 PROFILE

The Yokohama Rubber Co., Ltd. [Yokohama], is one of the world's leading tire makers. The Company employs its core rubber and polymer technologies in many other businesses, including hoses, sealants, adhesives, aircraft components, and golf products. Yokohama has developed globally since its establishment in 1917, harnessing its advanced technologies to cover the automotive, civil and marine engineering, construction, aerospace, and sports product fields. Yokohama will continue to anticipate social needs and maintain the trust of customers by providing products that maximize their satisfaction as it strives to extend its worldwide presence.

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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, 2005 and 2004

<table>
<thead>
<tr>
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<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>Net Sales</td>
<td>¥419,789</td>
<td>¥401,718</td>
</tr>
<tr>
<td>Operating Income</td>
<td>20,955</td>
<td>21,073</td>
</tr>
<tr>
<td>Income before Income Taxes</td>
<td>16,337</td>
<td>16,931</td>
</tr>
<tr>
<td>Net Income</td>
<td>11,322</td>
<td>10,331</td>
</tr>
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<table>
<thead>
<tr>
<th></th>
<th>Change (2005-2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>¥432,717</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>136,312</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Per Share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income: Basic</td>
<td>¥</td>
<td>¥</td>
<td>$</td>
</tr>
<tr>
<td>Cash Dividends</td>
<td>8.00</td>
<td>8.00</td>
<td>0.07</td>
</tr>
</tbody>
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Note: Throughout this report, U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥107.39=U.S.$1.00, the approximate exchange rate prevailing on March 31, 2005.
To Our Shareholders

In fiscal 2005, ended March 31, 2005, the Japanese economy weakened from the second half despite benefiting from generally favorable economic conditions in the United States and Asia. The operating climate in the tire industry was very difficult, as higher raw materials costs and the yen’s appreciation offset expanding overseas demand.

Consolidated net sales thus rose 4.5%, to ¥419.8 billion, as overseas tire sales grew steadily. Operating income slipped 0.6%, however, to ¥21.0 billion, reflecting higher raw materials costs. Lower taxes helped boost net income 9.6%, to ¥11.3 billion.

Deploying ADVAN Worldwide

The Tire Group continued its proactive global business development during the year under review, producing and selling its products worldwide. It also pushed ahead with a project to deploy the premium ADVAN brand globally. The first fruits of that effort were the worldwide debuts in Europe in 2004 of the high-performance ADVAN Sport and the ADVAN S.T. for sport utility vehicles (SUVs). Bentley Motors of the United Kingdom adopted the ADVAN Sport for its luxury Continental GT. We plan to release these models in 2005 in Japan and North America.

Production Launched at Thai Plant

We are also increasing production capacity, particularly in Asia. For example, a Thai subsidiary started manufacturing truck and bus tires in April 2005. We plan to complete another plant in Thailand in November 2006 that will produce passenger car tires, mainly for SUVs, as well as light truck tires. Such aggressive capital investment should raise capacity from 43.3 million tires in fiscal 2005 to 50.2 million by fiscal 2007.

Chinese Sealant and Hose Assembly Plants Opened

The Multiple Business Group has steadily expanded its hose operations and HAMATTETM business, under which Yokohama markets sealants and adhesives. In

Yasuo Tominaga (left) and Tadanobu Nagumo
June 2005, we started hose and HAMATITE® production in China, complementing plants in the United States and Thailand. But the industrial products, aircraft components and golf products businesses face tough times. We therefore set up a project to explore ways to rebuild the industrial products business. In our aircraft components business, we are focusing on securing more private-sector orders. In our golf products business, we aim to improve sales by introducing more golf clubs while boosting sales throughout Asia by setting up stores in Korea, China, and Thailand.

**Targeting Higher Revenues and Earnings**

For fiscal 2006, management projects a 6.0% increase in net sales, to ¥445 billion, a 14.5% rise in operating income, to ¥24 billion, and a 1.6% increase in net income, to ¥11.5 billion. We anticipate such gains because higher tire sales and cost reductions should offset the ongoing impact of high raw materials costs. We plan to start paying interim cash dividends in fiscal 2006. The annual dividend per share will be ¥8.00, reflecting interim and year-end payments of ¥4.00 each.

**Likely to Miss Grand Design Targets in Fiscal 2006**

In fiscal 2004, Yokohama launched Grand Design as a strategic blueprint for the Company over the following decade. The operating objectives for fiscal 2006 under this initiative are for a total asset turnover ratio of 1.0, net sales growth of 5%, and an operating margin of 8%.

Yokohama should reach its total asset turnover ratio and net sales objectives in fiscal 2006, although operating income growth will probably be below target, at 5.4%. This is largely because of higher raw materials costs and the yen’s appreciation, which management did not envisage when formulating Grand Design.

**Improving Enterprise Value**

Yokohama is reviewing its business strategies while continuing to pursue Grand Design to bolster enterprise value. We will strive to become highly profitable by focusing on the manufacturing basics of providing the best products at competitive prices and on time. We will also step up efforts to maintain society’s trust, as part of which we established the Corporate Compliance Department in May 2005.

All Yokohama Group employees are committed to tackling the above issues. We look forward to your continued understanding and support for these efforts.

June 2005

Yasuo Tominaga
Chairman and Representative Director

Tadanobu Nagumo
President and Representative Director
A NEW GLOBAL FLAGSHIP BRAND

In December 2004, Yokohama announced that ADVAN would become its new global flagship brand. ADVAN is now positioned around the world as the apex of our high-performance tire lineup.
**Unified Brand for High-Performance Tires**

Yokohama has marketed its high-performance tires under various brand names to date, including ADVAN and DNA in Japan, and A.V.S. overseas. Our strategy has been to tailor brands to the diverse needs of different countries and regions. The decision to unify our high-performance tires under a single brand reflected our aim to raise Yokohama’s brand profile worldwide, enhance marketing, and strengthen our competitiveness. We therefore expanded on the concept of ADVAN sports tires, our top brand in Japan, and unified our high-performance tires worldwide under the ADVAN brand. The brand will penetrate marketplaces everywhere, not only in the sports tire segment but also in the SUV and luxury car categories.

**ADVAN Inaugurated in Europe**

We launched ADVAN Sport and ADVAN S.T. in Europe in spring 2005 and began sales in Japan in July 2005.

ADVAN Sport is a highly balanced tire that provides excellent performance at speeds greater than 300 km/h while ensuring a comfortable and quiet ride. Sales targets for this tire include super sports cars from Porsche, tuned cars from BRABUS, and powerful models from Japanese automakers.

ADVAN S.T. raises the bar in SUV tire performance. It is the first replacement SUV tire that can run up to the “Y range” (a maximum 300 km/h). It delivers comfort and new heights of driving stability. ADVAN S.T. is designed for SUVs from Porsche, BMW, and other automakers.

**Technologies behind ADVAN**

In addition to strong performance at high speeds, both the ADVAN Sport and ADVAN S.T. deliver superior grip on wet surfaces owing to a new compound with low temperature dependence. The rigidity of conventional compounds changes at different temperatures. The rigidity of the new compound is significantly more stable, keeping grip strong even under high temperatures and speeds.

Yokohama’s new compound uses high-grade fine-particle silica and a special compounding method to evenly distribute the silica in polymers. The bonding of the silica and polymers is better, which improves overall grip while raising abrasion resistance.
**Designed for the World’s Premium Automobiles**

Yokohama is emphasizing the ADVAN brand in both the replacement tire and original equipment (OE) markets. Our strategy is to position ADVAN tires as the standard for the world’s best performing automobiles, thereby rapidly raising brand awareness globally. The first such appointment came in 2004 from Bentley Motors of the United Kingdom, which selected ADVAN tires for its four-passenger Continental GT coupe. A collaborative development effort with Bentley resulted in a 20-inch ADVAN Sport tire that performs at up to 318 km/h, a new record for this class.

**Making Its Mark in Racing**

We have deployed ADVAN in motor sports to demonstrate the brand’s performance and technological edge worldwide. Although the Yokohama name is already familiar to motor sports fans, we will highlight ADVAN to raise brand appeal.

ADVAN racing tires have done well in major races. In March 2005, cars running on ADVAN tires won the GT500 and GT300 class titles in the opening race of the Japan Super GT series. In Europe, Alex Job Racing’s Porsche 911 GT3R rode ADVAN tires to victory in the LMGT2 class at the 73rd 24 Hours of Le Mans in June.

**From Dubai to the World**

To unveil ADVAN as its global flagship brand, Yokohama held a large test-driving event for about 120 motor journalists and automobile magazine reporters in December 2004 in Dubai. Cars running on ADVAN Sports and ADVAN S.T. tires allowed attendees to experience ADVAN performance at the Dubai Autodrome, the first full-fledged motor sports facility in the Middle East.
G Sensor Detects Vehicle Side Slippage Faster and More Precisely, Opening New Era in Automotive Control

Yokohama developed the G Sensor to accurately detect road conditions and tire behavior. The new sensor is ideal for stability control systems, which prevent the side slippage that commonly occurs on slippery surfaces or during sudden turns.

The systems incorporate on-board control computers that detect side slippage while monitoring vehicle status. This triggers automatic responses, such as engine slowdown and independent brake control for each tire, resulting in stable vehicle posture. Existing detection systems incorporate various sensors attached to the chassis to constantly transmit control data to an on-board computer. But Yokohama centered its development on a sensor that would respond more rapidly to changing surface conditions and slipping through attachment to the tire itself, which is in direct contact with road surfaces. The G Sensor attaches to wheel rims to provide this enhanced performance. The sensor unit weighs only about 10 grams, yet is durable enough to function even during rapid acceleration. It can also detect more minute changes than existing sensors. In operating tests at 160 km/h, stability control systems using the G Sensor detected side slippage 0.2 seconds faster than conventional systems, allowing vehicle posture correction 17.6 meters earlier.

Y-coat Primers for Cell Phones Bring Adhesives into Electronic Materials Field

Yokohama is applying its years of adhesive expertise from developing sealing materials for architectural and automotive use to enter the electronic materials market. Our first offering is the Y-coat series of primers[1] for cell phones.

Coating the inside of cell phones through metallic deposition[2] is the most popular method to shield against electromagnetic waves. But while recent development aimed at lighter and more durable mobile telephones has led to new high-performance plastics for phone bodies, lower adhesiveness to metallic materials has become an issue.

Yokohama developed its Y-coat series to resolve this problem, applying its renowned compounding technologies to raise the adhesiveness of high-performance plastics to metallic materials. The new primer coats plastic cell phone bodies, followed by metallic part attachment through deposition, ensuring adhesiveness.

Notes:
[1] Surface coatings applied to adherent materials to enhance adhesiveness.
[2] Metal is heated and vaporized inside a high vacuum and applied to the base material for a thin metallic coating.
**Yokohama Begins Free “e-can” Sealant Container Collection to Promote Recycling**

Yokohama has announced that it will begin collecting and recycling used “e-cans” free of charge in Japan (excluding Okinawa Prefecture). These are containers for Yokohama’s construction sealants. The polypropylene e-can can be pulverized and recycled as pellets. Conventional steel cans used as sealant containers have to be buried after use. Yokohama is outsourcing the recycling of its e-cans to Maeda Seisakusho Co., Ltd., which produces the e-cans.

There is already a method to turn used e-cans into pellets, but restrictions under the Waste Management and Public Cleansing Law have limited removal of the containers from construction sites. We worked with Maeda Seisakusho to establish a new collection system, and applied for official certification under Japan’s Cross Jurisdictional Certification System, which the Minister of the Environment administers in line with the above law. We earned certification in June 2005, allowing us to begin nationwide collections.

**Mishima Plant Introduces Cogeneration System to Cut Carbon Dioxide Emissions**

In July 2005, the Mishima Plant, which makes tires, started operating a 5,270-kW cogeneration system on liquefied natural gas. We aim to keep our carbon dioxide emissions at fiscal 1991 levels by fiscal 2011. With the new cogeneration system, we estimate that carbon dioxide emissions from the Mishima Plant will be 17% below that level. The system’s gas turbine generator uses air-intake cooling and an exhaust gas boiler with an additional burner to improve generating efficiency 29.6% and overall efficiency 84.2%. A remote monitoring system operates around the clock to ensure rapid responses to problems. We adopted the Energy Services Companies Business technique in introducing the cogeneration system.

Our Hiratsuka Factory already operates a cogeneration system. In the near future, we plan to introduce gas turbine cogeneration systems, which are particularly effective in reducing carbon dioxide emissions, at our Mie and Shinshiro plants.