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FINANCIAL REVIEW

OPERATING RESULTS

Sales

In fiscal 1999, consolidated net sales of The Yokohama Rubber Co., Ltd., and its consolidated subsidiaries shrank 3.4% from the previous fiscal year, to ¥401,183 million. Although sales of YTC and other overseas subsidiaries expanded, the severe operating environment in Japan led to reduced sales of Yokohama and its domestic sales subsidiaries.

Cost of Sales and Selling, General and Administrative Expenses

Efforts such as cost reduction by YTC in North America and sales subsidiaries in Japan helped decrease cost of sales 5.8% from the previous year, to ¥281,245 million. Selling, general and administrative expenses fell 1.0% from a year earlier, to ¥104,129 million, mainly because of a reduction in personnel expenses throughout the Yokohama Group.

Operating Income

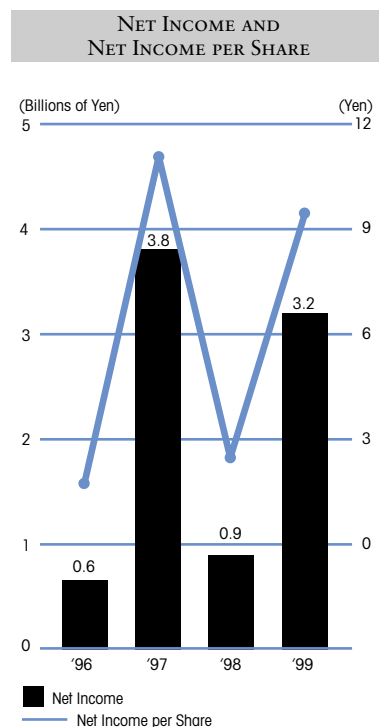
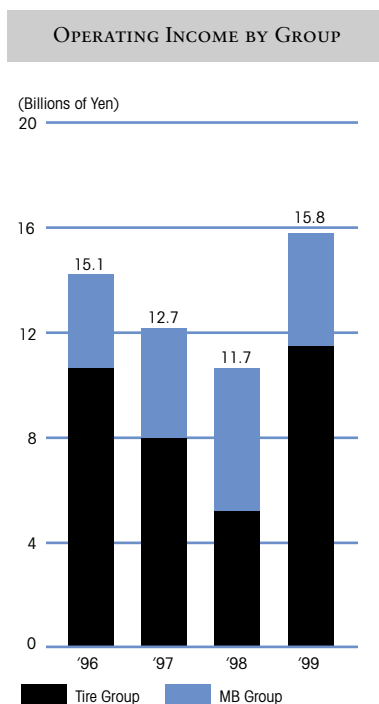
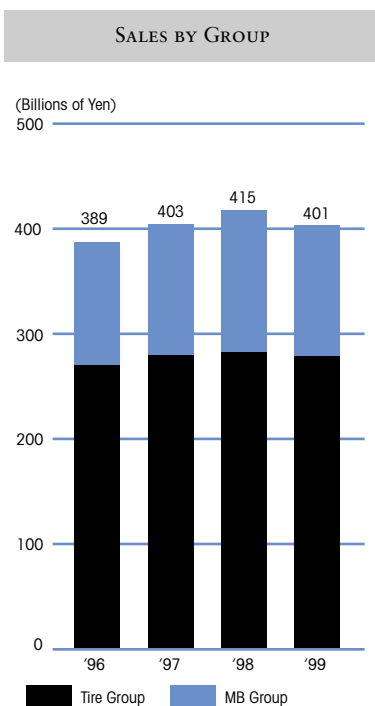
Reduced cost of sales and selling, general and administrative expenses more than offset the decline in net sales, resulting in a rise in operating income to ¥15,809 million, or an increase of 35.5% over the previous fiscal year.

Net Income

The Yokohama Group's net income soared 270.3%, to ¥3,233 million. Basic net income per share amounted to ¥9.44, up from ¥2.55 in fiscal 1998.

Capital Expenditures and Depreciation

Capital expenditures by the Group amounted to ¥28,216 million, up 3.6%, and depreciation edged down 2.0%, to ¥21,141 million. A total of ¥22,601 million was invested in the Tire Group, mainly to introduce new passenger car radials and to rationalize and expand production facilities for steel radials for trucks and buses. Investment in the Multiple Business Group totaled ¥4,555 million, which was applied mainly to reinforce and



rationalize production equipment for sealants, rubber bearings for bridges and civil aircraft components. Other capital expenditures came to ¥1,060 million. In fiscal 2000, the Group forecasts capital expenditures of ¥22,800 million and depreciation of ¥20,800 million.

FINANCIAL POSITION AND CASH FLOWS

Assets

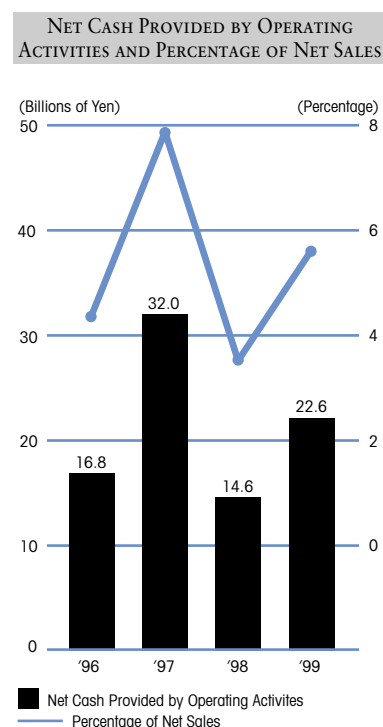
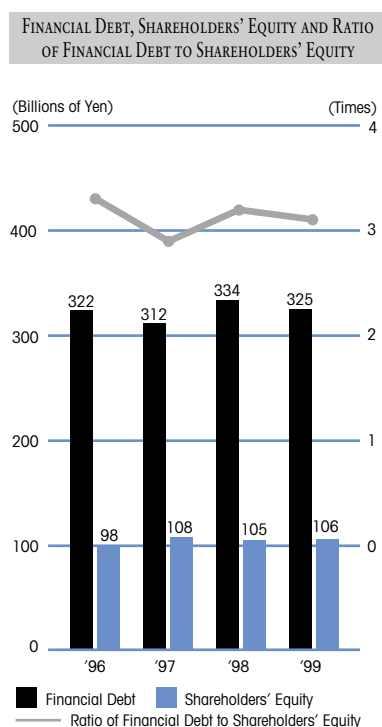
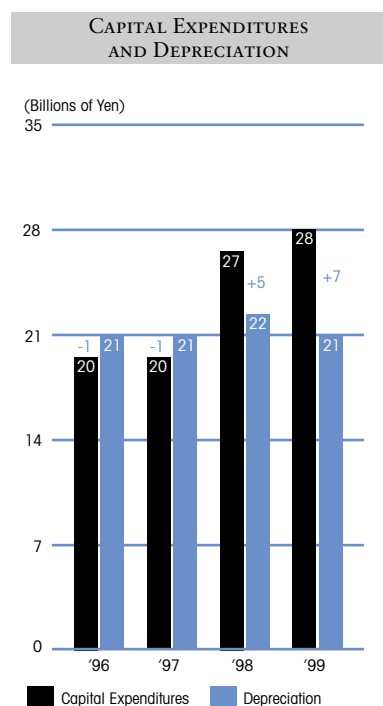
The Yokohama Group's total assets stood at ¥432,457 million at March 31, 1999, up ¥7,963 from a year earlier. Current assets declined ¥20,165 million, to ¥224,637 million, chiefly attributable to a drop in trade receivables resulting from lower sales by the parent company and reduced inventories by Yokohama, YTC and domestic tire sales subsidiaries. On the other hand, active capital expenditures in YTC and domestic manufacturing facilities increased property, plant and equipment ¥9,768 million, to ¥163,740 million.

Liabilities and Shareholders' Equity

Current liabilities dropped ¥23,183 million, to ¥241,002 million, owing primarily to a decrease in trade notes and accounts payable and the maturity of convertible bonds. Long-term liabilities expanded ¥14,109 million, to ¥83,785 million, as new straight bonds were issued, and long-term debt increased. In this environment, total liabilities fell ¥9,074 million, to ¥324,787 million. Total shareholders' equity amounted to ¥105,984 million, up ¥506 million from a year earlier.

Cash Flows

Net cash provided by operating activities came to ¥22,563 million in fiscal 1999, leading to a 5.6% ratio of net cash provided by operating activities to net sales. Net cash used in investing activities was ¥22,925 million, and net cash used in financing activities was ¥1,258 million. In this situation, cash and time deposits at the fiscal year-end totaled ¥21,842 million, a drop of ¥1,620 million from a year earlier.



SEGMENT INFORMATION

Business Groups

Influenced by the drop in sales of tires by the parent company, sales by the Tire Group shrank 2.1%, to ¥280,007 million. However, the Tire Group's operating income climbed 120.2%, to ¥11,526 million, mainly because of successful cost-reduction efforts at YTC and domestic tire sales subsidiaries. Sales by the Multiple Business Group were down 6.4%, to ¥121,176 million, and operating income slumped 21.0%, to ¥4,375 million.

Regions

Sales by the Yokohama Group in Japan amounted to ¥371,115 million, a 6.7% contraction, negatively affected by the depressed market. However, cost cutting by the parent company and domestic tire sales subsidiaries sustained a 14.9% rise in operating income, to ¥13,643 million. In North America, a strong performance by YTC contributed to a 12.9% advance in regional sales, to ¥73,322 million, and operating income jumped to ¥1,278 million, from a loss of ¥405 million a year earlier. Sales in other regions expanded 1.9%, to ¥10,746 million, and operating income was propelled 241.4%, to ¥454 million.

Forecast for Fiscal 2000

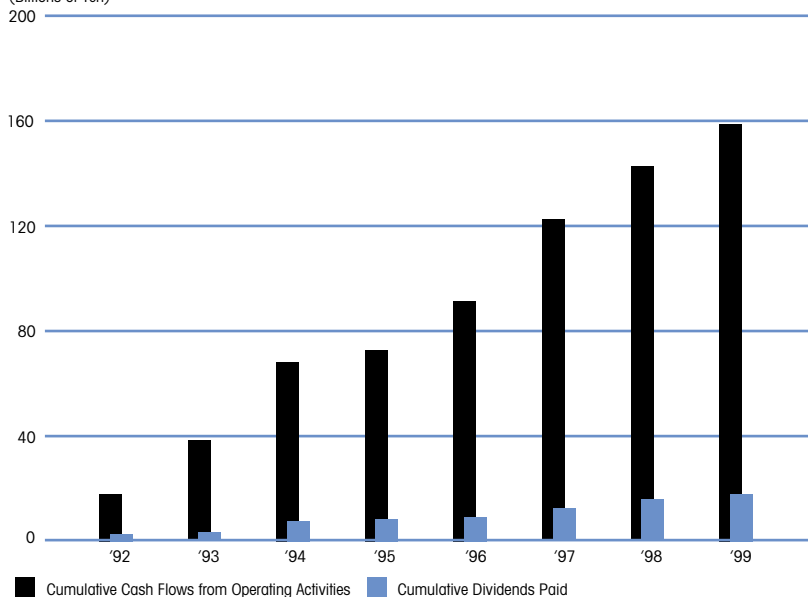
The Yokohama Group anticipates increased sales by consolidated subsidiaries, generating a 2% rise in consolidated net sales, to ¥410,000 million. The Group also forecasts that profitability improvements by the parent company will contribute to a 14% growth in operating income, to ¥18,000 million. Net income is forecast at ¥4,500 million, up 39% from the fiscal 1999 figure.

Y2K Countermeasures

The Year 2000, or Y2K computer bug is recognized by the Yokohama Group as an important management issue. The Group is currently implementing comprehensive countermeasures throughout its information, production, logistics and materials procurement systems. These countermeasures, including the production of risk management manuals, are expected to be completed by September 30, 1999.

CUMULATIVE CASH FLOWS AND DIVIDENDS PAID SINCE 1992

(Billions of Yen)



SIX-YEAR SUMMARY

FISCAL YEARS ENDED MARCH 31, 1999, 1998, 1997, 1996 AND 1995, AND DECEMBER 31, 1994

	MILLIONS OF YEN					
	1999	1998	1997	1996	1995	1994
Net Sales	¥401,183	¥415,397	¥402,652	¥389,304	¥ 80,145	¥379,363
Operating Income	15,809	11,668	12,681	15,136	1,934	15,210
Income before Income Taxes	7,731	5,685	13,808	6,054	121	7,605
Net Income (Loss)	3,233	873	3,753	563	(601)	2,091
Depreciation	21,141	21,566	21,167	21,146	5,066	22,262
Capital Expenditures	28,216	27,229	20,316	20,038	—	—
R&D Expenditures	13,300	13,800	13,900	—	—	—
Interest-Bearing Debt	215,245	209,132	188,428	203,120	201,131	201,555
Shareholders' Equity	105,984	105,478	108,306	97,907	96,012	96,664
Total Assets	432,457	440,420	420,939	423,749	407,997	416,351
Per Share (Yen):						
Net Income (Loss) (Basic) ¥	9.44	¥ 2.55	¥ 11.44	¥ 1.77	¥ (1.93)	¥ 7.18
Cash Dividends	6.00	8.00	8.00	8.00	2.00	8.00
Share Price (Yen):						
High	¥ 351	¥ 563	¥ 707	¥ 678	¥ 687	¥ 745 688*
Low	255	290	475	439	488	528 647*
Fiscal Year-End	314	319	504	665	489	647
Common Stock Issued	342,598,162	342,598,162	342,598,162	323,642,673	316,655,465	301,570,565
Number of Employees	12,107	12,325	12,267	12,743	—	13,254

Notes:

1. The fiscal period ended March 31, 1995, was a special three-month fiscal period resulting from a change in Yokohama's fiscal year.
2. An asterisk (*) denotes stock prices adjusted following stock splits.

CONSOLIDATED BALANCE SHEETS

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
AS OF MARCH 31, 1999 AND 1998

ASSETS	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	1999	1998	1999
Current Assets:			
Cash and time deposits (Note 4)	¥ 21,842	¥ 23,462	\$ 181,186
Marketable securities (Note 4)	30,930	29,213	256,574
Trade receivables:			
Notes and accounts (Notes 4 and 6)	106,426	113,128	882,837
Allowance for doubtful receivables	(5,480)	(4,096)	(45,458)
Inventories (Note 3)	58,483	63,913	485,135
Deferred income taxes	4,009	4,899	33,256
Other current assets	8,427	14,283	69,904
Total current assets	224,637	244,802	1,863,434
Property, Plant and Equipment, at Cost (Notes 4 and 5):			
Land	30,399	29,694	252,169
Buildings and structures	105,929	100,331	878,714
Machinery and equipment	316,159	297,700	2,622,638
Construction in progress	8,379	10,930	69,507
	460,866	438,655	3,823,028
Less accumulated depreciation	(297,126)	(284,683)	(2,464,753)
Total property, plant and equipment, net	163,740	153,972	1,358,275
Investments and Other Assets:			
Investment securities	6,987	8,081	57,959
Long-term loans receivable	3,617	4,884	30,004
Deferred income taxes	94	—	780
Other investments and other assets	26,687	25,820	221,377
Allowance for doubtful receivables	(515)	(536)	(4,272)
Total investments and other assets	36,870	38,249	305,848
Foreign currency translation adjustments	7,210	3,397	59,809
Total	¥ 432,457	¥ 440,420	\$ 3,587,366

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	1999	1998	1999
Current Liabilities:			
Bank loans	¥115,734	¥122,460	\$ 960,050
Current maturities of long-term debt (Note 4)	7,705	23,021	63,915
Commercial paper	23,000	10,500	190,792
Trade notes and accounts payable	62,152	71,730	515,570
Accrued income taxes	1,580	2,665	13,107
Accrued expenses	17,706	19,431	146,877
Other current liabilities	13,125	14,378	108,876
Total current liabilities	241,002	264,185	1,999,187
Long-Term Liabilities:			
Long-term debt (Note 4)	68,808	53,151	570,784
Other long-term liabilities	4,846	4,573	40,199
Liabilities for severance benefits	10,131	11,718	84,040
Deferred income taxes	—	234	—
Total long-term liabilities	83,785	69,676	695,023
Minority interests	1,686	1,081	13,986
Contingent liabilities (Note 6)			
Shareholders' Equity:			
Common stock:			
Authorized: 480,000,000 shares			
Issued: 342,598,162 shares	38,909	38,909	322,762
Capital surplus	31,893	31,893	264,562
Retained earnings (Note 8)	35,182	34,676	291,846
Total shareholders' equity	105,984	105,478	879,170
Total	¥432,457	¥440,420	\$ 3,587,366

CONSOLIDATED STATEMENTS OF INCOME

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1999, 19998 AND 1997

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS (NOTE 1)
	1999	1998	1997	1999
Net sales	¥ 401,183	¥ 415,397	¥ 402,652	\$ 3,327,938
Cost of sales	281,245	298,551	288,800	2,333,015
	119,938	116,846	113,852	994,923
Selling, general and administrative expenses	104,129	105,178	101,171	863,782
Operating income	15,809	11,668	12,681	131,141
Other income (expenses)				
Interest income and dividends received	1,156	1,145	1,454	9,589
Interest expense	(6,260)	(5,533)	(5,790)	(51,929)
Other—net	(2,974)	(1,595)	5,463	(24,670)
	(8,078)	(5,983)	1,127	(67,010)
Income before income taxes	7,731	5,685	13,808	64,131
Income taxes (Note 2):				
Current	3,954	5,945	10,229	32,800
Deferred	504	(1,111)	(221)	4,180
	4,458	4,834	10,008	36,980
Minority interests in net income of consolidated subsidiaries	(40)	22	(47)	(332)
Net income	¥ 3,233	¥ 873	¥ 3,753	\$ 26,819
Per share amounts:	YEN			U.S. DOLLARS (NOTE 1)
Net income: Basic	¥ 9.44	¥ 2.55	¥ 11.14	\$ 0.08
Net income: Diluted	—	—	¥ 11.10	—
Cash dividends	¥ 6.00	¥ 8.00	¥ 8.00	\$ 0.05

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1999, 1998 AND 1997

	SHARES OF COMMON STOCK	MILLIONS OF YEN		
		COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS
Balance at March 31, 1996	323,642,673	¥34,233	¥27,217	¥36,457
Increase resulting from changes in equity in consolidated subsidiaries	—	—	—	5
Net income	—	—	—	3,753
Cash dividends paid	—	—	—	(2,636)
Directors' and statutory auditors' bonuses	—	—	—	(75)
Common stock issued upon exercise of warrants	18,955,489	4,676	4,676	—
Balance at March 31, 1997	342,598,162	38,909	31,893	37,504
Decrease resulting from changes in equity in consolidated subsidiaries	—	—	—	(885)
Net income	—	—	—	873
Cash dividends paid	—	—	—	(2,741)
Directors' and statutory auditors' bonuses	—	—	—	(75)
Balance at March 31, 1998	342,598,162	38,909	31,893	34,676
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	—	73
Net income	—	—	—	3,233
Cash dividends paid	—	—	—	(2,740)
Directors' and statutory auditors' bonuses	—	—	—	(60)
Balance at March 31, 1999	342,598,162	¥38,909	¥31,893	¥35,182

	THOUSANDS OF U.S. DOLLARS (NOTE 1)		
	COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS
Balance at March 31, 1998	\$322,762	\$264,562	\$287,648
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	606
Net income	—	—	26,819
Cash dividends paid	—	—	(22,729)
Directors' and statutory auditors' bonuses	—	—	(498)
Balance at March 31, 1999	\$322,762	\$264,562	\$291,846

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1999, 19998 AND 1997

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS (NOTE 1)
	1999	1998	1997	1999
Operating Activities:				
Net income	¥ 3,233	¥ 873	¥ 3,753	\$ 26,819
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	21,141	21,566	21,167	175,371
Provision for severance benefits, less payments	(1,587)	(328)	141	(13,164)
Equity in earnings of unconsolidated subsidiaries and affiliates, net	64	99	(114)	531
Deferred income taxes—non-current	5	(70)	(111)	41
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	6,702	2,507	(2,021)	55,595
Inventories	5,430	(3,898)	556	45,043
Other current assets	1,216	(7,410)	5,008	10,087
Notes and accounts payable	(9,578)	3,491	(2,460)	(79,452)
Other current liabilities	(4,063)	(2,205)	6,080	(33,704)
Net cash provided by operating activities	22,563	14,625	31,999	187,167
Investing Activities:				
Additions to property, plant and equipment	(28,199)	(27,060)	(20,323)	(233,920)
Increase in investments	(1,391)	(553)	(2,763)	(11,539)
Proceeds from sales of investment securities and properties	4,425	2,052	7,542	36,707
Other, net	2,240	(4,294)	(6,626)	18,582
Net cash used in investing activities	(22,925)	(29,855)	(22,170)	(190,170)
Financing Activities:				
Decrease in short-term bank loans and current maturities of long-term debt	(22,042)	(10,893)	(15,212)	(182,845)
Increase (decrease) in commercial paper	12,500	7,500	3,000	103,691
Proceeds from long-term debt	20,121	33,644	8,420	166,910
Decrease in long-term debt	(9,097)	(10,205)	(10,900)	(75,462)
Common stock issued upon exercise of warrants	—	—	9,351	—
Payment of cash dividends	(2,740)	(2,741)	(2,635)	(22,729)
Net cash provided by (used in) financing activities	(1,258)	17,305	(7,976)	(10,435)
Increase (decrease) in cash and time deposits	(1,620)	2,075	1,853	(13,438)
Cash and time deposits at beginning of year	23,462	21,387	19,534	194,624
Cash and time deposits at end of year	¥21,842	¥23,462	¥21,387	\$ 181,186

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. (the "Company") have been prepared in accordance with accounting principles and practices generally accepted in Japan and have been compiled from the consolidated financial statements filed under the Securities and Exchange Law of Japan.

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

Certain reclassifications have been made in 1998 and 1997 consolidated financial statements to conform to the classifications used in 1999.

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 ¥120.55=U.S.\$1.00, the approximate exchange rate prevailing on March 31, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) 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"). Investments in unconsolidated subsidiaries and associated companies (companies owned 20% to 50%) are accounted for by the equity method of accounting.

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

(2) Foreign Currency Translation

Current foreign currency receivables and payables are translated at the year-end rates, and non-current receivables and payables at historical rates.

(3) Marketable Securities and Investment Securities

Marketable securities are carried at the lower of cost or market and investment securities are carried at cost. Costs are determined by the moving average method.

(4) Inventories

Inventories are stated at cost determined by the moving average method, except that the finished products of certain subsidiaries are valued by the most recent purchase price method.

(5) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided at an estimated amount of probable bad debt plus the maximum amount which is deductible under the Japanese income tax law.

(6) 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.

(7) Liabilities 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 Companies generally provide for this liability at 40% of the amount which would be required to be paid if all employees voluntarily terminated their service at the balance sheet date.

The Company and certain consolidated subsidiaries have non-contributory pension plans for their termination caused by age limit. Contributions to the pension fund are charged to income when made.

The liabilities also include provisions for retirement payments for directors and statutory auditors determined according to the Company's internal rules.

In addition to providing pension and severance plan benefits, certain foreign subsidiaries sponsor several unfunded defined benefit postretirement plans which 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."

(8) Income Taxes

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

The income tax effect of timing differences resulting from the elimination of intercompany profits and other consolidation entries is recognized as deferred income taxes.

(9) Revenue Recognition

Sales of products are recognized in the accounts upon shipments to customers.

(10) Research and Development Costs

Research and development costs are charged to income as incurred.

(11) Net income per Share

The computation of basic net income per share is based on the weighted average number of shares outstanding during the period.

(12) Leases

Finance leases, other than those lease agreements which stipulate the transfer of ownership of the leased property, are accounted for as operating leases.

3. INVENTORIES

Inventories at March 31, 1999 and 1998 consisted of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
Finished products	¥ 43,351	¥ 48,035	\$ 359,610
Work in process	7,453	7,930	61,825
Raw materials and supplies	7,679	7,948	63,700
	¥ 58,483	¥ 63,913	\$ 485,135

4. LONG-TERM DEBT

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
1.7% convertible bonds due 1998	—	¥ 14,800	—
2.65% straight bonds due 2004	¥ 10,000	10,000	\$ 82,953
2.175% straight bonds due 2002	10,000	10,000	82,953
2.2% straight bonds due 2003	10,000	—	82,953
Loans, principally from banks and insurance companies	46,513	41,372	385,840
	76,513	76,172	634,699
Less current maturities	7,705	23,021	63,915
	¥ 68,808	¥ 53,151	\$ 570,784

Assets pledged to secure bank loans and long-term debt at March 31, 1999 and 1998 were as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
Time deposits	—	¥ 18	—
Marketable securities	¥ 6,816	331	\$ 56,541
Notes receivable	458	1,119	3,799
Property, plant and equipment	92,638	86,283	768,461
	¥ 99,912	¥ 87,751	\$ 828,801

5. DEPRECIATION

Depreciation charges were as follows:

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS
	1999	1998	1997	1999
Selling, general and administrative expenses	¥ 1,945	¥ 2,342	¥ 2,202	\$ 16,134
Manufacturing costs	¥19,196	¥19,224	¥18,965	\$159,237

6. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 1999 and 1998 were as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
Notes discounted and endorsed	¥2,099	¥3,196	\$17,412
Guarantees	¥1,693	¥5,625	\$14,044

7. LEASES

An analysis of leased property under finance leases was as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
Acquisition costs	¥6,002		\$49,788
Accumulated depreciation	2,998		24,869
Net book value	¥3,004		\$24,919

The Companies have commitments payable under finance leases as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
Within one year	¥1,205	¥1,101	\$ 9,996
After one year	1,799	1,966	14,923
	¥3,004	¥3,067	\$24,919

Lease expenses under finance leases for the years ended March 31, 1999 and 1998 aggregated approximately ¥1,263 million (\$10,477 thousand) and ¥1,113 million, respectively.

Rental payments under non-cancellable operating leases were as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	1999	1998	1999
Within one year	¥1,281	¥1,482	\$10,626
After one year	6,467	6,526	53,646
	¥7,748	¥8,008	\$64,272

8. RETAINED EARNINGS AND DIVIDENDS

The amount of retained earnings available for dividends under the Commercial Code of Japan is based on the amount stated in the non-consolidated 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. In addition, semiannual interim dividends may be made by resolution of the Board of Directors, subject to the limitations imposed by the Commercial Code.

On June 29, 1999, the shareholders authorized payment of a cash dividend to shareholders of record on March 31, 1999 of ¥3.00 (\$0.03) per share, or a total of ¥1,027 million (\$8,519 thousand).

9. SEGMENT INFORMATION

The business and geographical segment information for the Companies for the year ended March 31, 1999, 1998 and 1997 is outlined as follows :

Business Segments

	MILLIONS OF YEN				
	TIRES	MULTIPLE BUSINESS	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
Year ended March 31, 1999					
Sales to third parties	¥ 280,007	¥121,176	¥401,183	—	¥401,183
Intergroup sales and transfers	117	7,916	8,033	¥ (8,033)	—
Total sales	280,124	129,092	409,216	(8,033)	401,183
Operating expenses	268,598	124,717	393,315	(7,941)	385,374
Operating income	¥ 11,526	¥ 4,375	¥ 15,901	¥ (92)	¥ 15,809
Total assets	¥ 286,952	¥107,383	¥394,335	¥38,122	¥432,457
Depreciation	¥ 16,867	¥ 4,046	¥ 20,913	¥ 228	¥ 21,141
Capital expenditures	¥ 22,601	¥ 4,555	¥ 27,156	¥ 1,060	¥ 28,216
Year ended March 31, 1998					
Sales to third parties	¥ 286,000	¥ 129,397	¥415,397	—	¥415,397
Intergroup sales and transfers	126	8,900	9,026	¥ (9,026)	—
Total sales	286,126	138,297	424,423	(9,026)	415,397
Operating expenses	280,892	132,757	413,649	(9,920)	403,729
Operating income	¥ 5,234	¥ 5,540	¥ 10,774	¥ 894	¥ 11,668
Total assets	¥ 292,743	¥114,428	¥407,171	¥33,249	¥440,420
Depreciation	¥ 17,314	¥ 4,009	¥ 21,323	¥ 243	¥ 21,566
Capital expenditures	¥ 19,569	¥ 6,465	¥ 26,034	¥ 1,195	¥ 27,229
Year ended March 31, 1997					
Sales to third parties	¥ 283,884	¥ 118,768	¥ 402,652	—	¥ 402,652
Intergroup sales and transfers	128	7,949	8,077	¥ (8,077)	—
Total sales	284,012	126,717	410,729	(8,077)	402,652
Operating expenses	276,010	122,502	398,512	(8,541)	389,971
Operating income	¥ 8,002	¥ 4,215	¥ 12,217	¥ 464	¥ 12,681
Total assets	¥ 279,607	¥ 108,070	¥ 387,677	¥33,262	¥ 420,939
Depreciation	¥ 17,485	¥ 3,453	¥ 20,938	¥ 229	¥ 21,167
Capital expenditures	¥ 16,387	¥ 3,717	¥ 20,104	¥ 212	¥ 20,316

THOUSANDS OF U.S. DOLLARS

	TIRES	MULTIPLE BUSINESS	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
Year ended March 31, 1999					
Sales to third parties	\$2,322,745	\$1,005,193	\$3,327,938	—	\$3,327,938
Intergroup sales and transfers	971	65,665	66,636	\$ (66,636)	—
Total sales	2,323,716	1,070,858	3,394,574	(66,636)	3,327,938
Operating expenses	2,228,104	1,034,566	3,262,670	(65,873)	3,196,797
Operating income	\$ 95,612	\$ 36,292	\$ 131,904	\$ (763)	\$ 131,141
Total assets	\$2,380,356	\$ 890,776	\$3,271,132	\$316,234	\$3,587,366
Depreciation	\$ 139,917	\$ 33,563	\$ 173,480	\$ 1,891	\$ 175,371
Capital expenditures	\$ 187,482	\$ 37,785	\$ 225,267	\$ 8,793	\$ 234,060

Geographical Areas

MILLIONS OF YEN

	JAPAN	NORTH AMERICA	OTHER	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
Year ended March 31, 1999						
Sales to third parties	¥317,115	¥ 73,322	¥10,746	¥401,183	—	¥401,183
Intergroup sales and transfers	25,878	3,225	2,480	31,583	¥(31,583)	—
Total sales	342,993	76,547	13,226	432,766	(31,583)	401,183
Operating expenses	329,350	75,269	12,772	417,391	(32,017)	385,374
Operating income	¥ 13,643	¥ 1,278	¥ 454	¥ 15,375	¥ 434	¥ 15,809
Year ended March 31, 1998						
Sales to third parties	¥339,882	¥ 64,966	¥10,549	¥415,397	—	¥415,397
Intergroup sales and transfers	22,436	2,818	—	25,254	¥(25,254)	—
Total sales	362,318	67,784	10,549	440,651	(25,254)	415,397
Operating expenses	350,448	68,189	10,416	429,053	(25,324)	403,729
Operating income (loss)	¥ 11,870	¥ (405)	¥ 133	¥ 11,598	¥ 70	¥ 11,668
Year ended March 31, 1997						
	JAPAN	FOREIGN	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED	
Sales to third parties	¥348,746	¥ 53,906	¥402,652	—	¥402,652	
Intergroup sales and transfers	13,155	1,068	14,223	¥(14,223)	—	
Total sales	361,901	54,974	416,875	(14,223)	402,652	
Operating expenses	347,211	56,941	404,152	(14,181)	389,971	
Operating income (loss)	¥ 14,690	¥ (1,967)	¥ 12,723	¥ (42)	¥ 12,681	

	THOUSANDS OF U.S. DOLLARS					CONSOLIDATED
	JAPAN	NORTH AMERICA	OTHER	TOTAL	ELIMINATIONS AND CORPORATE	
	Year ended March 31, 1999					
Sales to third parties	\$2,630,568	\$608,229	\$ 89,141	\$3,327,938	—	\$3,327,938
Intergroup sales and transfers	214,666	26,752	20,573	261,991	\$(261,991)	—
Total sales	2,845,234	634,981	109,714	3,589,929	(261,991)	3,327,938
Operating expenses	2,732,061	624,379	105,948	3,462,388	(265,591)	3,196,797
Operating income	\$ 113,173	\$ 10,602	\$ 3,766	\$ 127,541	\$ 3,600	\$ 131,141

Overseas Sales	MILLIONS OF YEN (THOUSANDS OF U.S. DOLLARS)			MILLIONS OF YEN		
	NORTH AMERICA	OTHER	TOTAL	NORTH AMERICA	OTHER	TOTAL
	Year ended March 31, 1999			Year ended March 31, 1998		
(A) Overseas sales	¥78,604 (\$652,044)	¥45,657 (\$378,740)	¥124,261 (\$1,030,784)	¥68,101	¥51,253	¥119,354
(B) Net sales			¥401,183 (\$3,327,938)			¥415,397
(C) (A)/(B) × 100	19.6%	11.4%	31.0%	16.4%	12.3%	28.7%

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, totaled ¥100,141 million, or 24.9% of consolidated net sales for the year ended March 31, 1997.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Showa Ota & Co. CERTIFIED PUBLIC ACCOUNTANTS

HIBIYA KOKUSAI BUILDING
2-3, UCHISAIWAI-CHO 2-CHOME,
CHIYODA-KU, TOKYO
100-0011, JAPAN,
PHONE: 03-3503-1100
TELEX: 02224127 SACTOK J

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

We have examined the consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1999 expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, expressed in Japanese yen, present fairly the financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1999 are presented solely for convenience. Our examination 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.

Tokyo, Japan
June 29, 1999

Showa Ota & Co.

PRINCIPAL CONSOLIDATED SUBSIDIARIES AND AFFILIATES

COMPANY	PAID-IN CAPITAL	PERCENTAGE OF EQUITY (%)	MAIN BUSINESSES
JAPAN			
Yokohama Tire Kinki Sales Co., Ltd.*	¥386,000,000	99.5	Sales of tires and related products
Shin Tokyo Yokohama Tire Co., Ltd.*	¥300,000,000	100.0	Sales of tires and related products
Yokohama Tire Chubu Sales Co., Ltd.*	¥300,000,000	93.8	Sales of tires and related products
Hokkaido Yokohama Tire Sales Co., Ltd.*	¥298,000,000	97.3	Sales of tires and related products
Yokohama Tire Kyushu Sales Co., Ltd.*	¥212,000,000	88.7	Sales of tires and related products
Yokohama Tire Chiba Sales Co., Ltd.*	¥275,000,000	99.1	Sales of tires and related products
Yokohama Tire Kanto Sales Co., Ltd.*	¥209,000,000	91.1	Sales of tires and related products
Yokohama Tire Shikoku Sales Co., Ltd.*	¥180,000,000	73.3	Sales of tires and related products
Yokohama Tire Hokuriku Sales Co., Ltd.*	¥160,000,000	96.3	Sales of tires and related products
Yokohama Tire Kanagawa Sales Co., Ltd.*	¥100,000,000	100.0	Sales of tires and related products
YFC Co., Ltd.*	¥105,000,000	100.0	Sales of automobile-related products
Sanyo Retread Co., Ltd.*	¥200,000,000	100.0	Production and sales of retread tires
Tokyo Retread Co., Ltd.*	¥160,000,000	90.6	Production and sales of retread tires
Yokohamagomu Industrial Products Tokyo Sales Co., Ltd.*	¥107,000,000	98.6	Sales of Multiple Business Group products
Yokohamagomu Industrial Products Hokkaido Sales Co., Ltd.*	¥100,000,000	100.0	Sales of Multiple Business Group products
Yokohamagomu Industrial Products Chubu Sales Co., Ltd.*	¥100,000,000	100.0	Sales of Multiple Business Group products
Yokohamagomu Industrial Products Kansai Sales Co., Ltd.*	¥100,000,000	100.0	Sales of Multiple Business Group products
Yokohamagomu Industrial Products Kyushu Sales Co., Ltd.*	¥100,000,000	100.0	Sales of Multiple Business Group products
Tokyo Hamatite Corporation*	¥100,000,000	100.0	Sales of Multiple Business Group products
Yokohama Hydex Co., Ltd.*	¥490,000,000	100.0	Assembling and sales of hydraulic hoses
Hamagomu Aicom Inc.*	¥100,000,000	100.0	Information-processing services
THE UNITED STATES			
Yokohama Tire Corporation*	US\$30,000,000	100.0	Production and sales of tires and related products
GTY Tire Company	US\$10,000,000	33.4	Production and sales of tires and related products
Yokohama Corporation of America*	US\$36,070,000	100.0	Capital participation in GTY and sales of tires
SAS Rubber Company*	US\$4,000,000	100.0	Production and sales of hydraulic hoses
Yokohama Corporation of North America*	US\$82,350,000	100.0	Holding of shares in YTC and other companies
YH America, Inc.*	US\$7,370,000	100.0	Assembling and sales of hydraulic hoses Production and sales of windshield sealants
PRGR USA Corporation	US\$200,000	100.0	Sales of golf products

Note: The companies listed above represent the principal subsidiaries and affiliates of Yokohama Rubber. The total number of subsidiaries and affiliates of Yokohama Rubber was 307 as of March 31, 1999. Companies marked with an asterisk (*) represent consolidated subsidiaries.

COMPANY	PAID-IN CAPITAL	PERCENTAGE OF EQUITY (%)	MAIN BUSINESSES
CANADA			
Yokohama Tire (Canada) Inc.*	C\$2,500,000	80.0	Sales of tires and related products
THE PHILIPPINES			
Yokohama Tire Philippines, Inc.*	P625,000,000	80.0	Production and sales of tires and related products
VIETNAM			
Yokohama Tyre Vietnam Company	US\$2,100,000	56.0	Production and sales of tires and related products
THAILAND			
Yokohama Rubber (Thailand) Co., Ltd.	B90,000,000	70.0	Assembling and sales of hydraulic hoses Production and sales of windshield sealants
TAIWAN			
Shieh Chi Industrial Co., Ltd.	NT\$244,145,000	49.0	Production and sales of hydraulic hoses
AUSTRALIA			
Yokohama Tyre Australia Pty., Ltd.*	A\$4,000,000	60.0	Sales of tires and related products
THE UNITED KINGDOM			
Yokohama HPT Ltd.	£417,000	33.4	Sales of tires and related products
ITALY			
Yokohama Italia S.P.A.	L2,500,000,000	15.0	Sales of tires and related products
SWITZERLAND			
Yokohama (Suisse) SA	SFr400,000	20.0	Sales of tires and related products
SWEDEN			
Yokohama Scandinavia AB	SKr2,000,000	56.0	Sales of tires and related products
GERMANY			
Yokohama Reifen GmbH*	DM2,100,000	75.0	Sales of tires and related products
AUSTRIA			
Yokohama Austria GmbH	S2,500,000	51.0	Sales of tires and related products
DENMARK			
Yokohama Danmark A/S	DKr1,000,000	71.3	Sales of tires and related products
THE NETHERLANDS			
Yokohama Rubber Finance Europe B.V.*	DGL300,000	100.0	Financing, borrowing and fund management activities

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(AS OF JUNE 29, 1999)

CHAIRMAN	Seiji Hagiwara
PRESIDENT	Yasuo Tominaga
EXECUTIVE DIRECTORS	Ryohei Tsunokuma Hiroshi Hirakawa
MANAGING DIRECTORS	Kenzo Nakanishi Toshihiko Hiyama Yoshiro Naitoh Hisao Suzuki Kohji Ikawa
DIRECTORS	Kazuhisa Akutagawa Masaaki Kushida Keimei Kiyoura Kazuo Okamoto Noriaki Tateno Koji Amano Seiji Miyashita Takashi Yamashita Takeshi Takao Hiroyuki Narukawa Tadanobu Nagumo
CORPORATE AUDITORS	Eika Yamagata Hajime Iioka Yasuyuki Wakahara Kengo Tomomatsu

CORPORATE DATA

(AS OF MARCH 31, 1999)

COMPANY NAME:	The Yokohama Rubber Co., Ltd.
ESTABLISHED:	October 13, 1917
PAID-IN CAPITAL:	¥38,909 million
HEAD OFFICE:	36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
PRODUCTION FACILITIES:	Hiratsuka Factory and Mie, Mishima, Shinshiro, Ibaraki and Onomichi plants
INTERNET ADDRESS:	http://www.yrc.co.jp/

STOCK INFORMATION

AUTHORIZED NUMBER OF SHARES:	480,000,000
ISSUED NUMBER OF SHARES:	342,598,162 (unchanged from fiscal 1998 year-end)
NUMBER OF SHAREHOLDERS:	20,448 (up 2,952 from fiscal 1998 year-end)
AVERAGE SHARES PER SHAREHOLDER:	16,755

INVESTOR INFORMATION

SETTLEMENT DATE:	March 31
GENERAL MEETING OF SHAREHOLDERS:	June
TRANSFER AGENT:	The Chuo Trust & Banking Co., Ltd. 7-1, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan
DATE OF RECORD:	March 31
STOCK EXCHANGE LISTINGS:	Tokyo, Osaka, Nagoya