

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.

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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

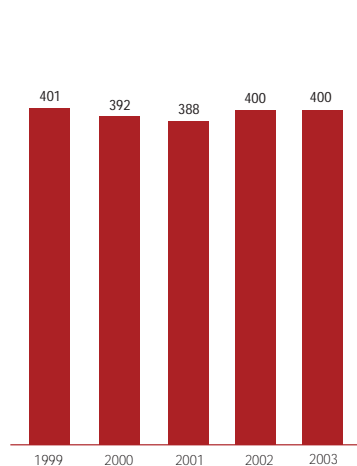
(For the Years Ended March 31, 2003 and 2002)

	Millions of Yen		Percentage change (2003/2002)	Thousands of U.S. Dollars
	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.

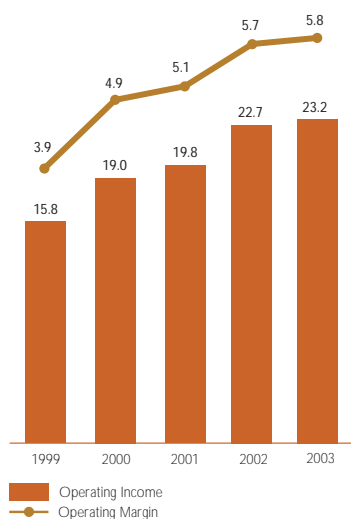
Net Sales

(Billions of Yen)



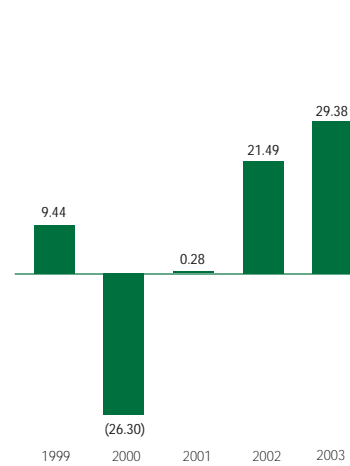
Operating Income and Operating Margin

(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 supporting 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.

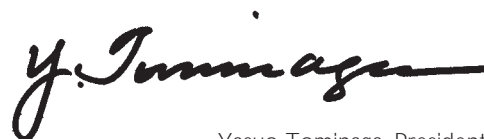
Our R&D Strategy is integral to these business efforts, prioritizing world firsts in technologies that champion high performance, safety, and the environment.

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



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 and 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

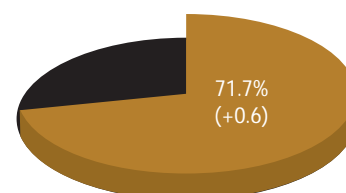
Tires for passenger cars, trucks and buses, light trucks, mining and construction equipment, industrial vehicles and aircraft, and tubes and aluminum alloy wheels

Manufacturing and Sales Organization

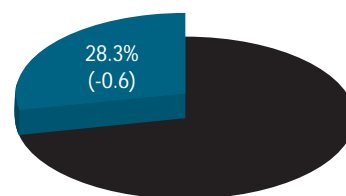
Yokohama manufactures and markets tires in Japan through 158 sales subsidiaries, including Yokohama Tire Tokyo Hanbai Co., Ltd. Overseas, our tires are produced and sold in America by Yokohama Tire Corporation (YTC), and in Asia by Yokohama Tire Philippines and Yokohama Tyre Vietnam Company. In addition, 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

MB Group

Main Products

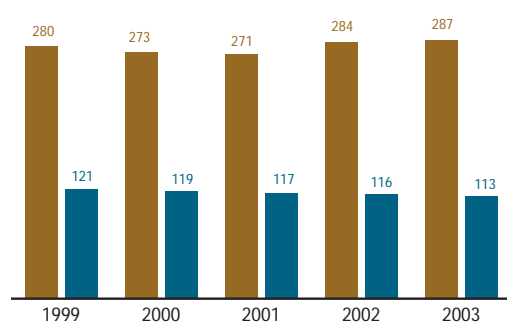
Hoses, marine hoses, conveyor belts, sealants, adhesives, antiseismic rubber bearings for bridges and buildings, golf products, aircraft components, and other products

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.

Sales by Group

(Billions of Yen)



■ Tire ■ MB

Operating Income by Group

(Billions of Yen)

