

NEWS RELEASE



YOKOHAMA

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Sales Up, Earnings Down in First Half at Yokohama Rubber

Tokyo—The Yokohama Rubber Co., Ltd., announced today that its net sales in the interim fiscal period ended September 30 increased 10.5% over the same period of the previous year, to 222.4 billion yen, that operating income declined 31.0%, to 3.3 billion yen, and that net income declined 74.8%, to 3.4 billion yen. Leading the sales growth were strong gains in tire business in North America and in Asian nations besides Japan. Also contributing to the sales growth were increased shipments of tires to automakers in Japan and business gains in Yokohama's Multiple Business (diversified products) Group, led by sales growth in high-pressure hoses, aircraft products, and marine hoses. The decline in operating income resulted from rising prices for raw materials. Yokohama recorded a tax benefit in the first half of the previous fiscal year, and the absence of a corresponding gain in the first half of the present fiscal year amplified the decline in net income. Partially offsetting that decline was a special gain of 4.2 billion yen on sales of investment securities.

By business segment, sales increased 11.5% in Yokohama's Tire Group, to 162.5 billion yen. Operating income in the Tire Group declined 69.7%, to 1.1 billion yen, reflecting the rising prices for natural rubber and other raw materials. Sales increased 7.9% in the Multiple Business Group, to 60.0 billion yen, and operating income increased 2.3-fold, to 2.5 billion yen. The increase in operating profitability resulted from sales growth and from improvements in the structure of earnings in aircraft products and in industrial products.

Management believes that the upward trend in raw material prices is subsiding, and it has therefore raised the full-year projections for sales, operating income, and net income announced by Yokohama on August 9. The revised projections call for net sales to increase 8.6% over the previous year, to 491.0 billion—up 1.2% over the August projections; for operating income to decline 4.3%, to 21.0 billion—up 31.2%; and for net income to decline 46.4%, to 11.5 billion yen—up 64.3%.

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Financial Highlights

Millions of yen

	Fiscal 2007 first half	Fiscal 2006 first half	Fiscal 2006
	April 1–Sept. 30, 2006	April 1–Sept. 30, 2005	April 1, 2005– March 31, 2006
Net sales	¥222,440	¥201,260	¥451,911
Operating income	3,304	4,786	21,947
Income before income taxes and minority interests	6,949	3,622	22,673
Net income	3,361	13,363	21,447
Shareholders' equity	166,352	157,362	170,675
Total assets	505,691	450,913	502,014
Interest-bearing debt	168,467	154,583	163,021
Net cash provided by operating activities	8,507	14,166	31,860
Net cash used in investing activities	(14,109)	(12,623)	(29,184)
Net cash used in financing activities	3,706	(3,595)	(3,113)
Cash and cash equivalents at end of period	11,961	12,151	14,289
Per share (yen):			
Net income: basic	10.02	39.06	62.75

Results by Business Segment and by Region

Millions of yen

	Fiscal 2007 first half	Fiscal 2006 first half	Fiscal 2006
	April 1–Sept. 30, 2006	April 1–Sept. 30, 2005	April 1, 2005– March 31, 2006
Sales to third parties			
Tires	¥162,458	¥145,669	¥335,734
Multiple Business	59,981	55,591	116,177
Operating income			
Tires	1,126	3,712	18,109
Multiple Business	2,505	1,090	3,941
Eliminations	(327)	(16)	(102)
Sales to third parties			
Japan	163,721	153,408	348,666
North America	46,138	38,257	82,186
Other Regions	12,580	9,595	21,059
Operating income			
Japan	1,489	4,077	19,622
North America	1,836	1,068	2,561
Other Regions	59	95	241
Eliminations	(81)	(454)	(478)

Notes:

1. Yokohama has prepared this information in accordance with accounting principles generally accepted in Japan.
2. Under Results by Region, North America refers to the United States and Canada, and Other Regions refers to Oceania, Europe, and Asian nations besides Japan.