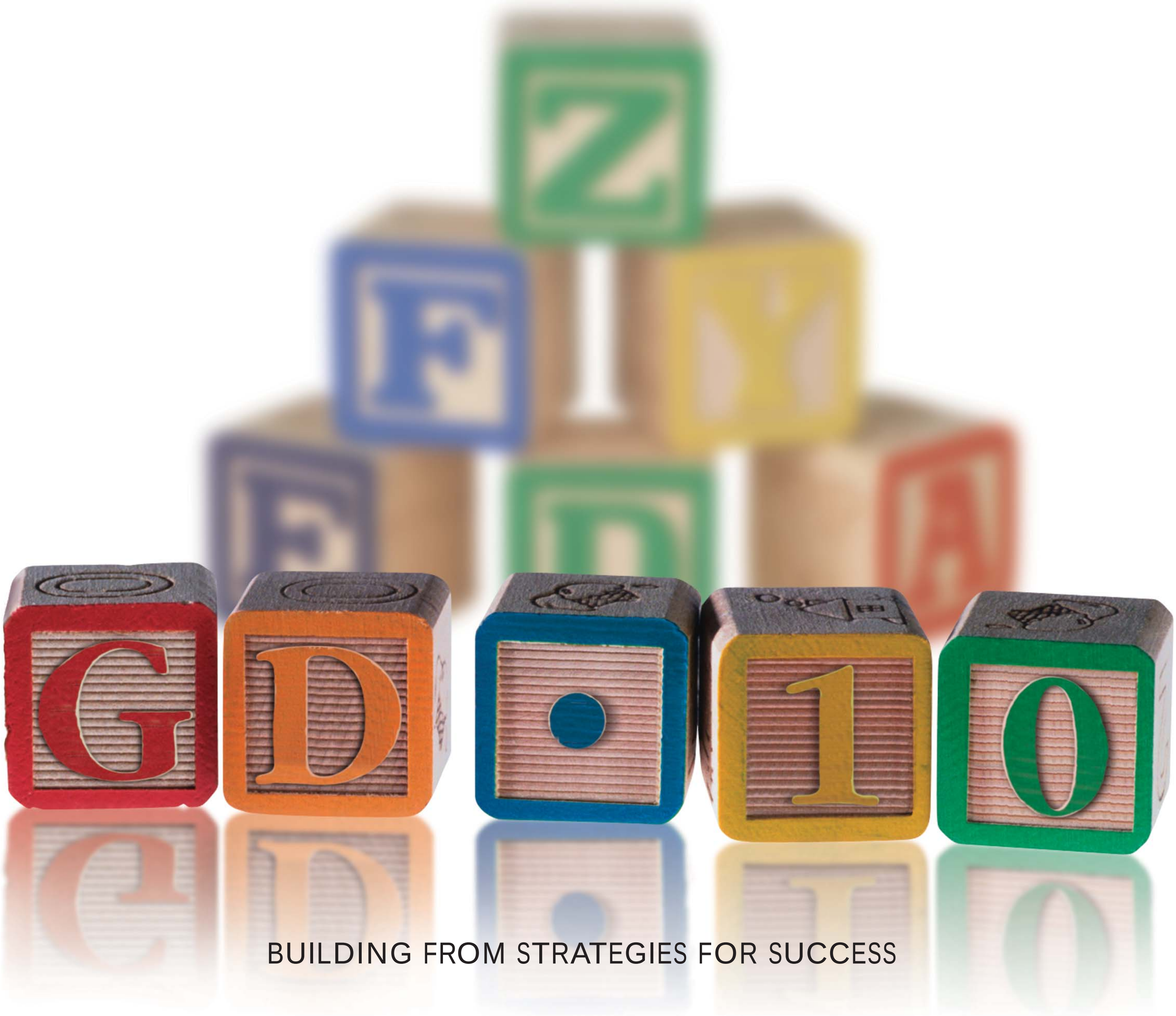
YOKOHAMA

Annual Report 2003

The Yokohama Rubber Co., Ltd.
Year ended March 31, 2003



BUILDING FROM STRATEGIES FOR SUCCESS

P R O F I L E

The Yokohama Rubber Co., Ltd. (Yokohama), is a leading manufacturer of rubber products, including vehicle tires, other rubber products, and adhesive products. Established in 1917, Yokohama has developed its business globally, earning a strong reputation for products based on advanced technologies that reflect existing and emerging customer needs in automobiles, civil engineering, construction, marine engineering, aircraft components, and sports products. By reinforcing manufacturing in Japan, the United States, and Asia and marketing and sales bases in these areas and Europe, Yokohama will maintain the trust of customers around the world.

C O N T E N T S

The abbreviation "GD•10" on the cover stands for the Yokohama Grand Design, a set of long-term business strategies for the coming 10 years.

Note Concerning Forward-Looking Statements

This annual report contains forward-looking estimates and forecasts based on current plans, which are subject to unforeseeable risks and uncertainties. As a result, actual business results may differ from the estimates and forecasts herein.

Financial Highlights

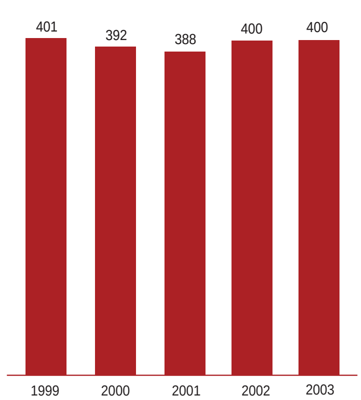
(For the Years Ended March 31, 2003 and 2002)

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	Percentage change (2003/2002)	**2003**
Net Sales	**¥400,448**	¥399,824	0.2%	**$3,331,520**
Operating Income	**23,184**	22,701	2.1	**192,879**
Income before Income Taxes	**18,778**	16,076	16.8	**156,226**
Net Income	**10,144**	7,363	37.8	**84,397**
			Change (2003-2002)	
Total Assets	**¥412,626**	¥437,771	¥ (25,145)	**$3,432,834**
Shareholders' Equity	**112,243**	114,502	(2,259)	**933,808**
	Yen			U.S. Dollars
	2003	2002		**2003**
Per Share:				
Net Income: Basic	**¥ 29.38**	¥ 21.49		**$ 0.24**
Cash Dividends	**8.00**	6.00		**0.07**

Note: Throughout this report, U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥120.20 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2003.

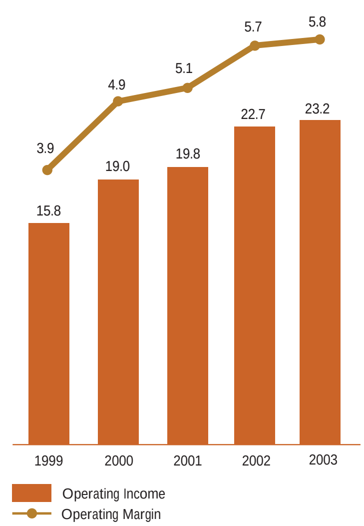
Net Sales

(Billions of Yen)



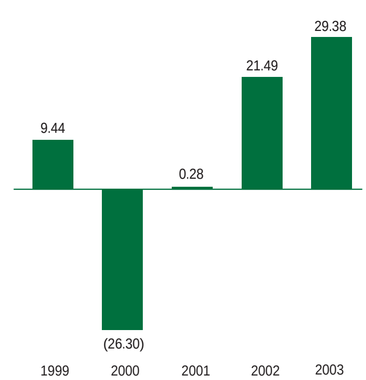
Operating Income and Operating Margin

(Billions of Yen, Percentage)



Net Income (Loss) per Share

(Yen)



To Our Shareholders

Yasuo Tominaga, President

"We seek to become a corporate group with a powerful brand and provide innovative and popular products and services to maintain the confidence of customers around the world."

Record Net Income

I am pleased to present this report on the operating results of the Yokohama Rubber Co., Ltd., and its consolidated subsidiaries for fiscal 2003, ended March 31, 2003.

In Japan, consumer spending and private-sector capital investments remained sluggish, creating a harsh operating environment throughout the year. Although growth slowed in Europe, the economies of the United States and countries in Asia were comparatively strong.

In this situation, Yokohama raised revenues and earnings for the second consecutive year. Net sales increased 0.2%, to ¥400.4 billion, operating income advanced 2.1%, to ¥23.2 billion, and net income surged 37.8%, to a record ¥10.1 billion. A sales increase in the Tire Group was sufficient to offset a decrease in the MB (Multiple Business) Group. The record earnings stemmed from a significant improvement in the profitability of Group companies overseas. To thank shareholders for their support and cooperation, and reflect the Group's strong performance, the Board of Directors authorized cash dividends for the year of ¥8.0 per share, an increase of ¥2.0.

Production in China Comes on Line

We continued to lay the groundwork for growth. In the Tire Group, we expanded our operations in China by commencing production of radial tires for passenger cars at a newly constructed plant in Hangzhou in May 2003. In addition, we entered into a cooperative agreement in the field of support ring technology with Continental AG and Bridgestone Corporation, with the objective of setting a global standard.

In the MB Group, we focused on product development and boosted the sales ratio of new products to 30% of category sales, from 25% a year earlier. Sales of aircraft components fell owing to a slowdown in the airline business caused by terrorism concerns, the Iraq war and the outbreak of severe acute respiratory syndrome (SARS). However, we received several large orders, including for water tanks and waste tanks for the Airbus A380 and common lavatory modules for the Boeing 737 and 757.

Grand Design Formulated

In November 2002, we announced the Yokohama Grand Design, a series of strategies that will guide our businesses over the next decade. The development of society and growth of the automotive industry will make such issues as safety and environmental protection increasingly important. Automobiles will bristle with information technologies. To succeed in the 21st century, we must respond to such trends with more advanced and timely technologies and products. We have thus positioned growth, production innovation, and globalization as the guiding principles of Grand Design. We have devised core business strategies for our Tire and MB Groups and a research and development strategy to build the foundations for growth. We seek to become a corporate group with a powerful brand and use our innovative technologies and services to maintain the confidence of customers around the world. Under the Grand Design, we are working to achieve an assets turnover ratio of 1, average annual growth in net sales of 5%, and an 8% operating margin.

Expanding Tire Production Capacity by Five Million Units Annually in Three Years

In our core tire operations, we are implementing three key strategies. The HPT (High Performance Tire) Strategy is designed to further enhance the high-performance image of the Yokohama brand by upgrading product performance, while the TB (Truck and Bus Tire) Strategy seeks top-quality products. Our Globalization for Growth Strategy calls for expanded tire exports and the establishment of tire production bases in strategic countries, mainly in Asia, as well as for meeting the needs of Japanese automakers outside Japan. From fiscal 2004 to 2006, we aim to boost annual tire production capacity from about 38 million units, to approximately 43 million. This rise will center on high-performance tires, for which demand is growing worldwide.

The MB Group focuses on the Product and Market Leadership Strategy, under which we seek to capture and hold either the top or second market shares in our major product areas, the Global Strategy, concentrating on global expansion in automotive and aircraft components, and the New Business Strategy. To ensure strong growth, we will endeavor to increase new products as a percentage of sales to 37% in fiscal 2004 and 50% by fiscal 2006. We are assessing the startup of our windshield sealant business in China and plan to expand in the United States.

Our R&D Strategy is integral to these business efforts, prioritizing world firsts in technologies that champion high performance, safety, and the environment.

Pursuing Sales Growth in Fiscal 2004

The operating environment will remain harsh in fiscal 2004. The Japanese economy will likely continue to be sluggish. Other factors will also affect our operations, notably uncertainty about prospects for the United States and Europe, the yen's appreciation, and rising raw materials prices. We will overcome these challenges by increasing sales and cutting internal costs. For the year, we target net sales of ¥410 billion, operating income of ¥24 billion, and net income of ¥10 billion.

Grand Design will get into full gear in fiscal 2004. We will strive to build a powerful brand by applying proprietary technologies and services to optimize customer satisfaction. I ask for the ongoing understanding and support of our shareholders worldwide as we forge ahead.

June 2003

Y. Tominaga

Yasuo Tominaga, President

YOKOHAMA'S

Grand Design is a long-term strategic business plan to enhance Group strengths and pursue lasting growth.

GRAND DESIGN

We will maximize our proprietary technologies and services to build a powerful brand.

SPELLS SUCCESS

Full-scale efforts under Grand Design commence in fiscal 2004.

IN THE 21ST CENTURY

PHILOSOPHY

To provide leading products and services based on proprietary technologies to customers around the world

Tire Operations—Building on Our Strengths

In our core tire business, we will pursue the main HPT, TB and Globalization for Growth strategies while implementing Business Base Reinforcement initiatives.

HPT Strategy: Yokohama is a formidable player in high-performance tires. Under our HPT Strategy, we will enhance the quality and performance of our offerings to make the Yokohama brand synonymous with high performance. From fiscal 2004, we aim to raise annual production capacity for these tires by five million units in three years.

TB Strategy: Like the HPT Strategy, the TB Strategy for truck and bus tires calls for Yokohama to improve its products with new materials and production processes, thereby building a world-class lineup.

Globalization for Growth Strategy: This strategy has three main components. The first is to expand tire exports by rapidly developing products that meet the needs of specific regions and by reinforcing our global network of dealerships. The second component is to reinforce production in Asia. In May 2003, Hangzhou Yokohama Tire Co., Ltd., started to manufacture radial tires for passenger cars in Zhejiang Province, China. Annual capacity is 750,000 units. We plan to build yearly capacity to 1.5 million units in the next two or three years. In addition to raising production at Yokohama Tire Philippines, Inc., we are studying the potential of constructing a Chinese plant for truck and bus tires. The third priority of this strategy is to respond to the trend among Japanese automakers toward global procurement. Our alliance with Continental of Germany gives us international reach and will provide more opportunities for progress.

Business Base Reinforcement: Under this strategy, we will strengthen foundations for Tire Group strategies by advancing our product technologies, researching the functions of materials, implementing business process reengineering initiatives, and revolutionizing production.

MB Group—Growth's Driver

The high-margin MB Group will drive progress, supported by Grand Design's Product and Market Leadership Strategy, Global Strategy, New Business Strategy, and New Product Development through Core Technologies Strategy.

Product and Market Leadership Strategy: In our current lines, 22 MB Group products are either top or second in their markets. We aim to increase this number to 37. Market leaders include hoses, building sealants, and pneumatic rubber fenders, and we intend to add antiseismic rubber bearings for buildings, polypropylene hoses, and urethane waterproofing material to this list.

Global Strategy: This centers on globally promoting our automotive products. These include hoses and windshield sealants, for which we already maintain two production facilities in North America that supply Ford Motor Company and DaimlerChrysler and the local plants of Japanese automakers. While broadening our North American activities we plan to start operations for these products in China. We have refocused the aircraft components business on commercial aircraft manufacturers and are striving to increase sales to Airbus S.A.S. and The Boeing Company. In fiscal 2003, we finalized large orders for common lavatory modules for the Boeing 737 and 757 and water tanks and waste tanks for the Airbus A380.

New Business Strategy: We are working to add a sixth core business to complement hoses, industrial materials, HAMATITE®, aircraft components, and golf products. One project seeks applications in precision machine components for Velaren, our proprietary rubber/plastic compound.

New Product Development through Core Technologies: The Yokohama Group will devote considerable effort to develop products that sustain growth in accordance with Grand Design. We aim to double new products as a portion of Group sales to 50%, for example, by commercializing a residential version of our antiseismic rubber bearings for buildings and electromagnetic interference shield panels, both of which are based on vibration-control technologies.

R&D Strategy—Underpinning Future Prosperity

R&D underpins each of the strategies in our Tire and MB Groups. Research focuses include high performance, safety, and the environment. We are applying our expertise in materials, analysis, and processing technologies to create more world-class offerings.

Financial Goals for Fiscal 2006

(Billions of Yen)

	2003	2004	2006
Net Sales	400	410	460
Tire Group	287	295	310
MB Group	114	115	150
Operating Income	23	24	35
Tire Group	17	18	22
MB Group	6	7	13
Total Assets	413	420	460
Interest-Bearing Debt	168	165	160
Assets Turnover Ratio	0.94	0.98	1.0
Net Sales Growth (%)	0.2	2.4	4.8
Operating Margin (%)	5.8	5.9	7.6

Note: Figures for fiscal 2004 and fiscal 2006 are forecasts made based on conditions in fiscal 2003.

Innovative Research and Development

R&D underpins our Grand Design strategies. We are prioritizing high performance, safety, and the environment to develop new materials, compounds, and production technologies. Following are the results of some recent projects.

Air-Pressure Monitoring System Contributes to Safer Driving

In July 2003, we commercialized HiTES, a tire air-pressure monitoring system that measures and controls the air pressure and internal air temperature of truck and bus tires. We thus became the first company in Japan to market such a system. A sensor on each tire rim accurately measures air pressure and internal air temperature for real-time monitoring from the driver's seat. In other words, drivers can observe tire conditions even when a vehicle is moving. The system also informs drivers when tires need replacement or rotating, significantly enhancing safety.

Water-Absorbing Multi-Layer Compound Achieves Firm Grip on Icy Surfaces

In fiscal 2003, we developed a water-absorbing multi-layer compound with a shelled micro-bubble compound. This new rubber compound greatly improves studless tire grip on icy roads because of its strong water-absorption, which eliminates the film of water that forms on icy surfaces. The material contains air bubbles covered with resin shells. A multi-layer structure of carbon particles with a wide surface area is blended with this compound. Our new iceGUARD studless tires featuring this compound improve tire grip on icy surfaces by 20% compared with conventional products.

Scrum Compound Enhances Abrasion Resistance

We developed scrum compound, a new blend of natural and synthetic rubber for truck and bus tires that improves abrasion resistance. It is hard to achieve such a blend, one drawback being frequent gaps in bonds. If the compound's structure is not uniform, rubber elasticity declines, leading to such problems as reduced chipping resistance and wet-surface performance. Our new scrum compound adds a polymer to strengthen the bonds and achieve high abrasion resistance, without sacrificing elasticity. Our PRO FORCE Tough TY787 tire employs this new compound and provides approximately 15% more abrasion resistance than comparable products.

State-of-the-Art Continuous Production Line Slashes Hose Production Lead Times

Yokohama has completed work on a new continuous hose production line that drastically reduces lead times while cutting costs. We installed the new setup on the No. 1 Line of our Ibaraki Plant, where it is now in full operation. Hose production entails internal rubber extrusion, formation of a reinforcing layer, external rubber extrusion, curing, and inspection and packaging. Our new line completely integrates these processes in a revolutionary, fully automated system capable of outputting 4,000 meters of hose at a time. Continuous production eliminates time losses between processes, which has allowed us to cut lead times from four days to three hours. Other benefits are the elimination of storage between processes and lower losses from human errors, which enabled production cost savings.

New Antiseismic Damper Raises Attenuation by 20%

Our new viscoelastic antiseismic damper controls vibrations caused by earthquakes while significantly improving attenuation performance. When built into pillars and brace supports, this damper absorbs vibration energy to minimize the effects on structures. For this product, we use thermoplastic elastomer, a styrene material that combines rubber and plastic properties, as the energy absorption component. This material achieves attenuation not possible with rubber materials while improving temperature dependency or minimizing attenuation changes caused by differences in temperature. With this technology, we can enhance antiseismic properties using fewer dampers than conventional systems.

Environmental Protection

DNA Eco Tire Wins Ecology Design Prize

At the Japan Industrial Design Promotion Organization's 2002 Good Design Awards, we became the first tire maker to receive an Ecology Design Prize, for our DNA series of ecological tires. The series won high praise for its design concept of operational and environmental performance.

Shinshiro Plant Wins Director-General's Award from Japan's Agency for Natural Resources and Energy

Our Shinshiro Plant in Aichi Prefecture, Japan, received the Director General of the Agency of Natural Resources and Energy Prize at the Awarding of Excellent Energy Conservation Factory & Building ceremony in February 2003. The prize recognized the plant's efforts to rationalize energy usage and reduce energy consumption by more than 10% between 1999 an 2001.

Yokohama Tire Philippines Introduces Cogeneration

In January 2003, Yokohama Tire Philippines started operating a 1,500-kilowatt thermal cogeneration system. This system generates electricity with sources that include steam created from exhaust heat, so its overall energy efficiency is better than that of conventional power generation methods.

Yokohama Group at a Glance

Tire Group

Main Products

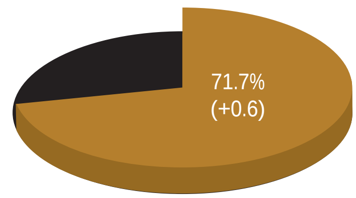
Tires for passenger cars, trucks and buses, light trucks, mining and construction equipment, industrial vehicles and aircraft, and tubes and aluminum alloy wheels

Manufacturing and Sales Organization

Yokohama manufactures and markets tires in Japan through 158 sales subsidiaries, including Yokohama Tire Tokyo Hanbai Co., Ltd. Overseas, our tires are produced and sold in America by Yokohama Tire Corporation (YTC), and in Asia by Yokohama Tire Philippines 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 seven sales subsidiaries, including Yokohama Reifen GmbH in Germany and Yokohama HPT Ltd. in the United Kingdom.

Fiscal 2003 Sales

Percentage of net sales (change from fiscal 2002)



Tire Group

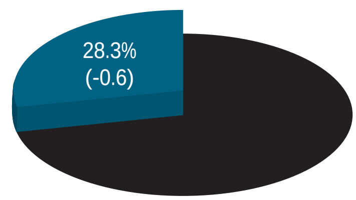
MB Group

Main Products

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

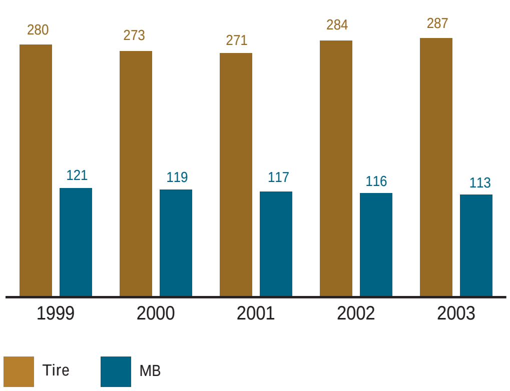
Manufacturing and Sales Organization

In Japan, we manufacture industrial-use products at Yokohama and Yokohama Hydex. Yokohamagomu Multiple Business East Co., Ltd., Yokohama Hydex, and seven other sales subsidiaries market these products. In America, SAS Rubber Company and YH America, Inc., handle manufacturing and sales. We make golf products that PRGR Co., Ltd., sells in Japan and Asia. We also manufacture aircraft components in Japan for marketing on a global scale.

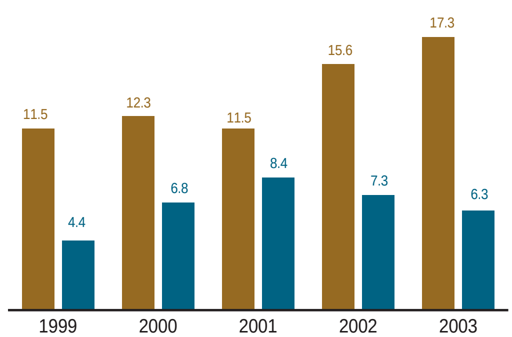


MB Group

Sales by Group
(Billions of Yen)



Operating Income by Group
(Billions of Yen)



Review Of Operations

TIRE group

Fiscal 2003 in Review

Sales of Yokohama tires expanded, centered on Asia and Europe, and overseas subsidiaries improved their profitability. As a result, sales of the Tire Group increased 1.0%, to ¥287.0 billion, and operating income advanced 10.8%, to ¥17.3 billion.

RESULTS IN JAPAN

Sales Unchanged in Japan

Domestic sales of the Yokohama Group center on tires for passenger cars, and for trucks and buses. In fiscal 2003, both unit- and value-based sales were almost unchanged from the previous year.

Original equipment (OE) sales of tires expanded in unit and value terms. Automobile manufacturing in Japan recovered for the first time in two years, increasing 5.3%, to 10.3 million units. In addition, in April 2002 we established Yokohama Continental Tire Co., Ltd., a joint venture with Continental. This company began promoting OE tires from both partners to Japanese automakers during the year under review. These and other dynamic activities supported the increase in OE tire sales.

Although we released various replacement models for passenger cars, and trucks and buses, a 1.7% drop in overall demand in the marketplace held unit- and value-based sales for the Yokohama Group at around fiscal 2002 levels. On the

Top: Our new high-performance ADVAN NEOVA AD07 sports tire is based on state-of-the-art motor sports technologies.

Bottom: Yokohama markets a full lineup of DNA passenger car tires, which help lower fuel consumption, for vehicles from luxury import cars to family cars.

Top: Yokohama's iceGUARD studless tires feature heightened water absorption to greatly improve braking on icy surfaces.

Bottom: Increased sales of high-performance passenger car tires, such as the AVS Sport, contributed to improved profitability at YTC in the United States.

positive side, aggressive marketing of our DNA series of low-energy-consumption tires and other high-value-added products helped us raise the average price per unit of replacement tires. Demand was, and remains, favorable for our DNA map tires, released in January 2002 for minivans and one-box cars, and for flagship ADVAN NEOVA AD07 sports tires introduced in February 2003. We also improved our mix of tires for trucks and buses. Sales rose for high-value-added offerings featuring proprietary technologies, including the long-life, highly durable PRO FORCE Tough TY787, released in October 2002.

Constructing a New-Concept Tire Plant

In March 2003, we announced plans to construct a new passenger car tire plant south of the Shinshiro Plant in Aichi Prefecture. The aim is to strengthen the Group's high-performance tire business. The new plant will focus on high-performance tires for passenger cars and sports utility vehicles (SUVs) with inside diameters of 18 inches or more, for which demand is growing worldwide. This plant will employ our New Manufacturing System, which enables small-run production of diverse models, and other concepts. Construction will be in several phases from 2003 to 2005. We plan an initial annual capacity of 300,000 tires when the plant opens, raising it to 750,000 units a year by the end of fiscal 2006.

RESULTS IN NORTH AMERICA

Poised for Profitability

Our operations in North America center on passenger car tires produced at YTC and on truck and bus tires.

In 2001, YTC posted a loss of $19.1 million, which it reduced to $550,000 in 2002. That subsidiary has succeeded in its strategy of raising the ratio of high-value-added "Yokohama" brand passenger car tires to total sales. Higher sales of tires for trucks and buses also contributed to YTC's performance improvement. Unit-based production fell as YTC deemphasized tires with low margins, so overall profitability per unit increased. Reduced interest, logistics and personnel expenses absorbed cost increases from the drop in YTC's rate of output. YTC still faces several challenges, including price hikes in raw materials, but it will continue to restructure its sales mix and increase sales of tires for trucks and buses to regain profitability in 2003.

RESULTS IN ASIA AND OCEANIA

NUMEROUS HIGH-PERFORMANCE TIRES LAUNCHED

Our operations in Asia center on sales of passenger car tires exported mainly from Japan and the Philippines. In fiscal 2003, demand for new products was favorable amid a regional economic recovery, thus increasing sales.

Demand for the AVS ES100 (DNA GRAND PRIX in Japan) sports tire, which we released in spring 2002, led our sales expansion in Asia. This tire reduces fuel consumption and offers excellent handling. Sales of this model were strong in Thailand, Malaysia, Singapore, and other markets. In Thailand, where we opened a representative office in Bangkok in 2002, the popularity of new products and vigorous efforts to expand sales channels helped to nearly double unit sales.

In spring 2003, we released the AVS dB EURO passenger car tire, popular in Europe for its quiet and comfortable ride, in Asian markets. We aim to keep improving regional results by concentrating sales activities on this tire and the AVS ES100.

CHINESE PLANT COMMENCES OPERATIONS

The new tire plant of Hangzhou Yokohama Tire in Zhejiang Province started to make passenger car radial tires in May 2003. This facility's replacement tires match the high quality of counterparts produced in Japan, and we aim to use them to establish Yokohama as a high-class brand in China. This plant has an annual capacity of 750,000 tires, but plans are to double output in the next two or three years. In line with our production startup in China, we intend to set up a nationwide sales network in that country, centered on exclusive retail outlets.

YOKOHAMA TIRE PHILIPPINES INCREASES CAPACITY

Yokohama Tire Philippines is primarily a production and sales base for passenger car tires, exporting most of its output to Europe, the Middle East, and other countries in Asia. In the year under review, exports to Europe increased, allowing Yokohama Tire Philippines to raise sales and profits. This subsidiary is responding to the growing popularity of passenger car tires with high inside diameters by expanding capacity for tires with 16-inch and higher inside diameters. By fiscal 2004, Yokohama Tire Philippines expects to increase its annual output of these models from two million, to 2.5 million units.

Top: Our passenger car tire plant in China commenced operations in May 2003.

Bottom: In developing the AVS ES100 sports tire, we focused on enhancing driving performance and fuel efficiency.

Top: Our AVS S/T type-1 tire for SUVs was selected as standard for the G55 AMG, a high-performance car in the Mercedes-Benz G Series.

Center/Bottom: At the 71st Le Mans 24-hour race in France, Yokohama was official sponsor of the ADVAN KONDO Racing team and supported three other teams, The ADVAN KONDO Racing team, which received media attention for its "all-Japan" chassis, engine, tires, and drivers, placed 13th overall and 8th in its class. The center photo shows the team's ADVAN KONDO S101, and the bottom photo features, from the right, drivers Masahiko Kondo, Ryo Fukuda, and Ukyo Katayama

Favorable Demand in Australia

Although inexpensive imports from Southeast Asia rapidly penetrated the Australian replacement tire market, we improved our sales in this country on the strength of the AVS ES100 sports tire and the new AVS dB, which contributes to quiet driving.

RESULTS IN EUROPE AND OTHER REGIONS

Strong Sales of High-Performance Tires

In Europe, we concentrate on selling imports from Japan and the Philippines. We mainly market tires for passenger cars, and truck and bus tires through sales subsidiaries in Germany, Italy, the United Kingdom, Austria, Switzerland, Sweden, and Denmark, and through regional retail outlets.

In the year under review, new passenger car registrations dipped 2.7% overall in the 18 largest European markets, thereby contracting demand for OE tires. Our operating environment worsened as competition intensified in the replacement tire market. Nonetheless, sales of high-performance tires were strong and, reflecting the strong euro, our regional sales increased significantly. Our AVS dB high-performance tire was particularly well received after its launch in spring 2002. High demand for these tires contributed significantly to our sales gains in Europe.

Opening More Concept Shops

We will continue to introduce SUV and snow tires to increase sales in Europe. In fiscal 2004, we began to expand our regional sales network by opening two model concept shops that primarily offer our products. Yokohama has participated in such events as the Frankfurt Motor Show in Germany and the Geneva Motor Show in Switzerland to raise its brand awareness. In August 2003, we are also participating in the Moscow Motor Show to boost sales in Russia and Eastern Europe.

Difficult Environment in the Middle East

Our business in the Middle East, where awareness of the Yokohama brand is relatively high, centers on sales of passenger car, truck and bus tires. In fiscal 2003, sales of premium truck and bus tires increased, but the Iraq crisis and war in the second half constrained overall tire demand, lowering overall sales.

Review Of Operations

MB group

Fiscal 2003 in Review

Sales of automobile-related products, such as windshield sealants and hoses, increased in fiscal 2003. However, demand was down for conveyor belts, antiseismic rubber bearings for bridges, and aircraft components. As a result, MB Group sales decreased 1.8%, to ¥113.5 billion, and operating income dropped 13.4%, to ¥6.3 billion.

SEALANTS AND ADHESIVES

Windshield Sealants Support Sales

Yokohama markets sealants for buildings and homes, automotive adhesives, and coatings under the HAMATITE® brand. This brand leads the Japanese markets for building sealants, as well as that for windshield sealants supplied to automakers on an OE basis.

In the year under review, sales declined for construction sealants, a major product in this category, owing partly to a slowdown in large urban redevelopment projects in metropolitan Tokyo. However, higher domestic automobile production boosted sales of windshield sealants, while demand expanded for our multiple-layer glass sealants and urethane waterproofing materials. In this situation, overall sales of the HAMATITE® line increased. Demand was particularly strong for our multiple-layer glass sealant, which enjoys a strong reputation for its weather resistance and adhesive performance. Leading home construction companies began to use this sealant in the year under review.

Numerous high-rise buildings at Shiodome Shiosite, a large residential and commercial urban redevelopment project in Tokyo's Minato Ward, incorporate Yokohama building sealants.

Top: *For our automotive hoses operations, which performed well in fiscal 2003, we are formulating plans to commence business in China.*

Bottom: *Our pneumatic fenders are popular for pressure holding strength and their durability of up to 30 years.*

HOSES

Trailblazing New Applications

Yokohama leads the Japanese market for hoses for construction equipment and machine tools, with a share of approximately 40%. Our power-steering and car air conditioning hoses also hold large shares in their markets.

In fiscal 2003, sluggish demand for construction equipment slowed our sales of related hoses, but our automotive hoses were adopted for popular new car models, supporting a major increase in sales. Overall sales of hoses thus improved.

Efforts to pioneer new applications for our hoses led to our entry into new businesses, including DPF (diesel particulate filter) Teflon hoses for equipment that eliminates particulate matter expelled by diesel-engine vehicles, and metallic hoses for gas heat pumps in gas-powered air-conditioning units. Our revolutionary new continuous production line, which reduces hose production lead times from four days to three hours, started full-scale operations in fiscal 2003. This line also slashes production costs and has enabled us to win a large order for car air-conditioner hoses.

MARINE HOSES AND PNEUMATIC FENDERS

Sales Expand Significantly

We mainly export our proprietary marine hoses and pneumatic fenders, and have a large share of the global market. The generally weak yen in fiscal 2003 supported large sales gains. As rising oil prices led to active production, we launched and marketed new marine hose offerings, winning a large order during the year. Demand was strong for our fenders for ship-to-ship transfer operations for super tankers, reflecting expanded shipping traffic.

ANTISEISMIC RUBBER BEARINGS AND JOINTS

Firm Demand for Joints

With public-sector investment declining and prices and orders falling, our sales of antiseismic rubber bearings for bridges decreased. However, demand was favorable for our Big Joint model, which fits between girders to compensate for contraction and expansion between sections of raised highways. Big Joints can handle spaces as wide as 60 centimeters.

GOLF PRODUCTS

NEW DRIVER MASSIVELY SUCCESSFUL

In Japan's market for golf products, shipments were down for the sixth consecutive year, creating a harsh operating environment for the Yokohama Group. Since its launch in January 2003, sales have soared for the TR DUO driver, the head of which employs titanium and carbon fiber-reinforced plastics. However, as this product was launched only three months before the fiscal year-end, revenues were insufficient to raise category sales.

Top: The head of the DUO, our newest driver, which employs a carbon fiber-reinforced plastic crown, is more flexible and resilient than full titanium, to extend distances. The DUO is attracting wide attention as a next-generation driver.

Bottom: The first Airbus A380s—with a standard 555 seats, making them the world's largest passenger aircraft—will go into operation in 2006. Yokohama will supply water tanks and waste tanks for these aircraft from March 2004.

AIRCRAFT COMPONENTS

MAJOR ORDERS SECURED

The aftermath of the 9/11 terrorist attacks continued to dampen demand for new aircraft in fiscal 2003, lowering our sales of aircraft components. On the other hand, we won several large orders, including common lavatory modules for the Boeing 737 and 757 and water tanks and waste tanks for the Airbus A380, and we look forward to better results in the year ahead.

OVERSEAS PRODUCTION

STRONG OVERSEAS OPERATIONS

Our overseas production centers on plants for hoses and sealants in the United States and Asia. Foreign subsidiaries enjoyed strong sales in fiscal 2003. U.S.-based SAS Rubber increased sales on larger orders for automotive hoses from Ford Motor, DaimlerChrysler, and the car maintenance market. YH America also expanded sales of automotive hoses, sustained by favorable demand from the U.S. operations of Japanese automakers, as well as of windshield sealants and hotmelt sealants for automotive lamps, leading to an overall rise in sales for the year.

In Asia, SC Kingflex Corporation, our hose production and sales subsidiary in Taiwan, significantly expanded sales through export increases to China and the United States. Yokohama Rubber (Thailand) Co., Ltd., experienced falling exports of windshield sealants to Southeast Asia. However, this subsidiary was able to raise overall sales thanks to significantly improved demand for construction equipment and automobile hoses.

Financial Section

Financial Review

OPERATING RESULTS

Sales

In fiscal 2003, ended March 31, 2003, consolidated net sales of the Yokohama Group increased 0.2%, to ¥400.4 billion, as an increase in Tire Group sales offset a decrease for the MB Group.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales dipped 0.2%, to ¥267.1 billion, as cost-cutting absorbed a rise in raw materials prices. On the other hand, higher commissions and sales promotion expenses raised selling, general and administrative expenses 0.7%, to ¥110.2 billion.

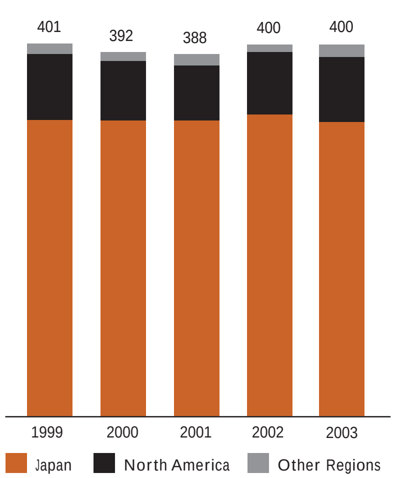
Operating Income

Progress in improving the profitability of U.S. tire operations boosted operating income 2.1%, to ¥23.2 billion. The operating margin expanded 0.1 percentage point, to 5.8%.

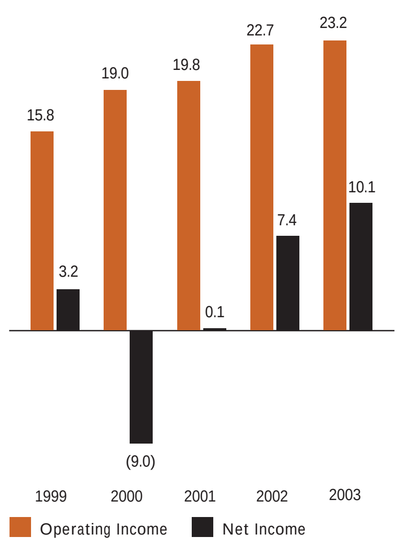
Net Income

Higher operating income and a reduced interest expense from lower interest rates caused net income to soar 37.8%, to ¥10.1 billion. The return on shareholders' equity stood at 8.9%, up 2.4 percentage points from a year earlier.

Sales by Region
(Billions of Yen)



Net Income (Loss) and Operating Income
(Billions of Yen)



SEGMENT INFORMATION

Business Groups

Sales of the Tire Group increased 1.0%, to ¥287.0 billion, while operating income grew 10.8%, to ¥17.3 billion. Exports of tires expanded, especially to Asia and Europe, and initiatives to improve profitability proceeded at such overseas subsidiaries as YTC and Yokohama Tire Philippines.

MB Group sales decreased 1.8%, to ¥113.5 billion, with operating income falling 13.4%, to ¥6.3 billion. The primary causes of this decline were reduced public- and private-sector investment, which constrained demand for conveyor belts and antiseismic rubber bearings for bridges. The lasting effects of 9/11 cut aircraft production and thus dampened demand for aircraft components.

Regions

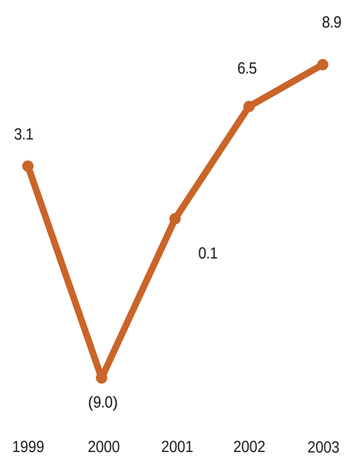
Sales in Japan decreased 2.2%, to ¥315.9 billion, reflecting lower sales in the MB Group. Operating profit dropped 12.7%, to ¥19.3 billion. In North America, profitability improved at YTC. Sales rose 4.6%, to ¥70.6 billion, and operating income rocketed 362.3%, to ¥2.5 million. Sales in other regions advanced 49.0%, to ¥13.9 billion, owing to favorable demand in Asia and Europe. Operating income expanded 46.4%, to ¥1.2 billion.

CAPITAL EXPENDITURES AND DEPRECIATION

Capital expenditures grew ¥5.8 billion, to ¥22.7 billion, and depreciation decreased ¥207 million, to ¥19.0 billion. Capital expenditures included ¥17.3 billion to expand production of Inch-Up tires and a compound mixing line in the Tire Group. The MB Group spent ¥5.2 billion to reinforce production of hoses, sealants, and aircraft components. Yokohama forecasts capital expenditures of ¥25.2 billion and depreciation of ¥19.6 billion in fiscal 2004.

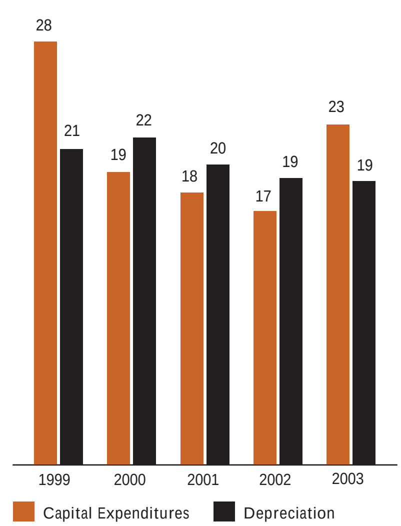
Return on Shareholders' Equity

(Percentage)



Capital Expenditures and Depreciation

(Billions of Yen)



FINANCIAL POSITION AND CASH FLOWS

Assets

Total assets of the Yokohama Group amounted to ¥412.6 billion at March 31, 2003, a drop of ¥25.1 billion from a year earlier. This owed mainly to a reduction in trade receivables—the main component in a ¥6.1 billion drop in current assets—to ¥190.5 billion. In addition, total investments and other assets fell ¥17.8 billion, to ¥71.2 billion, reflecting such factors as a decline in the market valuation of investment securities.

Liabilities, Minority Interests and Shareholders' Equity

Total current and long-term liabilities at fiscal year-end fell ¥23.7 billion, to ¥297.9 billion, primarily because of a ¥11.3 billion reduction in interest-bearing debt. Total shareholders' equity decreased ¥2.3 billion, to ¥112.2 billion, as unrealized gains on securities declined despite a jump in retained earnings in line with the rise in net income.

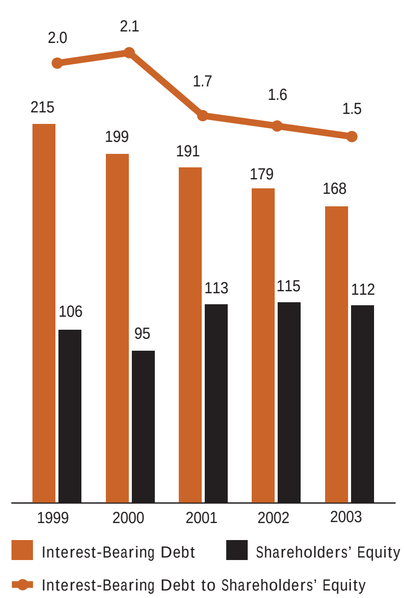
Cash Flows

Net cash provided by operating activities increased 15.8%, to ¥26.4 billion, owing to drops in interest and income tax payments and a rise in income before income taxes. Net cash used in investing activities expanded 52.2%, to ¥19.0 billion, centered on ¥19.7 billion for purchases of property, plant and equipment. Net cash used in financing activities decreased 41.1%, to ¥10.2 billion, mainly because the Company focused on repaying bank loans. As a result, cash and cash equivalents at year-end amounted to ¥15.8 billion, down 14.0%.

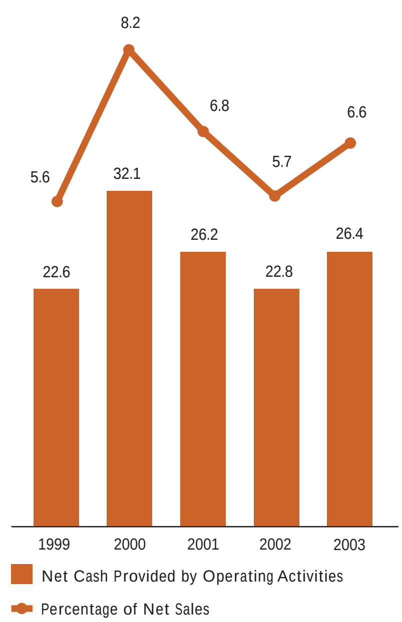
FORECAST FOR FISCAL 2004

For fiscal 2004, ending March 31, 2004, the Yokohama Group estimates that net sales will expand 2.4%, to ¥410.0 billion, operating income will advance 3.5%, to ¥24.0 billion, and that net income will decline 1.4%, to ¥10.0 billion.

Interest-Bearing Debt, Shareholders' Equity, and Interest-Bearing Debt to Shareholders' Equity
(Billions of Yen, Times)



Net Cash Provided by Operating Activities and Percentage of Net Sales
(Billions of Yen, Percentage)



Five-Year Summary

FISCAL YEARS ENDED MARCH 31

Millions of Yen

	2003	2002	2001	2000	1999
Net Sales	**¥400,448**	¥399,824	¥387,855	¥392,193	¥401,183
Operating Income	**23,184**	22,701	19,845	19,043	15,809
Income (Loss) before Income Taxes	**18,778**	16,076	7,052	(13,692)	7,731
Net Income (Loss)	**10,144**	7,363	96	(9,009)	3,233
Depreciation	**19,040**	19,247	20,083	21,922	21,141
Capital Expenditures	**22,708**	16,940	18,118	19,470	28,216
R&D Expenditures	**12,520**	12,298	11,827	11,626	13,300
Interest-Bearing Debt	**167,832**	179,098	191,289	198,931	215,245
Shareholders' Equity	**112,243**	114,502	112,651	94,743	105,984
Total Assets	**412,626**	437,771	448,130	425,927	432,457
Per Share (Yen):					
Net Income (Loss): Basic	**¥ 29.38**	¥ 21.49	¥ 0.28	¥ (26.30)	¥ 9.44
Shareholders' Equity	**327.61**	334.24	328.81	276.54	309.36
Cash Dividends	**8.00**	6.00	—	6.00	6.00
Key Financial Ratios:					
Operating Margin (%)	**5.8**	5.7	5.1	4.9	3.9
Return on Shareholders' Equity (%)	**8.9**	6.5	0.1	(9.0)	3.1
Interest-Bearing Debt to Shareholders' Equity ratio (times)	**1.5**	1.6	1.7	2.1	2.0
Interest Coverage (times)	**7.9**	4.9	3.5	3.7	2.7
Share Price (Yen):					
High	**¥ 350**	¥ 352	¥ 312	¥ 368	¥ 351
Low	**235**	228	200	197	255
Fiscal Year-End	**304**	296	235	287	314
Common Stock Issued	**342,598,162**	342,598,162	342,598,162	342,598,162	342,598,162
Number of Employees	**12,979**	13,130	13,362	13,764	12,107

Notes:

1. Since fiscal 2000, R&D expenditures have been based on new accounting standards.
2. The rise in the number of employees in fiscal 2000 reflected the additional consolidation of 174 companies under new accounting standards.

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2003**	2002	**2003**
Current Assets:			
Cash and cash equivalents (Note 9)	**¥ 15,769**	¥ 18,332	**$ 131,196**
Time deposits	**135**	291	**1,119**
Trade receivables:			
Notes and accounts (Notes 4 and 6)	**101,434**	106,761	**843,879**
Allowance for doubtful receivables	**(2,190)**	(2,784)	**(18,228)**
Inventories (Note 3)	**62,511**	60,697	**520,059**
Deferred income taxes (Note 14)	**6,874**	6,473	**57,189**
Other current assets	**5,950**	6,790	**49,508**
Total current assets	**190,483**	196,560	**1,584,722**
Property, Plant and Equipment, at Cost (Notes 4 and 5)**:**			
Land	**32,225**	30,972	**268,095**
Buildings and structures	**113,009**	112,716	**940,178**
Machinery and equipment	**322,313**	320,486	**2,681,470**
Construction in progress	**6,018**	5,855	**50,069**
	473,565	470,029	**3,939,812**
Less accumulated depreciation	**(322,589)**	(317,809)	**(2,683,768)**
Total property, plant and equipment, net	**150,976**	152,220	**1,256,044**
Investments and Other Assets:			
Investment securities (Notes 4 and 11)	**43,671**	60,945	**363,322**
Long-term loans receivable	**1,655**	2,013	**13,768**
Deferred income taxes (Note 14)	**3,536**	2,458	**29,422**
Other investments and other assets	**24,280**	25,261	**201,995**
Allowance for doubtful receivables	**(1,975)**	(1,686)	**(16,439)**
Total investments and other assets	**71,167**	88,991	**592,068**
Total assets	**¥412,626**	¥437,771	**$3,432,834**

See accompanying Notes to Consolidated Financial Statements.

Liabilities, Minority Interests and Shareholders' Equity	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Current Liabilities:			
Bank loans	**¥ 94,235**	¥114,936	**$ 783,982**
Current maturities of long-term debt (Note 4)	**25,604**	15,852	**213,014**
Commercial paper	**14,000**	2,000	**116,472**
Trade notes and accounts payable	**60,213**	65,587	**500,939**
Accrued income taxes	**5,489**	4,749	**45,670**
Accrued expenses	**20,720**	20,397	**172,383**
Other current liabilities	**12,028**	10,707	**100,066**
Total current liabilities	**232,289**	234,228	**1,932,526**
Long-Term Liabilities:			
Long-term debt (Note 4)	**33,994**	46,310	**282,809**
Deferred income taxes (Note 14)	**1,846**	6,646	**15,362**
Reserve for pension and severance payments (Note 13)	**20,581**	26,339	**171,220**
Other long-term liabilities	**9,197**	8,112	**76,513**
Total long-term liabilities	**65,618**	87,407	**545,904**
Minority Interests	**2,476**	1,634	**20,596**
Contingent liabilities (Note 6)			
Shareholders' Equity:			
Common stock:			
Authorized: 480,000,000 shares			
Issued: 342,598,162 shares	**38,909**	38,909	**323,703**
Capital surplus	**31,893**	31,893	**265,331**
Retained earnings (Note 8)	**36,562**	29,983	**304,182**
Accumulated other comprehensive income			
Unrealized gains on securities	**12,796**	20,033	**106,461**
Foreign currency translation adjustments	**(7,850)**	(6,309)	**(65,305)**
	112,310	114,509	**934,372**
Treasury stock, at cost: 235,304 shares in 2002	**(67)**	(7)	**(564)**
Total shareholders' equity	**112,243**	114,502	**933,808**
Total liabilities, minority interests and shareholders' equity	**¥412,626**	¥437,771	**$3,432,834**

Consolidated Statements of Income

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003	2002	2001	**2003**
Net sales	**¥400,448**	¥399,824	¥387,855	**$3,331,520**
Cost of sales	**267,070**	267,734	260,466	**2,221,880**
Gross profit	**133,378**	132,090	127,389	**1,109,640**
Selling, general and administrative expenses	**110,194**	109,389	107,544	**916,761**
Operating income	**23,184**	22,701	19,845	**192,879**
Other income (expenses)				
Interest and dividends income	**756**	797	832	**6,289**
Interest expense	**(3,044)**	(4,831)	(5,971)	**(25,328)**
Lump-sum amortization of goodwill	**—**	—	(4,156)	**—**
Other—net	**(2,118)**	(2,591)	(3,498)	**(17,614)**
	(4,406)	(6,625)	(12,793)	**(36,653)**
Income before income taxes	**18,778**	16,076	7,052	**156,226**
Income taxes (Note 2):				
Current	**9,141**	8,266	8,520	**76,056**
Deferred	**(766)**	355	(1,579)	**(6,376)**
	8,375	8,621	6,941	**69,680**
Minority interests in net income of consolidated subsidiaries	**(259)**	(92)	(15)	**(2,149)**
Net income	**¥ 10,144**	¥ 7,363	¥ 96	**$ 84,397**

Per share amounts:	Yen			U.S. Dollars (Note 1)
Net income: Basic	**¥ 29.38**	¥ 21.49	¥ 0.28	**$ 0.24**
Net income: Diluted	**—**	—	—	**—**
Cash dividends	**¥ 8.00**	¥ 6.00	¥ —	**$ 0.07**

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, 2003, 2002, 2001 and 2000

		Millions of Yen					
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at March 31, 2000	342,598,162	¥38,909	¥31,893	¥23,941	¥ (8,792)	¥ (0)	¥ 85,951
Net income	—	—	—	96	—	—	96
Cash dividends paid	—	—	—	(1,027)	—	—	(1,027)
Other comprehensive income							
Unrealized gains on securities	—	—	—	—	26,394	—	26,394
Foreign currency translation adjustments	—	—	—	—	1,237	—	1,237
Balance at March 31, 2001	342,598,162	38,909	31,893	23,010	18,839	(0)	112,651
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	—	181	—	—	181
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(571)	—	—	(571)
Net income	—	—	—	7,363	—	—	7,363
Purchase of treasury stock	—	—	—	—	—	(7)	(7)
Other comprehensive income							
Unrealized losses on securities	—	—	—	—	(6,361)	—	(6,361)
Foreign currency translation adjustments	—	—	—	—	1,246	—	1,246
Balance at March 31, 2002	342,598,162	38,909	31,893	29,983	13,724	(7)	114,502
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(152)	—	—	(152)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(1,298)	—	—	(1,298)
Net income	—	—	—	10,144	—	—	10,144
Cash dividends paid	—	—	—	(2,055)	—	—	(2,055)
Bonuses to directors and statutory auditors	—	—	—	(60)	—	—	(60)
Purchase of treasury stock	—	—	—	—	—	(60)	(60)
Other comprehensive income							
Unrealized losses on securities	—	—	—	—	(7,237)	—	(7,237)
Foreign currency translation adjustments	—	—	—	—	(1,541)	—	(1,541)
Balance at March 31, 2003	342,598,162	¥38,909	¥31,893	¥36,562	¥ 4,946	¥(67)	¥112,243

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at March 31, 2002	$323,703	$265,331	$249,445	$114,177	$ (63)	$952,593
Decrease in retained earnings due to change in scope of consolidation	—	—	(1,261)	—	—	(1,261)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	(10,795)	—	—	(10,795)
Net income	—	—	84,397	—	—	84,397
Cash dividends paid	—	—	(17,100)	—	—	(17,100)
Bonuses to directors and statutory auditors	—	—	(504)	—	—	(504)
Purchase of treasury stock	—	—	—	—	(501)	(501)
Other comprehensive income						
Unrealized losses on securities	—	—	—	(60,205)	—	(60,205)
Foreign currency translation adjustments	—	—	—	(12,816)	—	(12,816)
Balance at March 31, 2003	$323,703	$265,331	$304,182	$ 41,156	$(564)	$933,808

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, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003	2002	2001	**2003**
Operating Activities:				
Income before income taxes	**¥ 18,778**	¥16,076	¥ 7,052	**$ 156,226**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation	**19,040**	19,247	20,083	**158,410**
Reserve for pension and severance payments	**(1,188)**	(943)	(2,145)	**(9,887)**
Lump-sum amortization of goodwill	**—**	—	4,156	**—**
Other, net	**3,316**	4,492	6,686	**27,588**
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	**3,847**	1,547	(5,338)	**32,006**
Inventories	**(3,095)**	(306)	394	**(25,755)**
Notes and accounts payable	**(5,256)**	(90)	3,130	**(43,730)**
Other, net	**1,722**	(2,957)	2,096	**14,333**
Interest and dividends received	**726**	693	830	**6,040**
Interest paid	**(3,065)**	(4,834)	(5,903)	**(25,499)**
Income taxes paid	**(8,403)**	(10,100)	(4,827)	**(69,915)**
Net cash provided by operating activities	**26,421**	22,825	26,214	**219,817**
Investing Activities:				
Purchases of property, plant and equipment	**(19,732)**	(14,884)	(17,280)	**(164,167)**
Purchases of marketable securities and investment securities	**(3,619)**	(1,779)	(492)	**(30,108)**
Proceeds from sales of marketable securities, investment securities and properties	**5,209**	3,109	4,035	**43,339**
Other, net	**(830)**	1,085	(1,561)	**(6,908)**
Net cash used in investing activities	**(18,972)**	(12,469)	(15,298)	**(157,844)**
Financing Activities:				
Increase (decrease) in short-term bank loans and current maturities of long-term debt	**(18,502)**	(14,269)	2,946	**(153,927)**
Increase (decrease) in commercial paper	**12,000**	2,000	(8,000)	**99,834**
Proceeds from long-term debt	**16,473**	13,447	5,277	**137,044**
Decrease in long-term debt	**(18,104)**	(18,583)	(10,661)	**(150,612)**
Payment of cash dividends	**(2,054)**	(6)	(1,030)	**(17,091)**
Other, net	**(60)**	—	—	**(499)**
Net cash used in financing activities	**(10,247)**	(17,411)	(11,468)	**(85,251)**
Effect of exchange rate change on cash and cash equivalents	**(153)**	(110)	141	**(1,274)**
Decrease in cash and cash equivalents	**(2,951)**	(7,165)	(411)	**(24,552)**
Cash and cash equivalents at beginning of year	**18,332**	25,046	25,617	**152,513**
Increase (decrease) in cash and cash equivalents due to addition of consolidated subsidiaries	**388**	451	(160)	**3,235**
Cash and cash equivalents at end of year (Note 9)	**¥ 15,769**	¥18,332	¥25,046	**$ 131,196**

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, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than 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.

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 ¥120.20 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2003.

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"). Investment in 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. 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 has been fully written off when acquired.

(2) 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.

The resulting exchange adjustments are recorded in shareholders' equity and minority interests.

(3) 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.

(4) Marketable Securities and Investment Securities

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

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

(5) Derivative Instruments

Derivative instruments whose fair values are readily determinable, are carried at fair value.

(6) 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.

(7) Allowance for Doubtful Receivables

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

(8) 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.

(9) 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 non-contributory pension plans for their 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 are shorter than the average remaining service period of employees.

The transition obligation of consolidated subsidiaries is amortized over 5 years. The transition obligation of the Company was written down by contributing the holding securities to the pension trust.

In addition to providing pension and severance benefits, certain foreign subsidiaries sponsor several unfounded 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."

(10) Income Taxes
Income taxes in Japan comprise a corporation tax, 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.

(11) Revenue Recognition
Sales of products are recognized in the accounts upon shipments to customers.

(12) Research and Development Costs
Research and development costs are charged to income as incurred.

(13) Earnings per Share
Effective April 2002, the Companies adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The effect of this adoption was not material.

Basic net income per share for the year ended March 31, 2003 was computed in accordance with the new standard. Diluted net income per share is not disclosed because it is anti-dilutive.

(14) 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Finished products	**¥44,538**	¥44,848	**$370,527**
Work-in-process	**9,348**	6,676	**77,774**
Raw materials and supplies	**8,625**	9,173	**71,758**
	¥62,511	¥60,697	**$520,059**

4. Long-Term Debt

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
2.65% straight bonds due 2004	**¥10,000**	¥10,000	**$ 83,195**
2.2% straight bonds due 2003	**10,000**	10,000	**83,195**
1.3425% straight bonds due 2007	**10,000**	10,000	**83,195**
Loans, principally from banks and insurance companies	**29,598**	32,162	**246,238**
	59,598	62,162	**495,823**
Less current maturities	**25,604**	15,852	**213,014**
	¥33,994	¥46,310	**$282,809**

Assets pledged to secure bank loans and long-term debt at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Investment securities	**¥ —**	¥ 248	**$ —**
Notes receivable	**500**	1,326	**4,167**
Property, plant and equipment	**78,024**	83,057	**649,115**
	¥78,524	¥84,631	**$653,282**

5. Depreciation

Depreciation charges were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Selling, general and administrative expenses	**¥ 2,913**	¥ 2,951	¥ 2,784	**$ 24,238**
Manufacturing costs	**¥16,127**	¥ 16,296	¥17,299	**$134,172**

6. Contingent Liabilities

Contingent liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Notes discounted and endorsed	**¥1,276**	¥2,052	**$10,620**
Guarantees	**¥1,717**	¥1,669	**$14,292**

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, 2003 and 2002 were ¥12,520 million ($104,160 thousand) and ¥12,298 million, respectively.

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 is 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.

9. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Cash and time deposits	**¥15,904**	¥18,623	**$132,315**
Time deposits with a maturity of over three months	**(135)**	(291)	**(1,119)**
Cash and cash equivalents	**¥15,769**	¥18,332	**$131,196**

10. Leases

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Acquisition costs	**¥7,329**	¥5,457	**$60,978**
Accumulated depreciation	**3,045**	3,051	**25,333**
Net book value	**¥4,284**	¥2,406	**$35,645**

The Companies had future lease payments under finance leases as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Within one year	**¥1,183**	¥1,026	**$ 9,840**
After one year	**3,101**	1,380	**25,802**
	¥4,284	¥2,406	**$35,642**

Lease expenses under finance leases for the years ended March 31, 2003 and 2002 aggregated approximately ¥1,258 million ($10,473 thousand) and ¥1,312 million, respectively.

Future rental payments under non-cancellable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Within one year	**¥1,719**	¥2,024	**$14,304**
After one year	**5,821**	6,663	**48,428**
	¥7,540	¥8,687	**$62,732**

11. Securities

Cost, carrying amounts and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2003				2002				2003			
	Cost	Carrying amount	Unrealized gains	Unrealized losses	Cost	Carrying amount	Unrealized gains	Unrealized losses	Cost	Carrying amount	Unrealized gains	Unrealized losses
Securities classified as:												
Available-for-sale:												
Stocks	**¥15,529**	**¥36,964**	**¥21,933**	**¥(498)**	¥21,898	¥56,226	¥36,644	¥(2,316)	**$129,199**	**$307,521**	**$182,471**	**$(4,149)**

12. Derivative Instruments

Fair value information of derivative instruments at March 31, 2003 and 2002 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses
Forward exchange contracts:									
EURO	**¥2,438**	**¥2,550**	**¥(112)**	¥1,908	¥1,985	¥ (77)	**$20,284**	**$21,219**	**$ (935)**
U.S. dollar	**1,218**	**1,234**	**(16)**	1,169	1,181	(12)	**10,133**	**10,268**	**(135)**
Others	**1,168**	**1,205**	**(37)**	947	1,000	(53)	**9,722**	**10,022**	**(300)**
	¥4,824	**¥4,989**	**¥(165)**	¥4,024	¥4,166	¥(142)	**$40,139**	**$41,509**	**$(1,370)**

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Interest rate swap agreements	**¥43**	**¥(0)**	**¥(0)**	¥5,223	¥(48)	¥(48)	**$358**	**$(5)**	**$(5)**
Interest rate option (cap) contracts written	**—**	**—**	**—**	2,144	4	4	**—**	**—**	**—**
	¥—	**¥(0)**	**¥(0)**	¥ —	¥(44)	¥(44)	**$ —**	**$(5)**	**$(5)**

13. Pension and Severance Plans

1. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligations	**¥(49,243)**	¥(51,176)	**$(409,678)**
Fair value of plan assets	**17,331**	14,999	**144,186**
Funded status	**(31,912)**	(36,177)	**(265,492)**
Unrecognized transition obligation	**1,023**	1,538	**8,518**
Unrecognized actuarial losses	**10,308**	8,300	**85,754**
Net amount recognized	**¥(20,581)**	¥(26,339)	**$(171,220)**

2. The components of net pension and severance costs for the year ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥2,548**	¥2,376	**$21,196**
Interest cost	**1,122**	1,513	**9,338**
Expected return on plan assets	**(84)**	(216)	**(701)**
Amortization of transition obligation	**514**	514	**4,278**
Recognized actuarial losses	**836**	161	**6,959**
Net periodic benefit cost	**¥4,936**	¥4,348	**$41,070**

3. Assumptions used as of March 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	**2.5%**	2.5%
Expected return rate on plan assets	**1.5%**	4.0%

14. Deferred Income Taxes

1. Significant components of the deferred income tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Liabilities for pension and severance payments	**¥13,825**	¥14,053	**$115,017**
Net operating loss carryforwards	**9,929**	11,047	**82,609**
Unrealized profits	**4,345**	4,447	**36,155**
Accrued expenses	**1,734**	1,405	**14,430**
Other	**3,407**	2,898	**28,336**
Gross deferred tax assets	**33,240**	33,850	**276,547**
Less valuation allowance	**(9,824)**	(11,238)	**(81,734)**
Total deferred tax assets	**23,416**	22,612	**194,813**
Deferred tax liabilities:			
Unrealized gains on securities	**(8,603)**	(14,271)	**(71,576)**
Liabilities for pension and severance payments	**(3,446)**	(3,558)	**(28,669)**
Property, plant and equipment	**(2,380)**	(2,135)	**(19,805)**
Other	**(459)**	(417)	**(3,813)**
Total deferred tax liabilities	**(14,888)**	(20,381)	**(123,863)**
Net deferred tax assets	**¥ 8,528**	¥ 2,231	**$ 70,950**

2. A reconciliation of the statutory income tax rates to the effective income tax rates was as follows:

	Years ended March 31	
	2003	2002
Statutory income tax rate in Japan	**41.6%**	41.6%
Valuation allowance recognized on current losses of subsidiaries	**(1.0)**	7.9
Permanently nondeductible expenses	**2.8**	3.9
Permanently nontaxable income	**(0.7)**	(1.2)
Other	**1.9**	1.4
Effective income tax rate	**44.6%**	53.6%

As “The Law to Amend the Local Tax Laws” (Law No. 9, March 2003) was enacted on March 31, 2003, the statutory tax rate applied in the calculation of deferred tax assets and deferred tax liabilities to be realized after the fiscal years ending March 31, 2004 will change from 41.6% to 40.2%.

In line with this change, deferred tax assets, net of deferred tax liabilities, decreased by ¥52 million ($434 thousand), and deferred income taxes and net unrealized gains on marketable securities increased by ¥352 million ($2,926 thousand) and ¥299 million ($2,492 thousand), respectively.

15. Segment Information

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2003, 2002 and 2001 are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2003				
Sales to third parties	**¥286,987**	**¥113,461**	**¥400,448**	**¥ —**	**¥400,448**
Intergroup sales and transfers	**98**	**14,354**	**14,452**	**(14,452)**	**—**
Total sales	**287,085**	**127,815**	**414,900**	**(14,452)**	**400,448**
Operating expenses	**269,821**	**121,486**	**391,307**	**(14,043)**	**377,264**
Operating income	**¥ 17,264**	**¥ 6,329**	**¥ 23,593**	**¥ (409)**	**¥ 23,184**
Total assets at end of year	**¥277,539**	**¥146,411**	**¥423,950**	**¥(11,324)**	**¥412,626**
Depreciation	**¥ 15,183**	**¥ 3,824**	**¥ 19,007**	**¥ 33**	**¥ 19,040**
Capital expenditures	**¥ 17,289**	**¥ 5,156**	**¥ 22,445**	**¥ 263**	**¥ 22,708**
	Year ended March 31, 2002				
Sales to third parties	¥284,253	¥115,571	¥399,824	¥ —	¥399,824
Intergroup sales and transfers	91	14,431	14,522	(14,522)	—
Total sales	284,344	130,002	414,346	(14,522)	399,824
Operating expenses	268,768	122,697	391,465	(14,342)	377,123
Operating income	¥ 15,576	¥ 7,305	¥ 22,881	¥ (180)	¥ 22,701
Total assets at end of year	¥304,077	¥142,213	¥446,290	¥ (8,519)	¥437,771
Depreciation	¥ 15,306	¥ 3,822	¥ 19,128	¥ 119	¥ 19,247
Capital expenditures	¥ 12,652	¥ 4,073	¥ 16,725	¥ 215	¥ 16,940
	Year ended March 31, 2001				
Sales to third parties	¥270,594	¥117,261	¥387,855	¥ —	¥387,855
Intergroup sales and transfers	134	7,619	7,753	(7,753)	—
Total sales	270,728	124,880	395,608	(7,753)	387,855
Operating expenses	259,264	116,512	375,776	(7,766)	368,010
Operating income	¥ 11,464	¥ 8,368	¥ 9,832	¥ 13	¥ 19,845
Total assets at end of year	¥302,635	¥120,519	¥423,154	¥24,976	¥448,130
Depreciation	¥ 16,020	¥ 3,940	¥ 19,960	¥ 123	¥ 20,083
Capital expenditures	¥ 14,867	¥ 3,420	¥ 18,287	¥ (169)	¥ 18,118

	Thousands of U.S. Dollars				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2003				
Sales to third parties	**$2,387,581**	**$943,939**	**$3,331,520**	**$ —**	**$3,331,520**
Intergroup sales and transfers	**816**	**119,421**	**120,237**	**(120,237)**	**—**
Total sales	**2,388,397**	**1,063,360**	**3,451,757**	**(120,237)**	**3,331,520**
Operating expenses	**2,244,765**	**1,010,707**	**3,255,472**	**(116,830)**	**3,138,640**
Operating income	**$ 143,632**	**$ 52,653**	**$ 196,285**	**$ (3,405)**	**$ 192,880**
Total assets at end of year	**$2,308,984**	**$1,218,066**	**$3,527,050**	**$ (94,216)**	**$3,432,834**
Depreciation	**$ 126,317**	**$ 31,815**	**$ 158,132**	**$ 278**	**$ 158,410**
Capital expenditures	**$ 143,840**	**$ 42,896**	**$ 186,736**	**$ 2,186**	**$ 188,922**

Geographical Areas

	Millions of Yen					
	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
				Year ended March 31, 2003		
Sales to third parties	**¥315,893**	**¥70,621**	**¥13,934**	**¥400,448**	**¥ —**	**¥400,448**
Interarea sales and transfers	**22,524**	**2,636**	**3,335**	**28,495**	**(28,495)**	**—**
Total sales	**338,417**	**73,257**	**17,269**	**428,943**	**(28,495)**	**400,448**
Operating expenses	**319,110**	**70,742**	**16,099**	**405,951**	**(28,687)**	**377,264**
Operating income	**¥ 19,307**	**¥ 2,515**	**¥ 1,170**	**¥ 22,992**	**¥ 192**	**¥ 23,184**
Total assets at end of year	**¥363,052**	**¥55,191**	**¥14,753**	**¥432,996**	**¥(20,370)**	**¥412,626**
				Year ended March 31, 2002		
Sales to third parties	¥322,940	¥67,534	¥ 9,350	¥399,824	¥ —	¥399,824
Interarea sales and transfers	20,909	1,876	3,041	25,826	(25,826)	—
Total sales	343,849	69,410	12,391	425,650	(25,826)	399,824
Operating expenses	321,743	68,866	11,592	402,201	(25,078)	377,123
Operating income	¥ 22,106	¥ 544	¥ 799	¥ 23,449	¥ (748)	¥ 22,701
Total assets at end of year	¥363,764	¥63,377	¥14,167	¥441,308	¥ (3,537)	¥437,771
				Year ended March 31, 2001		
Sales to third parties	¥317,500	¥61,698	¥ 8,657	¥387,855	¥ —	¥387,855
Interarea sales and transfers	19,407	213	2,603	22,223	(22,223)	—
Total sales	336,907	61,911	11,260	410,078	(22,223)	387,855
Operating expenses	316,333	63,391	10,543	390,267	(22,257)	368,010
Operating income	¥ 20,574	¥ (1,480)	¥ 717	¥ 19,811	¥ 34	¥ 19,845
Total assets at end of year	¥363,656	¥58,558	¥12,578	¥434,792	¥ 13,338	¥448,130

	Thousands of U.S. Dollars					
	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
				Year ended March 31, 2003		
Sales to third parties	**$2,628,066**	**$587,533**	**$115,921**	**$3,331,520**	**$ —**	**$3,331,520**
Interarea sales and transfers	**187,387**	**21,933**	**27,743**	**237,063**	**(237,063)**	**—**
Total sales	**2,815,453**	**609,466**	**143,664**	**3,568,583**	**(237,063)**	**3,331,520**
Operating expenses	**2,654,823**	**588,539**	**133,936**	**3,377,298**	**(238,658)**	**3,138,640**
Operating income	**$ 160,630**	**$ 20,927**	**$ 9,728**	**$ 191,285**	**$ 1,595**	**$ 192,880**
Total assets at end of year	**$3,020,398**	**$459,163**	**$122,738**	**$3,602,299**	**$(169,465)**	**$3,432,834**

Overseas Sales

	Millions of Yen		
	North America	Other	Total
	Year ended March 31, 2003		
(A) Overseas sales	**¥72,984**	**¥45,878**	**¥118,863**
(B) Consolidated net sales			**¥400,448**
(C) (A)/(B) × 100	**18.2%**	**11.5%**	**29.7%**
	Year ended March 31, 2002		
(A) Overseas sales	¥70,148	¥39,459	¥109,607
(B) Consolidated net sales			¥399,824
(C) (A)/(B) × 100	17.5%	9.9%	27.4%
	Year ended March 31, 2001		
(A) Overseas sales	¥61,727	¥33,880	¥ 95,607
(B) Consolidated net sales			¥387,855
(C) (A)/(B) × 100	15.9%	8.8%	24.7%

	Thousands of U.S. Dollars		
	North America	Other	Total
	Year ended March 31, 2003		
(A) Overseas sales	**$607,190**	**$381,682**	**$ 988,872**
(B) Consolidated net sales			**$3,331,520**
(C) (A)/(B) × 100	**18.2%**	**11.5%**	**29.7%**

16. Treasury Stock and Reversal of Legal Reserve

Effective the year ended March 31, 2003, the Company adoped a new accounting standard for treasury stock and reversal of legal reserves issued by the Business Accounting Standard Commission on February 21, 2002. The effect of this adoption was not material.

17. Subsequent Events

On May 14, 2003, the Company issued ¥10 billion ($83,194 million) in unsecured 0.62% Japanese yen bonds due May 14, 2008, and ¥10 billion ($83,194 million) in unsecured 0.84% Japanese yen bonds due May 14, 2010.

Independent Auditors' Report

Shin Nihon & Co.

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

We have audited the consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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 financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 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.

Shin Nihon & Co.

June 27, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Global Network

Overseas Subsidiaries and Affiliates

Yokohama Tire Corporation
・Production and sales of tires and related products
Yokohama Tire (Canada) Inc.
・Sales of tires and related products
Hangzhou Yokohama Tire Co., Ltd.
・Production and sales of tires and related products
Yokohama Tire Philippines, Inc.
・Production and sales of tires and related products
Yokohama Tyre Vietnam Company
・Production and sales of tires and related products
GTY Tire Company
・Production and sales of tires and related products
Yokohama Tyre Australia Pty. Ltd.
・Sales of tires and related products
Yokohama HPT Ltd.
・Sales of tires and related products
Yokohama Italia SPA
・Sales of tires and related products
Yokohama (Suisse) SA
・Sales of tires and related products
Yokohama Scandinavia AB
・Sales of tires and related products
Yokohama Reifen GmbH
・Sales of tires and related products
Yokohama Austria GmbH
・Sales of tires and related products
Yokohama Danmark A/S
・Sales of tires and related products
Yokohama Tire Taiwan Co., Ltd.
・Sales of tires and related products
Yokohama Corporation of America
・Equity participation in GTY Tire; sales of tires
Yokohama Corporation of North America
・Holding company for shares of YTC and other companies
Yokohama Rubber (Thailand) Co., Ltd.
・Production and sales of windshield sealants and hoses
YH America, Inc.
・Production and sales of windshield sealants and hoses
SAS Rubber Company
・Production and sales of hoses and industrial-use rubber
SC Kingflex Corporation
・Production and sales of hoses
Yokohama Aerospace America, Inc.
・Sales of aircraft components

Overseas Representative Offices

・Düsseldorf Europe Head Office
・Jeddah Office
・Riyadh Office
・Dubai Office
・Panama Office
・Singapore Office
・Asia Representative Office (Bangkok)

Corporate Governance

Basic Approach

The Yokohama Group has long championed transparent and fair management and other aspects of corporate governance as central to its operations. Since 1998, we have gradually decreased the size of our Board of Directors. We promote open discussion at Board meetings. We replaced the Board of Managing Directors with the Management Council, whose primary members include the president and executive directors. This move was in line with efforts to ensure that decision-making is rapid and appropriate. To improve supervision of management, corporate auditors now attend management meetings and other important gatherings. We conduct activities to raise awareness of the importance of corporate governance among employees and directors and strive to ensure that our measures have a real and lasting effect on Group operations.

Corporate Governance Structure

The Yokohama Group maintains a system of corporate auditors. Two of our four auditors are external to improve objectivity. Following are profiles of Group corporate governance committees.

1. Compliance Committee
We established the Corporate Activity Committee in January 1998 to ensure that our business observes laws and regulations. After studying contemporary conditions, however, we decided to replace this body with the Compliance Committee as of April 2003. The new organ reinforces the promotion of best practices, for example, by producing and publicizing corporate activity standards and implementing other initiatives to educate employees and management.
2. Risk Management Committee
This committee's missions are to safeguard the Yokohama Group against diverse operational risks and to avoid such risks. We established this body in April 2003, and it is conducting in-house educational activities related to risk management. In addition to this committee, the Central Disaster Prevention and Environmental Preservation Promotion committees work on risk management in their respective fields.

External Auditors

Yokohama's Board of Directors does not include directors from outside the Yokohama Group. Currently, our two external auditors are:
Junnosuke Furukawa (chairman and chief executive officer, The Furukawa Electric Co., Ltd.)
Furukawa Electric is Yokohama's second-largest shareholder.

Yuzuru Fujita (president and chief executive officer, Asahi Mutual Life Insurance Co.)
Asahi Mutual Life Insurance is Yokohama's sixth-largest shareholder.

Board of Directors and Corporate Auditors

(As of June 27, 2003)

PRESIDENT
Yasuo Tominaga

VICE PRESIDENT
Hisao Suzuki

EXECUTIVE DIRECTORS
Keimei Kiyoura
Tadanobu Nagumo

MANAGING DIRECTORS
Kohji Ikawa
Seiji Miyashita
Takashi Yamashita
Keigo Ueda
Takashi Sugimoto
Tetsuya Mizoguchi
Takasuke Sato

DIRECTORS
Toshihiko Shiraki
Masamichi Danjo
Tatsunari Kojima
Akihisa Takayama
Michio Yuge
Hiroshi Hosoya
Toshio Izawa
Yasuhiro Mizumoto

CORPORATE AUDITORS
Masaaki Kushida
Seiichi Suzuki
Junnosuke Furukawa
Yuzuru Fujita

Investor Information

(As of March 31, 2003)

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

WWW ADDRESS:
http://www.yrc.co.jp/

AUTHORIZED NUMBER OF SHARES:
480,000,000

ISSUED NUMBER OF SHARES:
342,598,162 (unchanged from fiscal 2002 year-end)

NUMBER OF SHAREHOLDERS:
20,157 (down 1,290 from fiscal 2002 year-end)

AVERAGE SHARES PER SHAREHOLDER:
16,996

SETTLEMENT DATE:
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

DATE OF RECORD:
March 31

STOCK EXCHANGE LISTINGS:
Tokyo, Osaka, Nagoya