

NEWS RELEASE



February 13, 2007
For immediate release

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Sales Up, Earnings Down at Yokohama Rubber in First Nine Months of Fiscal Year

***Company raises projection for full-year earnings
and increases dividend two yen
to commemorate 90th anniversary***

The Yokohama Rubber Co., Ltd., posted a 10.2% increase in net sales, to 367.8 billion yen, in the nine months ended December 31—the first three quarters of the present fiscal year. That increase is in comparison with the same period of the previous year. Sales increased in Yokohama's Tire Group and in its Multiple Business (diversified products) Group, led by unit sales growth and amplified by the weakening of the yen. Operating income declined 18.3%, to 17.1 billion yen, because of rising raw-material costs. Net income declined 29.8%, to 13.7 billion yen. That decline reflects the decline in operating income and a tax benefit recorded in the same period of the previous year in connection with earlier write-downs of equity in a U.S. subsidiary.

Sales increased 11.2% in Yokohama's Tire Group, to 276.4 billion yen, led by gains in Europe and in Oceania. Yokohama also posted growth in sales of tires in Japan. Strong growth in shipments to automakers more than offset weakness in sales of winter tires caused by Japan's warmer-than-average winter. Operating income in the Tire Group declined 29.9%, to 12.9 billion yen, because of rising prices for natural rubber and for other raw materials. In Yokohama's Multiple Business Group, sales increased 7.3%, to 91.4 billion yen, led by gains in high-pressure hoses, marine hoses, and aircraft products. Operating income in the Multiple Business Group rose 84.2%, to 4.6 billion yen, largely because of greatly improved profitability in aircraft products.

Management has raised the full-year fiscal projections that it announced on November 9, 2006. It now projects that net sales will rise 9.5%, to 495.0 billion yen—0.8% higher than in the earlier projection; that operating income will decline 2.0%, to 21.5 billion yen—2.4% higher; and that net income will decline 25.4%, to 16.0 billion yen—39.1% higher. The yen appears likely to be weaker on average for the full year than management had assumed. In addition, the rise in prices for natural rubber and for other raw materials has subsided somewhat and appears likely to be smaller for the full year than management had assumed. Also prompting the upward revision in Yokohama's earnings projections is a gain on a formerly unscheduled sale of investment securities.

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To mark Yokohama's 90th anniversary on October 13, 2007, management has proposed a two-yen commemorative dividend. That commemorative dividend, together with a proposed ordinary year-end dividend of 6 yen and the ordinary interim dividend of 4 yen, would increase the annual dividends 2 yen, to 12 yen. The proposed year-end dividends are subject to approval at the general meeting of shareholders and would be payable to shareholders of record at March 31, 2007.

Financial Highlights

Millions of yen

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Fiscal 2006
	April 1–December 31, 2006	April 1–December 31, 2005	April 1, 2005– March 31, 2006
Net sales	¥367,777	¥333,698	¥451,911
Operating income	17,074	20,888	21,947
Ordinary income	17,087	19,843	19,015
Income before income taxes	22,005	19,401	22,673
Net income	13,679	19,481	21,447
Shareholders' equity*	186,933	170,330	170,675
Total assets	560,440	497,493	502,014
Per share (yen):			
Net income: basic	40.78	56.94	62.75

* In accordance with new Japanese legislation, Yokohama has included minority interests in the figure for shareholders' equity as of the present fiscal year. Minority interests at December 31, 2006, totaled ¥4,578 million.

Results by Business Segment and by Region

Millions of yen

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Fiscal 2006
	April 1–December 31, 2006	April 1–December 31, 2005	April 1, 2005– March 31, 2006
Sales to third parties			
Tires	¥276,389	¥248,511	¥335,734
Multiple Business	91,387	85,187	116,177
Operating income			
Tires	12,881	18,378	18,109
Multiple Business	4,612	2,504	3,941
Eliminations	(420)	5	(102)
Sales to third parties			
Japan	274,851	258,445	348,666
North America	72,122	59,728	82,186
Other Regions	20,803	15,524	21,059
Operating income			
Japan	14,852	18,935	19,622
North America	2,310	1,921	2,561
Other Regions	462	628	241
Eliminations	(550)	(597)	(478)

Notes:

1. Yokohama Rubber 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.