

Annual Report 2002

The Yokohama Rubber Co., Ltd.

Year ended March 31, 2002



PROFILE

The Yokohama Rubber Co., Ltd. (Yokohama), is one of the world's leading manufacturers of rubber products, including vehicle tires, other rubber products, and adhesive products. Since its establishment in 1917, the Company has expanded its business on a global scale, marketing products based on advanced technologies that reflect existing and emerging customer needs in the fields of automobiles, civil engineering, construction, marine engineering, aircraft components, and sports products. The Company has earned a strong global reputation for these operations. By reinforcing its production bases in Japan, the United States, and Asia and its marketing and sales bases around the world, Yokohama is strengthening its international operations to continue earning the trust and confidence of customers around the world.

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Financial Highlights

(FOR THE YEARS ENDED MARCH 31, 2002 AND 2001)

	Millions of Yen		Percentage change (2002/2001)	Thousands of U.S. Dollars
	2002	2001		2002
Net Sales	¥399,824	¥387,855	3.1%	\$3,000,555
Operating Income	22,701	19,845	14.4	170,363
Income before Income Taxes	16,076	7,052		120,644
Net Income	7,363	96		55,256

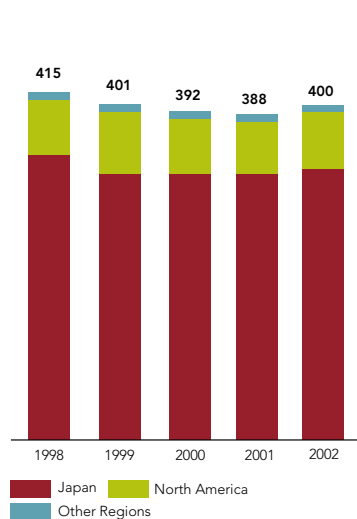
	Yen		Change (2002-2001)	U.S. Dollars
	2002	2001		2002
Total Assets	¥437,771	¥448,130	¥(10,359)	\$3,285,334
Shareholders' Equity	114,502	112,651	1,851	859,301

Per Share:	Yen		U.S. Dollars
	2002	2001	2002
Net Income: Basic	¥ 21.49	¥ 0.28	\$ 0.16
Cash Dividends	6.00	—	0.05

Note: Throughout this report, U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥133.25 = US\$1, the approximate exchange rate prevailing on March 31, 2002.

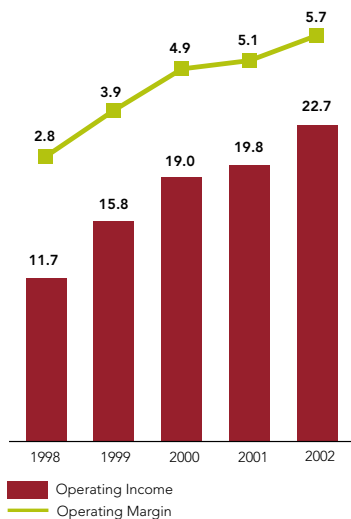
Sales by Region

(Billions of Yen)



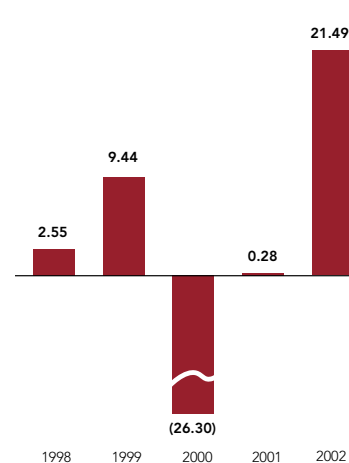
Operating Income and Operating Margin

(Billions of Yen, Percentage)



Net Income (Loss) per Share

(Yen)



TO OUR SHAREHOLDERS



Yasuo Tominaga, President

“Despite the difficulties faced during the year, Yokohama increased its net sales by 3.1% from the previous fiscal year, to ¥399.8 billion, the first advance in four years.”

First Net Sales Increase in Four Years and Significant Expansion in Net Income

The time has come again to present and discuss the performance of the Yokohama Rubber Co., Ltd., and its consolidated subsidiaries (the Yokohama Group) in fiscal 2002, ended March 31, 2002. On the global economic stage, it became clear from the second half of the year that growth in the U.S. economy was slowing, while European and Asian markets became noticeably sluggish near the close of the fiscal term. In Japan, consumer spending and private sector capital investment remained weak. These factors created a harsh market environment.

Despite the difficulties faced during the year, Yokohama increased its net sales by 3.1% from the previous fiscal year, to ¥399.8 billion, the first advance in four years. Operating income jumped 14.4%, to ¥22.7 billion. Net income rocketed from ¥96 million, to ¥7.4 billion.

Reorganizing Operations and Reinforcing Corporate Vitality

The primary factors behind our favorable results in fiscal 2002 were active marketing by the Tire Group in Japan, rising exports, cost-cutting and other rationalizations, and the yen's relatively low value against major foreign currencies. We improved our operating structure and corporate foundations under the two-year Action 21 management reform program, implemented in April 1999, which also contributed significantly to our strong performance.

Activities under Action 21 included restructuring our tire operations under four specific global regions and forming marketing and product supply structures closely linked to the needs of each region. In our Multiple Business (MB) Group, we reviewed our operations and allocated resources to high-priority areas. We revitalized our organization by, for example enhancing management efficiency while reducing interest-bearing debt and labor costs. Our higher

earnings in fiscal 2002 stemmed from earlier initiatives that included amortizing retirement benefit obligations and also writing off the goodwill of Yokohama Tire Corporation (YTC) in the United States.

Growth, Production Innovations and Globalization

Fiscal 2002 was a transitional period between the Action 21 program and future management plans. We now seek to achieve new levels of prosperity from the financial improvements achieved in the year under review. Three key concepts underline our objectives. They are "Growth," "Production Innovations," and "Globalization."

Growth entails increasing sales by offering the products and services our clients demand. Production innovations go beyond revolutionizing plant processes, also focusing on raising customer satisfaction in everything from technology development and shorter lead times to logistics improvement—thereby strengthening competitiveness. Globalization does not mean following in the footsteps of other Japanese companies with overseas operations. Our approach to the global market is to optimize locations for procurement, production, logistics, and sales.

Laying Diverse Foundations in the Tire and MB Groups

The Yokohama Group has laid diverse foundations under the three key concepts to achieve continuing progress.

Yokohama and Continental AG of Germany concluded a business alliance, and in April 2002 established a joint venture company to support new-car tire marketing to Japanese automakers worldwide. We solidified plans to enter China's high-potential market, where we are constructing a passenger car tire plant, scheduled to open in May 2003. In technology development, we improved our special silica-rubber compound, for which we hold global patents, to bolster our lineup of tires that help reduce fuel consumption. We also stepped up development of a car tire for

installation on the world's leading models as part of our efforts to strengthen the Yokohama brand.

The MB Group established a more clearly defined operating structure focused on the hoses, sealing materials, industrial materials, aircraft components, and golf products businesses. Based on this structure, we are developing new technologies, entering new markets, and globalizing our activities.

Providing World-Class Technologies and Services

Yokohama is formulating a long-term plan in consideration of possible changes in its operating environment over the next decade. The basic aim is to build a strong international presence, providing world-class technologies and services to people everywhere. We will reach that objective in the time allocated, whatever happens to our operating environment. To succeed, we must develop technologies that are the first and best in the world. These technologies must be superior and provide services that are unrivalled for speed and precision. By pursuing distinctive businesses in this fashion, we will increase sales and improve profitability while reducing excess assets, thereby enhancing the Group's capital efficiency.

As we strive to meet our targets, I ask for the ongoing understanding and encouragement of our shareholders around the world.

June 2002



Yasuo Tominaga, President

Accelerating GLOBAL

In fiscal 2002, the Yokohama Group formulated and deployed various plans to achieve long-term growth. In addition to starting construction of a tire plant in China, we entered a global alliance with Continental to supply tires to Japanese automakers.

Building New Tire Plant in China

In 2001, Yokohama received approval from the Chinese government to establish a company in Hangzhou, Zhejiang Province, to manufacture and sell radial tires for passenger cars. As a result, we opened Hangzhou Yokohama Tire Co., Ltd., in January 2002. This operation should have an annual production capacity of 750,000 radial tires by May 2003, rising to 1.5 million units by 2006 if demand permits.

The new company's plant will adopt a small-lot production system, and operations will concentrate on high-performance tires. We plan to ensure that quality matches that of tires we make in Japan, but with a lower investment than that required for large facilities. The Yokohama brand enjoys high recognition in China, with the top position in the market for imported radial tires for passenger cars. Hangzhou Yokohama Tire will initially focus on the replacement tire market, but is also eyeing original equipment (OE) supplies to automakers.



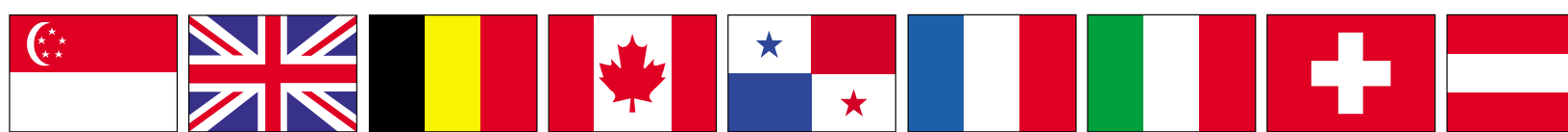
IALIZATION

Tieup with Continental

In February 2002, we concluded an international alliance with Continental of Germany to realize a global product supply network. The first step in this agreement was in April 2002, with the establishment of Yokohama Continental Tire Co., Ltd. This joint venture supports OE tire marketing to Japanese automakers, and is steadily receiving tire development orders from its clients. In addition, we agreed to support Continental's sales in Japan and exchange technologies to further strengthen the activities of both companies. Yokohama and Continental are now discussing cooperation in North America, where they are considering such issues as uniform specifications, production exchanges, and technological and logistical cooperation.

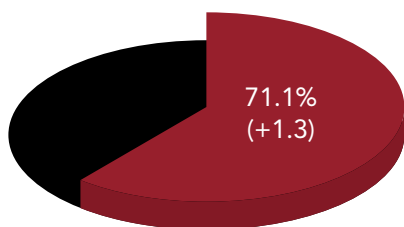
Yokohama Hydrex Enters Agreement with Italian Hose Maker

In December 2001, subsidiary Yokohama Hydrex Company reached an agreement with Manuli Automotive International S.A. of Italy to develop automobile hoses and metallic fittings under unified specifications. Manuli Automotive International manufactures and markets automobile hoses and metallic fittings for the European market, where it holds the top share. In beginning a partnership with this company, we aim to respond to the trend among automakers to globalize parts procurement.

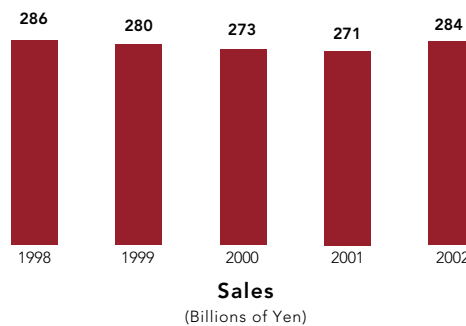


YOKOHAMA GROUP AT A GLANCE

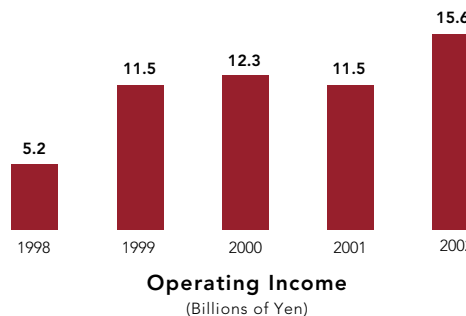
TIRE GROUP



Fiscal 2002 Sales
Percentage of net sales (change from fiscal 2001)



Sales
(Billions of Yen)



Operating Income
(Billions of Yen)

Main Products

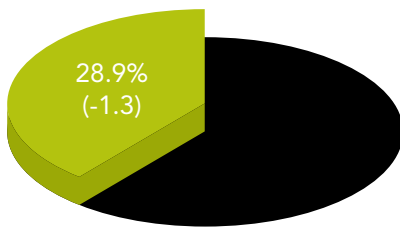
Tires for passenger cars, trucks, buses, light trucks, mining and construction equipment, industrial vehicles and aircraft, tubes, and aluminum alloy wheels

Manufacturing and Sales Organization

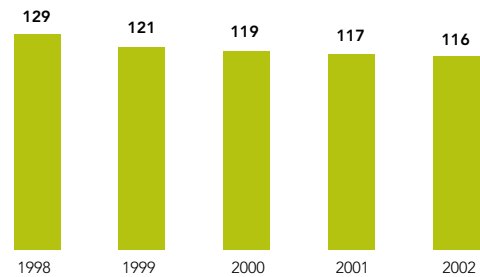
Yokohama manufactures and markets tires in Japan through 175 sales subsidiaries, including Yokohama Tire Tokyo Hanbai Co., Ltd. Overseas, our tires are made and sold in America by YTC, and in Asia by Yokohama Tire Philippines, Inc., and Yokohama Tyre Vietnam

Company. In addition, GTY Tire Company, a joint venture with Continental and Toyo Tire & Rubber Co., Ltd., handles a portion of our U.S. manufacturing. In Europe, we maintain two sales subsidiaries and five dealerships, including Yokohama Reifen GmbH in Germany.

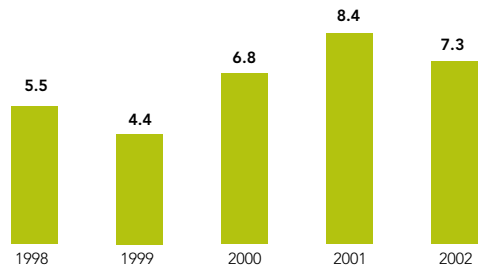
M B G R O U P



Fiscal 2002 Sales
Percentage of net sales (change from fiscal 2001)



Sales
(Billions of Yen)



Operating Income
(Billions of Yen)

Main Products

Hoses, marine hoses, conveyor belts, sealants, adhesives, antiseismic rubber bearings for bridges and buildings, golf products, aircraft components, and other products

Manufacturing and Sales Organization

In Japan, we manufacture industrial-use products at Yokohama and Yokohama Hydrex. Yokohamagomu Multiple Business East Co., Ltd., Yokohama Hydrex and seven other sales subsidiaries market these products. In America, SAS Rubber Company and

YH America, Inc., engage in both manufacturing and sales. We make golf products that PRGR Co., Ltd., sells in Japan. We also manufacture aircraft components in Japan for marketing through Yokohama Aerospace America, Inc.