

YOKOHAMA GROUP AT A GLANCE

As of March 31, 2005, the Yokohama Group comprised 188 subsidiaries (of which 166 were consolidated) and 60 affiliates (including two equity-method companies) that operate domestically and overseas in the tire and multiple business groups. In fiscal 2005, the tire group accounted for 73.3% of net sales and 86.7% of operating income.

TIRE GROUP

MAIN PRODUCTS

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

MANUFACTURING AND SALES ORGANIZATION

In Japan, Yokohama is the manufacturer of its tires. Yokohama and 179 sales subsidiaries, including Yokohama Tire Tokyo Hanbai Co., Ltd., handle domestic tire marketing.

Five overseas subsidiaries engage in production and sales, including Yokohama Tire Corporation (YTC) in the United States, and Yokohama Tire Philippines, Inc. GTY Tire Company, a U.S. joint venture with Continental AG and Toyo Tire & Rubber Co., Ltd., handles some of our manufacturing. We also maintain 18 tire sales subsidiaries overseas, including Yokohama Tire (Canada) Inc., Yokohama Tyre Australia Pty. Ltd., and Yokohama Reifen GmbH.

MULTIPLE BUSINESS GROUP

MAIN PRODUCTS

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

MANUFACTURING AND SALES ORGANIZATION

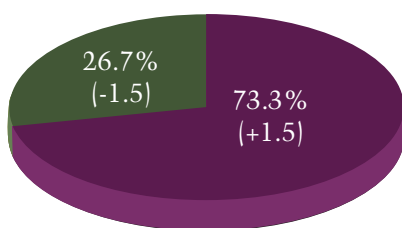
Yokohama manufactures hoses, sealants, and industrial products in Japan, and sells these products in the domestic market through Yokohamagomu Multiple Business East Co., Ltd., and eight other sales subsidiaries. Five overseas subsidiaries also make and market these products, including SAS Rubber Company in the United States, YH America, Inc., and SC Kingflex Corporation in Taiwan.

Yokohama makes golf products that PRGR Co., Ltd., sells in Japan and elsewhere in Asia.

The Company manufactures and markets aircraft components, with Yokohama Aerospace America, Inc., handling overseas sales of these offerings.

FISCAL 2005 SALES

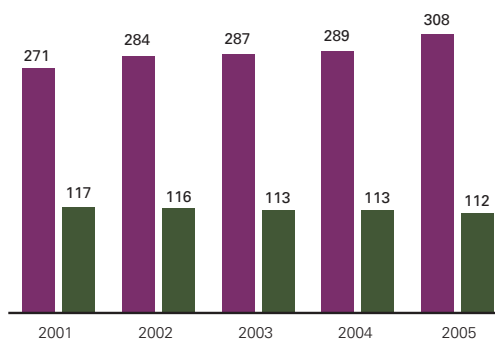
Percentage of net sales (change from fiscal 2004)



■ TIRE ■ MULTIPLE BUSINESS

SALES BY GROUP

(Billions of Yen)



TIRE GROUP

FISCAL 2005 IN REVIEW

In fiscal 2005, overseas sales of tires were favorable, particularly in North America, Europe, and Asia. Domestic replacement tire sales were up from a year earlier. As a result, the Tire Group reported sales of ¥307.9 billion, up 6.7% from fiscal 2004. Operating income was ¥18.2 billion, up 19.0%.

JAPAN

DNA SERIES POPULAR

Although domestic replacement demand was flat, volumes and sales increased during the year, with Yokohama boosting its market share. We continued to do well with our DNA series of eco-friendly tires, which offer low fuel consumption. Especially, DNA map tires rose in line with the popularity of mini-vans. DNA dB ES501 tires, which we released in February 2004, were well received for their driving comfort. In January 2005, we launched DNA S.drive, a sports tire that enhances quietness and durability. This offering attracted market attention as a next-generation tire that can handle everything from daily to sports driving. We raised prices in May 2004 without negative market reaction.

In fiscal 2006, the new DNA S. drive should do well. In July 2005, we began domestic sales of the first two models from our global ADVAN brand, which we launched overseas in spring 2005, and released new passenger car studless tires. We aim to improve our brand image and sales volumes, focusing marketing on high-value-added, high-performance products.



Yokohama harnessed nanolevel technologies to develop a new compound for the DNA S.drive, allowing this tire to deform flexibly according to road surface variations and deliver outstanding grip on dry and wet roads.

Volumes and sales of OE tires were down, although production was up for passenger car tires. This reflected intensified competition and a decline in truck production.

NORTH AMERICA

DRAMATICALLY IMPROVED PROFITS

U.S. tire demand expanded steadily in 2004. Growth was particularly solid for truck and bus and off-road tires.

YTC increased net income from \$780,000 to \$6.13 million in 2004. This reflected strong sales of high-performance tires, such as the GEOLANDAR H/T-S for light trucks and the all-season AVID H4s/V4s, as well as surging sales of truck and bus and off-road tires. Increased sales, an improved product mix, and price increases compensated for a rise in raw materials costs, leading to significantly improved profitability.

During 2005, Yokohama will roll out more ADVAN tires to reinforce its shift to high-value-added products.

ASIA

RETAIL NETWORK EXPANDED

In Asia, we export tires from Japan and Yokohama Tire Philippines and maintain manufacturing operations in China, the Philippines, and Vietnam.

Yokohama's Asian sales continued to grow in fiscal 2005. Progress was particularly strong in China, Malaysia, and Thailand. Sales of high-performance tires were solid. Particularly popular were the new C.drive, which provides a superb balance of sports and wet driving performance, and the ES501, which delivers excellent quietness and comfort. We raised prices in Asia during the year to absorb higher materials costs.

We expanded our network of retailers in China, the Philippines, and Thailand that mainly sell tires that Yokohama makes locally. We also strengthened ties with local sales agents. China was the first focus of our initiatives. There, we increased the number of



Yokohama Tire Manufacturing (Thailand) started production in April 2005.

stores that mainly handle Yokohama tires to around 150 during the year. In January this year, we established Yokohama Tire Korea Co., Ltd., a wholly owned tire sales subsidiary, to reinforce local marketing. Korea ranks third in car ownership in Asia after Japan and China.

In fiscal 2006, we will continue to expand sales on the strength of new products, including ADVAN series tires and the G051 for SUVs.

STEPPING UP LOCAL MANUFACTURING

As well as increasing marketing in the expanding Asian market, Yokohama is boosting local production capacity to harness the region as an export base. In April 2005, we started making truck and bus tires at Yokohama Tire Manufacturing (Thailand) Co., Ltd. The initial annual production capacity is 350,000 tires, but we plan to double that number by 2007. We are building a plant on the same property for SUV and other passenger car tires and for light truck tires. Once operational in November 2006, the new facility will have an annual capacity of 1.4 million tires. Depending on demand trends, we may further raise output.

Yokohama Tire Philippines is working on plans to increase the annual capacity 2.3-fold, to 7 million tires by September 2006. At the start of 2005, Hangzhou Yokohama Tire Co., Ltd., doubled its initial annual production capacity to 1.5 million tires.

EUROPE

ADVAN GLOBAL FLAGSHIP BRAND INAUGURATED

In Europe, we sell tires from Japanese and Philippines plants, marketing them through sales subsidiaries in the United Kingdom, Italy, Switzerland, Sweden, Germany, Austria, Denmark, Belgium, and Russia, and through regional retail outlets.

In the year under review, European demand for tires remained largely unchanged, but the market for replacement tires was adverse, triggering intense competition and falling prices. Nonetheless, sales of the C.drive, which we introduced in the previous year, were strong, especially in Southern Europe. Sales of snow tires rose on the back of speedy supplies in areas where snow started falling earlier than usual. As a result, Yokohama boosted exports to Europe nearly 10%.

Our regional goal is to establish a strong presence as a maker of high-performance tires and expand our market share. During the year, Europe was home to



C.drive has sold well in Asia and Europe.

the global launch of the ADVAN brand through the releases of ADVAN Sport, which offers excellent high-speed performance, and ADVAN S.T. for SUVs. We began marketing A.drive to attract a broader range of users. We are also focusing on OE tire contracts with European automakers. During the year, a British automaker, Bentley Motors, made ADVAN Sport an optional 20-inch tire for its Continental GT.

While improving our product clout, we are also endeavoring to reinforce marketing. During the year, we opened more Yokohama Club concept stores. In April 2005, we upgraded our Europe Office in Germany into a subsidiary called Yokohama Europe GmbH, to bolster regional marketing. The new company is targeting leading bulk store chains across Europe and OE products for automakers. In April 2005, we established a tire sales company in Moscow to step up marketing in Russia.

OTHER REGIONS

MIDDLE EAST

With high oil prices supporting the regional economy, tire demand grew during the year. Yokohama's export volumes to the Middle East jumped more than 40% during the term. Passenger tire demand was buoyant, complementing massive growth in sales of tires for trucks and buses on the back of higher public-sector spending.

OCEANIA

Tire demand grew amid solid economic conditions in Australia, but the market weakened owing to cheaper



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products from China and Southeast Asia. Low-end rivals eroded sales for Yokohama, which focuses mainly on the upper end of the market. Exports to Oceania subsequently decreased.

LATIN AMERICA

The economic environment was generally strong, translating into strong tire demand. Our exports to the region rocketed more than 80%. Sales of passenger car tires were up dramatically, especially in Brazil and Argentina, reflecting the introduction of new products and stronger sales channels.

MB (MULTIPLE BUSINESS) GROUP

FISCAL 2005 IN REVIEW

Sales of the Multiple Business Group declined 1.0%, to ¥111.9 billion. This reflected lower sales of golf products, conveyor belts, and pneumatic fenders, which offset higher sales of high-pressure hoses and sealants. Segment operating income dropped 51.8%, to ¥2.8 billion, owing to hikes in materials costs, the lower profitability of aircraft components, and slow sales of golf products.

HOSES

KEY OFFERINGS PERFORMED WELL

Yokohama has the top share of the domestic market for hydraulic hoses used in construction equipment. It also has high shares in the local markets for automotive hoses used in power steering systems and air conditioners.

Sales of these core offerings increased steadily during the year under review, with hose business sales exceeding fiscal 2004 levels. Exports to North America and Europe increased for high-pressure construction hoses, while automotive sales were favorable on the strength of more vehicle models employing our products. We also enjoyed increased sales of automotive oil cooler hoses, which we began supplying in fiscal 2004, contributing significantly to segment revenues.

ASSEMBLY STARTED IN CHINA

Overseas production was solid during the term. At YH America, which assembles hoses, sales rocketed for high-pressure construction hoses. SAS Rubber did well with its automotive hoses among U.S. automakers. In Taiwan, SC Kingflex boosted exports to China to achieve record sales. Yokohama Rubber (Thailand) Co., Ltd., experienced strong demand from Japanese transplant automakers, while sales of construction equipment offerings recovered. Sales of this subsidiary thus surged more than 50%.

In June 2005, Yokohama Hoses & Coupling (Hangzhou) Co., Ltd., started local production. Chinese demand for construction equipment has risen on large projects, notably for the Beijing Olympics and the Shanghai Expo. For the foreseeable future, OE demand from Japanese transplant construction equipment makers will remain the focus, but we intend to start serving the replacement demand market as it expands.



The new CT50 hose employs an inner tube with a spiral bellows and a Teflon coating to provide excellent flexibility and heat and chemical resistance. It can be installed in narrow spaces, making transportation and pipe installation far easier.

SEALANTS AND ADHESIVES

SALES UP SIGNIFICANTLY FOR URETHANE WATERPROOFING MATERIALS

Yokohama sells sealants, adhesives, and coatings under the HAMATITE® brand. We account for the top share of the Japanese markets for construction sealants and windshield sealants, which we supply to automakers on an OE basis.

Fiscal 2005 sales of core construction sealants and windshield sealants were flat, but sales were up significantly for urethane waterproofing materials and multilayered glass sealants. As a result, revenues from the HAMATITE® business were higher than a year earlier. Sales of urethane waterproofing materials were more than 20% higher, reflecting their durability and workability. Sales of multilayered glass sealants advanced more than 10% on the strength of overall market growth.

During the term, our Ibaraki Plant installed a new line to handle small production runs of multiple products, starting operations with the new facilities in February 2005. We made this move because in recent years, we have endeavored to boost our market shares for home construction sealants and adhesives. Earlier in 2005, we raised prices of construction sealants in response to higher materials costs.

CONSTRUCTION LAUNCHED IN CHINA

With overseas production buoyant, YH America, which makes windshield sealants, started supplying U.S. automakers, helping it increase sales more than 20%. Yokohama Rubber (Thailand) raised its sales more than 20% on the strength of brisk automotive production in Southeast Asia.

In June 2005, Yokohama HAMATITE (Hangzhou) Co., Ltd., launched production of windshield sealants.

Note: YH America and Yokohama Rubber (Thailand) also assemble hoses.



Yokohama's construction sealants were used in the 54-floor Roppongi Hills Mori Tower in Tokyo.

In the first of two phases, capacity is 1,000 metric tons annually. The second phase is scheduled to double that volume in 2007. The main focus of this subsidiary for the time being will be Japanese transplant automakers.

CONVEYOR BELTS

EARNINGS-FOCUSED SALES

During the year, we raised prices in Japan and overseas and focused marketing on profitability. Demand from steel mills was brisk in Japan, although demand was otherwise lackluster. Nonetheless, we strengthened marketing with sales companies and stepped up delivery management to bolster market share.

Overseas demand was solid, reflecting buoyant mining activity. Our sales abroad declined, however, owing to our priority on orders offering sufficient profitability. These factors resulted in lower overall sales of conveyor belts.

ANTISEISMIC RUBBER BEARINGS AND JOINTS

PROJECT TEAM FORMED TO ENHANCE PROFITABILITY

Sales of antiseismic rubber bearings for bridges declined owing to a slump in public-sector spending in Japan. High steel prices exacerbated tough market conditions. Yokohama was able to increase sales, however, by responding to this situation by raising prices and launching OE supplies of its Super High Damping Rubber. We were unable to offset higher steel prices, however, causing earnings to decline. Still, we were able to increase sales of the highly durable YS II antiseismic rubber joint for bridges, which harnesses a tire pattern on the surface to minimize noise.

Earnings from such engineering-related areas as antiseismic rubber bearings and rubber joints have deteriorated in the past three years. In January 2005, we therefore launched a project team to integrate sales, technology, and production management activities. We aim to overhaul our business through more responsive management and cost-cutting.

MARINE HOSES AND PNEUMATIC FENDERS

DECLINE IN PNEUMATIC FENDERS

Yokohama accounts for roughly 60% of the global market for pneumatic fenders and has a high worldwide share in marine hoses. We raised prices in both product areas in response to surging material costs. In the year under review, sales of pneumatic fenders dropped because in fiscal 2004 we enjoyed an exceptionally large order for wharves in Pearl Harbor, Hawaii.

In marine hoses, sales were up in local currency terms on the back of brisk oilfield activity, but yen-based sales were unchanged owing to the appreciation of that currency.

AIRCRAFT COMPONENTS

DELIVERIES STARTED FOR BOEING 737 LAVATORY MODULES

Sales grew slightly, as we started full-fledged deliveries of lavatory modules for the Boeing 737. Earnings deteriorated markedly, however, reflecting surging material costs and launch costs for the new lavatory modules.

GOLF PRODUCTS

CORE DRIVER SERIES AUGMENTED

We continued to do well in the market for our innovative DUO series of composite-head drivers and new 900 series irons. We deployed various marketing initiatives, including by introducing the DUO 2 line in the second half of the term. Sales were down, however, reflecting sluggish domestic golf club demand.



We implemented a full model change for our highly popular DUO series of composite-head drivers in Japan, releasing the DUO 2 series, which enhances driving distances. The photo shows the TR-X DUO, which is designed for the average golfer.