	1,111,353	1,111,353	—
(3) Investment securities	53,727	53,727	—	577,466	577,466	—
Total assets	168,688	168,688	—	1,813,075	1,813,075	—
(1) Trade notes and accounts payable	69,858	69,858	—	750,834	750,834	—
(2) Short-term loans payable	88,065	88,065	—	946,528	946,528	—
(3) Accrued expenses	25,457	25,457	—	273,616	273,616	—
(4) Bonds	30,000	30,075	75	322,442	323,247	805
(5) Long-term loans payable	49,904	50,020	116	536,376	537,624	1,248
(6) Long-term deposits received	3,194	3,450	256	34,330	37,079	2,749
Total liabilities	266,478	266,925	447	2,864,126	2,868,928	4,802
Derivative transactions*	(62)	(62)	—	(666)	(666)	—

* The net amount of the assets and liabilities arising from derivatives is shown. If the net amount is liabilities, it is written in parentheses.

Note 1. Method of fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash and deposits and (2) trade receivables: notes and accounts

The fair value of these assets is approximately equivalent to its book values because of short-term settlement, so the book values are indicated.

(3) Investment securities

The fair value of securities is based on the market price on the stock exchanges.

See "12. Securities" regarding the variances between the amounts booked on the consolidated balance sheets and the acquisition costs.

Liabilities

(1) Trade notes and accounts payable, (2) short-term loans payable, and (3) accrued expenses

The fair value of these liabilities is approximately equivalent to its book values because of short-term settlement, so the book values are indicated.

(4) Bonds

The fair value of bonds is calculated based on the present value of the sum of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and credit risk.

(5) Long-term loans payable

The fair value of long-term loans payable is calculated based on the present value of the sum of principal and interest discounted by an interest rate determined taking into account the remaining period of each loan and credit risk.

(6) Long-term deposits received

The fair value of long-term deposits received is calculated based on the present value of the sum of principal and interest, which are handled together with currency swaps, discounted by an interest rate determined taking into account the remaining period of each deposit and credit risk, because long-term deposits received is the subject of the allocation method of currency swaps.

Derivative transactions

See "13. Derivative Instruments."

Note 2. Financial instruments whose fair value is extremely difficult to ascertain were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
	Book Value on the Consolidated Balance Sheets	Book Value on the Consolidated Balance Sheets
Unlisted stocks and others	¥5,530	\$59,433

(Note) These financial instruments are not included in "(3) Investment securities." It is extremely difficult to ascertain the fair values because they do not have market prices.

Note 3. The amount of monetary claims and securities with maturity to be redeemed after the consolidated closing date was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
	Within One Year	Within One Year
Deposits	¥ 11,556	\$ 124,204
Trade receivables: notes and accounts	103,400	1,111,353
Total	¥114,956	\$1,235,557

Note 4. The amount of bonds, long-term loans payable and other liabilities with interest to be repaid after the consolidated closing date was as follows:

Millions of Yen						
2010						
	Within One Year	Over One Year, within Two Years	Over Two Years, within Three Years	Over Three Years, within Four Years	Over Four Years, within Five Years	Over Five Years
Bonds	¥ 10,000	¥ —	¥ —	¥10,000	¥10,000	¥ —
Long-term loans payable	13,295	8,599	6,372	6,067	6,908	8,663
Other liabilities with interest	88,065	—	—	—	3,194	—
Total	¥111,360	¥8,599	¥6,372	¥16,067	¥20,102	¥8,663

Thousands of U.S. Dollars						
2010						
	Within One Year	Over One Year, within Two Years	Over Two Years, within Three Years	Over Three Years, within Four Years	Over Four Years, within Five Years	Over Five Years
Bonds	\$ 107,481	\$ —	\$ —	\$107,481	\$107,481	\$ —
Long-term loans payable	142,891	92,426	68,486	65,210	74,246	93,110
Other liabilities with interest	946,528	—	—	—	34,330	—
Total	\$1,196,900	\$92,426	\$68,486	\$172,691	\$216,057	\$93,110

The “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and the “Guidance on Disclosures about the Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008) are adopted from the consolidated fiscal year ended March 31, 2010.

12. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2010 and 2009, were as follows:

Millions of Yen								
2010				2009				
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale:								
Stock	¥26,278	¥53,727	¥27,647	¥(198)	¥26,501	¥39,860	¥16,127	¥(2,768)

Thousands of U.S. Dollars				
2010				
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as available for sale:				
Stock	\$282,440	\$577,466	\$297,158	\$(2,132)

Sales of securities classified as available-for-sale securities amounted to ¥896 million (\$9,625 thousand), with an aggregate gain of ¥718 million (\$7,721 thousand) and a loss of ¥32 million (\$342 thousand) for the year ended March 31, 2010. The corresponding amounts for the year ended March 31, 2009, were ¥1,050 million and an aggregate gain of ¥302 million.

Note: Unlisted stocks, whose book value on the consolidated balance sheets is ¥1,296 million (\$13,929 thousand), are not included in the above table. It is extremely difficult to ascertain the fair values because they do not have market prices.

In the preceding table for the fiscal year 2010, "Cost" is the book value after impairment. Loss from revaluation of securities amounted to ¥33 million (\$357 thousand).

13. Derivative Instruments

Fair value information of derivative instruments, for which deferral hedged accounting has not been applied, at March 31, 2010 and 2009, was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2010			2009			2010		
	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains	Contract Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:									
EURO	¥3,114	¥ 109	¥ 109	¥5,660	¥ 5,818	¥(158)	\$33,469	\$ 1,174	\$ 1,174
U.S. dollar	3,761	(110)	(110)	2,908	2,978	(71)	40,429	(1,179)	(1,179)
Others	1,560	(60)	(60)	1,422	1,507	(84)	16,760	(654)	(654)
	¥8,435	¥ (61)	¥ (61)	¥9,990	¥10,303	¥(313)	\$90,658	\$ (659)	\$ (659)

	Millions of Yen						Thousands of U.S. Dollars		
	2010			2009			2010		
	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized Losses
Interest rate swap agreements									
	¥33	¥(1)	¥(1)	¥41	¥(1)	¥(1)	\$355	\$(7)	\$(7)
	¥—	¥(1)	¥(1)	¥—	¥(1)	¥(1)	\$ —	\$(7)	\$(7)

Fair value information of derivative instruments, for which deferral hedged accounting has been applied, at March 31, 2010, was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2010		2010		2010		2010	
Forward exchange contracts with allocation method:	Contract Amount	Over One Year	Fair Value	Unrealized Losses	Contract Amount	Over One Year	Fair Value	Unrealized Losses
Long-term deposits received	¥3,194	¥3,194	*	¥ —	\$34,330	\$34,330	\$ —	\$ —
Stock	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —

*Amounts settled by the allocation method of currency swaps are handled together with long-term deposits received that are regarded as the subject of hedging. See "11. Financial Instruments" for their fair value.

14. Pension and Severance Plans

a. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligations	¥(29,564)	¥(30,732)	\$(317,761)
Fair value of plan assets	10,462	8,679	112,451
Funded status	(19,102)	(22,053)	(205,310)
Unrecognized actuarial gain and loss	1,642	3,958	17,655
Unrecognized prior service cost	547	647	5,879
Net amount recognized	¥(16,913)	¥(17,448)	\$(181,776)

b. The components of net pension and severance costs for the years ended March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥1,851	¥1,851	\$19,895
Interest cost	604	626	6,495
Expected return on plan assets	—	—	—
Recognized actuarial gains	577	194	6,198
Recognized prior service cost	100	100	1,070
Net periodic benefit cost	3,132	2,771	33,658
Contribution of defined contribution benefit plan	492	502	5,289
	¥3,624	¥3,273	\$38,947

c. Assumptions used as of March 31, 2010 and 2009, were as follows:

	2010	2009
Discount rate	2.5%	2.5%
Expected return rate on plan assets	0.00%	0.00%

15. Deferred Income Taxes

a. Significant components of the deferred income tax assets and liabilities at March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Liabilities for pension and severance payments	¥ 11,615	¥ 11,806	\$ 124,840
Net operating loss carryforwards	3,650	7,533	39,235
Unrealized profits	4,489	4,073	48,249
Accrued expenses	2,389	2,353	25,676
Loss on revaluation of investment securities	51	128	545
Other	7,886	8,343	84,760
Gross deferred tax assets	30,080	34,237	323,305
Less valuation allowance	(4,549)	(4,434)	(48,889)
Total deferred tax assets	25,531	29,802	274,416
Deferred tax liabilities:			
Unrealized gains on securities	(11,025)	(5,350)	(118,496)
Liabilities for pension and severance payments	(3,446)	(3,446)	(37,043)
Gain on receipt of stock set by pension plan	(2,103)	(2,103)	(22,600)
Property, plant and equipment	(1,684)	(1,775)	(18,100)
Other	(1,786)	(1,284)	(19,199)
Total deferred tax liabilities	(20,044)	(13,958)	(215,438)
Net deferred tax assets	¥ 5,487	¥ 15,844	\$ 58,978

b. A reconciliation of the statutory income tax rate to the effective income tax rate was as follows:

	Years ended March 31	
	2010	2009
Statutory income tax rate in Japan	40.3 %	40.3 %
Valuation allowance for net operating loss carryforwards	(1.7)	(63.2)
Permanently nondeductible expenses	2.5	(13.1)
Permanently nontaxable income	(5.7)	11.7
Valuation allowance	0.6	(33.9)
Other	1.5	(7.0)
Effective income tax rate	37.5 %	(65.2)%

16. Business Combination

(Transactions under common control)

A consolidated subsidiary, Yokohama Tire Sales Tokyo Co., Ltd. and eighteen other domestic tire sales companies which are also consolidated subsidiaries merged on July 1, 2009. An outline of the merger is as follows:

a. Outline of the business combination

1. Name of the acquired company

Yokohama Tire Sales Tokyo Co., Ltd. and eighteen other consolidated subsidiaries

2. Description of its business

Sales of tires and related goods

3. Date of the business combination

July 1, 2009

4. Legal form of the business combination

The merger was a merger by absorption, with Yokohama Tire Sales Kanagawa Co., Ltd. as the surviving company

5. Name of the company after the business combination

Yokohama Tire Japan Co., Ltd. (a consolidated subsidiary)

6. Reason for the business combination

The Yokohama Rubber Co., Ltd., is gradually carrying out the reorganization of its domestic replacement tire sales and marketing businesses for the purpose of reinforcing its sales system and network and effective management.

As the first step, Yokohama Tire Japan Co., Ltd., has been established by merging eighteen domestic tire sales companies and one marketing company.

b. Outline of accounting method

Based on "Accounting Standard for Business Combinations" (the Business Accounting Council issued on October 31, 2003) and revised implementation guidance "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, November 15, 2007), the above business combination is accounted for as transactions under common control.

17. Segment Information

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2010, 2009, and 2008, are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2010					
Sales to third parties	¥367,517	¥ 98,841	¥466,358	¥ —	¥466,358
Intergroup sales and transfers	48	11,497	11,545	(11,545)	—
Total sales	367,565	110,338	477,903	(11,545)	466,358
Operating expenses	347,103	109,458	456,561	(11,658)	444,903
Operating income	¥ 20,462	¥ 880	¥ 21,342	¥ 113	¥ 21,455
Total assets at end of year	¥351,715	¥133,754	¥485,469	¥(18,496)	¥466,973
Depreciation	¥ 23,404	¥ 4,486	¥ 27,890	¥ 294	¥ 28,184
Capital expenditures	¥ 14,832	¥ 2,394	¥ 17,226	¥ 245	¥ 17,471
Year ended March 31, 2009					
Sales to third parties	¥399,729	¥117,534	¥517,263	¥ —	¥517,263
Intergroup sales and transfers	73	19,113	19,186	(19,186)	—
Total sales	399,802	136,647	536,449	(19,186)	517,263
Operating expenses	389,912	133,228	523,140	(18,685)	504,455
Operating income	¥ 9,890	¥ 3,419	¥ 13,309	¥ (501)	¥ 12,808
Total assets at end of year	¥362,011	¥132,867	¥494,878	¥(21,502)	¥473,376
Depreciation	¥ 23,669	¥ 4,615	¥ 28,284	¥ 400	¥ 28,684
Capital expenditures	¥ 38,425	¥ 5,309	¥ 43,734	¥ (393)	¥ 43,341
Year ended March 31, 2008					
Sales to third parties	¥419,834	¥131,597	¥551,431	¥ —	¥551,431
Intergroup sales and transfers	83	12,478	12,561	(12,561)	—
Total sales	419,917	144,075	563,992	(12,561)	551,431
Operating expenses	393,867	137,030	530,897	(12,585)	518,312
Operating income	¥ 26,050	¥ 7,045	¥ 33,095	¥ 24	¥ 33,119
Total assets at end of year	¥397,181	¥146,727	¥543,908	¥(17,716)	¥526,192
Depreciation	¥ 22,455	¥ 4,214	¥ 26,669	¥ 569	¥ 27,238
Capital expenditures	¥ 23,064	¥ 3,776	¥ 26,840	¥ 452	¥ 27,292
Thousands of U.S. Dollars					
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2010					
Sales to third parties	\$3,950,099	\$1,062,352	\$5,012,451	\$ —	\$5,012,453
Intergroup sales and transfers	520	123,565	124,085	(124,083)	—
Total sales	3,950,619	1,185,917	5,136,536	(124,083)	5,012,453
Operating expenses	3,730,690	1,176,460	4,907,150	(125,295)	4,781,855
Operating income	\$ 219,929	\$ 9,457	\$ 229,386	\$ 1,212	\$ 230,598
Total assets at end of year	\$3,780,256	\$1,437,597	\$5,217,853	\$(198,788)	\$5,019,065
Depreciation	\$ 251,549	\$ 48,216	\$ 299,765	\$ 3,157	\$ 302,922
Capital expenditures	\$ 159,416	\$ 25,736	\$ 185,152	\$ 2,636	\$ 187,788

Geographical Areas

	Millions of Yen						
	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2010						
Sales to third parties	¥324,015	¥90,551	¥21,966	¥29,826	¥466,358	¥ —	¥466,358
Inter-area sales and transfers	53,761	38	31,950	—	85,749	(85,749)	—
Total sales	377,776	90,589	53,916	29,826	552,107	(85,749)	466,358
Operating expenses	360,934	88,430	50,512	29,343	529,219	(84,316)	444,903
Operating income	¥ 16,842	¥ 2,159	¥ 3,404	¥ 483	¥ 22,888	¥ (1,433)	¥ 21,455
Total assets at end of year	¥382,593	¥55,277	¥71,286	¥17,051	¥526,207	¥(59,234)	¥466,973
	Year ended March 31, 2009						
Sales to third parties	¥359,319	¥101,789	¥23,640	¥32,515	¥517,263	¥ —	¥517,263
Inter-area sales and transfers	71,154	392	40,849	—	112,395	(112,395)	—
Total sales	430,473	102,181	64,489	32,515	629,658	(112,395)	517,263
Operating expenses	426,031	98,144	62,495	30,972	617,642	(113,187)	504,455
Operating income	¥ 4,442	¥ 4,037	¥ 1,994	¥ 1,543	¥ 12,016	¥ 792	¥ 12,808
Total assets at end of year	¥388,034	¥ 57,586	¥72,170	¥14,204	¥531,994	¥(58,618)	¥473,376
	Year ended March 31, 2008						
Sales to third parties	¥387,217	¥111,995	¥22,993	¥29,226	¥551,431	¥ —	¥551,431
Inter-area sales and transfers	67,226	1,062	34,680	—	102,968	(102,968)	—
Total sales	454,443	113,057	57,673	29,226	654,399	(102,968)	551,431
Operating expenses	431,543	106,343	54,879	28,179	620,944	(102,632)	518,312
Operating income	¥ 22,900	¥ 6,714	¥ 2,794	¥ 1,047	¥ 33,455	¥ (336)	¥ 33,119
Total assets at end of year	¥416,023	¥ 70,574	¥74,548	¥17,450	¥578,595	¥ (52,403)	¥526,192
	Thousands of U.S. Dollars						
	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2010						
Sales to third parties	\$3,482,545	\$973,243	\$236,092	\$320,573	\$5,012,453	\$ —	\$5,012,453
Inter-area sales and transfers	577,820	411	343,401	—	921,632	(921,632)	—
Total sales	4,060,365	973,654	579,493	320,573	5,934,085	(921,632)	5,012,453
Operating expenses	3,879,341	950,451	542,911	315,377	5,688,080	(906,225)	4,781,855
Operating income	\$ 181,024	\$ 23,203	\$ 36,582	\$ 5,196	\$ 246,005	\$ (15,407)	\$ 230,598
Total assets at end of year	\$4,112,139	\$594,124	\$766,187	\$183,263	\$5,655,713	\$(636,648)	\$5,019,065

Overseas Sales

Millions of Yen

	North America	Other	Total
Year ended March 31, 2010			
(A) Overseas sales	¥97,570	¥110,336	¥207,906
(B) Consolidated net sales			¥466,358
(C) (A) / (B) × 100	20.9%	23.7%	44.6%

Year ended March 31, 2009

(A) Overseas sales	¥105,040	¥122,733	¥227,773
(B) Consolidated net sales			¥517,263
(C) (A) / (B) × 100	20.3%	23.7%	44.0%

Year ended March 31, 2008

(A) Overseas sales	¥117,109	¥125,817	¥242,926
(B) Consolidated net sales			¥551,431
(C) (A) / (B) × 100	21.2%	22.8%	44.1%

Thousands of U.S. Dollars

	North America	Other	Total
Year ended March 31, 2010			
(A) Overseas sales	\$1,048,685	\$1,185,904	\$2,234,589
(B) Consolidated net sales			\$5,012,451
(C) (A) / (B) × 100	20.9%	23.7%	44.6%

Report of Independent Auditors



Ernst & Young ShinNihon L.L.C
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

The Board of Directors and Shareholders
The Yokohama Rubber Co., Ltd.

We have audited the accompanying consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2010, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in Japanese yen, present fairly, in all material respects, the consolidated financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 25, 2010

Principal Operations in Japan



Production Facilities

①	Mie Plant	Tires for trucks, buses, light trucks, passenger cars
②	Mishima Plant	Tires for passenger cars and light trucks, racing tires
③	Onomichi Plant	Off-the-road tires
④	Shinshiro Plant	Tires for passenger cars and light trucks
⑤	Shinshiro-Minami Plant	Tires for passenger cars
⑥	Hiratsuka Factory	Industrial products, aerospace products, sporting goods
⑦	Hamatite Plant	Sealing materials, adhesives
⑧	Hiratsuka-Higashi Plant	Couplings for air-conditioning equipment, oil pressure hose joints, oil pressure hose assemblies
⑨	Ibaraki Plant	High-pressure hoses, sealing materials
⑩	Nagano Plant	Oil pressure hose joints, oil pressure hose assemblies

Head Office and Principal Marketing Subsidiaries and Affiliates

⑪	Head Office	
⑫	Yokohama Continental Tire Co., Ltd.	Comprehensive import sales distributor for Continental AG
⑬	Yokohama Tire Japan	Sales of tires and related products
⑭	Yokohama Rubber MBH Company	Sales of industrial products and related products
⑮	Yokohama Rubber MBT Company	Sales of industrial products and related products
⑯	Yokohama Rubber MBE Company	Sales of industrial products and related products
⑰	Tokyo Hamatite Company	Sales of industrial products and related products
⑱	Yokohama Rubber MBM Company	Sales of industrial products and related products
⑲	Yokohama Rubber MBW Company	Sales of industrial products and related products
⑳	Yokohama Rubber MBC Company	Sales of industrial products and related products
㉑	Yokohama Rubber MBK Company	Sales of industrial products and related products

Proving Grounds

㉒	D-PARK	Comprehensive tire proving ground
㉓	T★ MARY	Comprehensive tire proving ground

Overseas Subsidiaries and Affiliates



Americas

United States	① Yokohama Tire Corporation	Production and sales of tires and related products
	② SAS Rubber Company	Production and sales of hoses
	③ YH America, Inc.	Production and sales of windshield sealants and hoses
	④ Yokohama Aerospace America, Inc.	Sales of aircraft components
Canada	⑤ Yokohama Tire (Canada) Inc.	Sales of tires and related products
Brazil	⑥ Yokohama Rubber Latin America Indústria e Comércio Ltda.	Marketing support and services for Latin American distributors

Europe

United Kingdom	⑦ Yokohama H.P.T Ltd.	Sales of tires and related products
Switzerland	⑧ Yokohama Suisse SA	Sales of tires and related products
Sweden	⑨ Yokohama Scandinavia AB	Sales of tires and related products
Germany	⑩ Yokohama Reifen GmbH	Sales of tires and related products
	⑪ Yokohama Europe GmbH	Marketing support and services for European distributors
	⑫ Yokohama Industrial Products Europe, GmbH	Sales of hoses and marine products
Austria	⑬ Yokohama Austria GmbH	Sales of tires and related products
Denmark	⑭ Yokohama Danmark A/S	Sales of tires and related products
Spain	⑮ Yokohama Iberia, S.A.	Sales of tires and related products
Russia	⑯ Yokohama Russia L.L.C.	Sales of tires and related products
Belgium	⑰ N.V. Yokohama Belgium S.A.	Sales of tires and related products

Middle East

Dubai	⑱ Dubai Head Office	Business coordination
Saudi Arabia	⑲ Jeddah Office	Business coordination



Asia			
China	20	Hangzhou Yokohama Tire Co., Ltd.	Production and sales of tires and related products
	21	Yokohama Hoses & Coupling (Hangzhou) Co., Ltd.	Production and sales of hoses
	22	Yokohama Hamatite (Hangzhou) Co., Ltd.	Production and sales of windshield sealants
	23	Suzhou Yokohama Tire Co., Ltd.	Production and sales of tires and related products
	24	Yokohama Tire Sales (Shanghai) Co., Ltd.	Sales of tires and related products
	25	Yokohama Rubber (China) Co., Ltd.	Management company for Chinese operations
Taiwan	26	Shandong Yokohama Rubber Industrial Products Co., Ltd.	Production and sales of conveyor belts
	27	Yokohama Tire Taiwan Co., Ltd.	Sales of tires and related products
South Korea	28	SC Kingflex Corporation	Production and sales of hoses
	29	Yokohama Tire Korea Co., Ltd.	Sales of tires and related products
Philippines	30	Yokohama Tire Philippines, Inc.	Production and sales of tires and related products
	31	Yokohama Tire Sales Philippines, Inc.	Sales of tires and related products
Thailand	32	Yokohama Tire Sales (Thailand) Co., Ltd.	Sales of tires and related products
	33	Yokohama Asia Co., Ltd.	Marketing support and services for Asian distributors
	34	Yokohama Tire Manufacturing (Thailand) Co., Ltd.	Production and sales of tires and related products
	35	Yokohama Rubber (Thailand) Co., Ltd.	Production and sales of windshield sealants and hoses
	36	Tire Test Center of Asia	Comprehensive tire proving ground
India	37	Yokohama India Pvt. Ltd.	Sales of tires and related products
Vietnam	38	Yokohama Tyre Vietnam Inc.	Production and sales of tires and related products
Singapore	39	Singapore Branch	Business coordination
Oceania			
Australia	40	Yokohama Tyre Australia Pty., Ltd.	Sales of tires and related products

Investor Information

As of March 31, 2010

Company Name:

The Yokohama Rubber Co., Ltd.

Head Office:

36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan

Established:

October 13, 1917

Paid-in Capital:

¥38,909 million

Fiscal Year-end:

March 31

General Meeting of Shareholders:

June

Transfer Agent:

The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Stock Exchange Listings:

Tokyo, Osaka, Nagoya

Contact Points for Investors:

PR/IR section, Corporate Communications Dept.
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
Phone: 81-(0)3-5400-4531 Facsimile: 81-(0)3-5400-4570

Investor Relations Web Site:

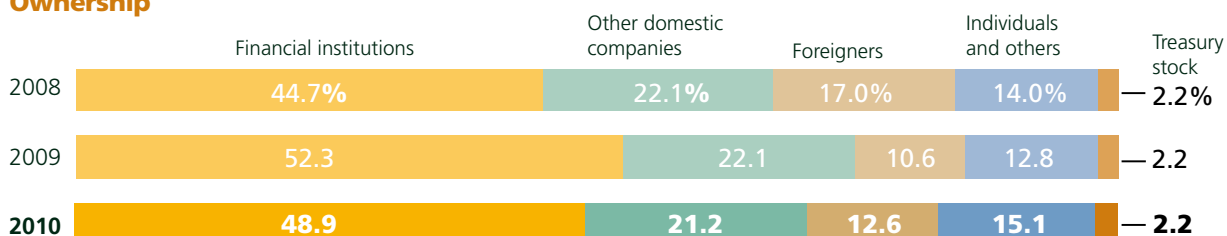
http://www.yrc-pressroom.jp/ir_en/

Stock Information

As of March 31, 2010

Authorized number of shares:	700,000,000
Number of shares issued and outstanding:	342,598,162 (unchanged from fiscal 2009 year-end)
Number of shareholders:	16,757 (714 up from fiscal 2009 year-end)

Ownership



Principal Shareholders

Name	Percentage of Voting Rights
ASAHI MUTUAL LIFE INSURANCE COMPANY	8.0%
ZEON CORPORATION	7.1
The Master Trust Bank of Japan, Ltd. (trust account)	6.3
Japan Trustee Services Bank, Ltd. (trust account)	5.6
Mizuho Corporate Bank, Ltd.	3.8

Common Stock Price Trends

	2010	2009	2008	2007	2006
Stock Price (Yen):					
High	¥ 542	¥ 658	¥ 944	¥ 790	¥ 700
Low	314	301	436	439	403
Fiscal Year-end	440	409	477	724	612
Shares of Common Stock Issued and Outstanding	342,598,162	342,598,162	342,598,162	342,598,162	342,598,162

Stock Price Range and Trading Volume on the Tokyo Stock Exchange



The Yokohama Rubber Co., Ltd. 36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan Phone: 81-(0)3-5400-4531