Financial Section

Results of Operations

Net sales increased 10.1% in fiscal 2007, ended March 31, 2007, to ¥497.4 billion, a record-high level for the second consecutive year. Supporting that sales growth were strong gains in tires in overseas markets and gains in hoses, aircraft products, and marine fenders. Sales benefited from price increases and from the weakening of the yen.

Cost of sales increased 13.1%, to ¥351.0 billion, reflecting unit sales growth and rising prices for natural rubber, synthetic rubber, and other raw materials. The rise in raw material prices accounted for ¥20.5 billion of the increase in cost of sales. Selling, general and administrative expenses increased 4.7%, to ¥125.3 billion. The main reason for that increase was growth in unit exports of tires and increased shipping rates for export shipments. The Company abides by a strong commitment to research and development. R&D expenditures—included in cost of sales and in selling, general and administrative expenses—increased 0.6%, to ¥14.6 billion.

Operating income declined 4.0%, to ¥21.1 billion, as the increases in cost of sales and in selling, general and administrative expenses more than offset the growth in net sales. Operating return on sales declined 0.7 points, to 4.2%.

Net other income and expenses increased ¥4.2 billion, to ¥5.0 billion. That increase included increases in foreign exchange gains and in dividends received and ¥6.4 billion in gains on the sale of investment securities.

Income before income taxes and minority interests increased 14.8%, to ¥26.0 billion. The net gain in other income and expenses more than offset the decline in operating income.

Income taxes increased ¥8.4 billion, to ¥9.2 billion. That increase reflected the increase in income before income taxes and minority interests and a tax benefit recorded in the previous year in connection with earlier write-downs of the equity value of a U.S. subsidiary. The effective tax rate was 35.5%, compared with 3.8% in the previous year. That was lower than the statutory income tax rate of 40.3% because the Company's improved profitability enabled it to take advantage of tax benefits associated with losses incurred in earlier years at its U.S. subsidiary Yokohama Tire Corporation and because the Company benefited from tax incentives in China and Thailand applicable to its subsidiaries in those nations.

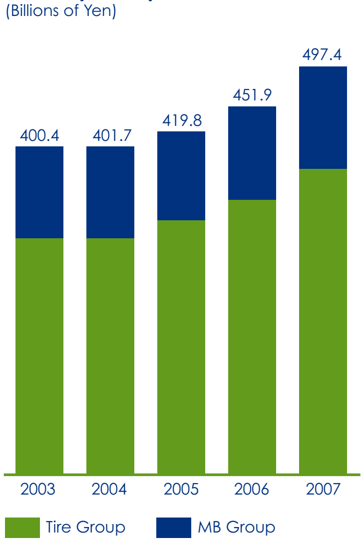
Net income declined 23.7%, to ¥16.4 billion, reflecting the increase in income taxes, and net return on sales declined 1.4 points, to 3.3%.

Performance by Segment

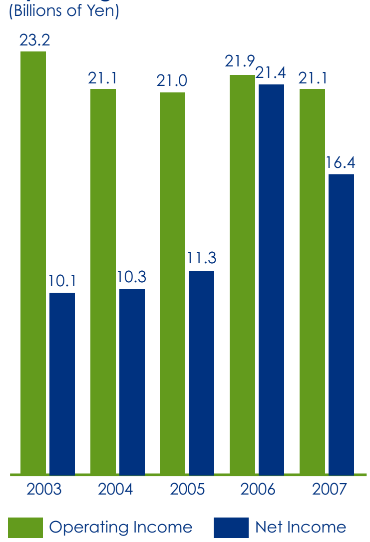
Business segments

In the Tire Group, sales increased 11.0%, to ¥372.7 billion. Leading the sales growth were

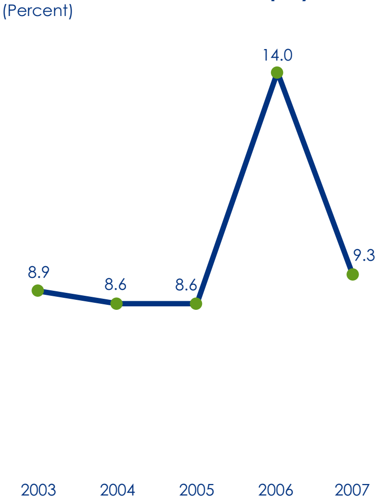
Sales by Group
(Billions of Yen)



Operating Income and Net Income
(Billions of Yen)



Return on Shareholders' Equity
(Percent)



gains in North America, Europe, and Asian nations besides Japan. Sales in Japan were a contrast of growth in original-equipment tires and weakness in replacement tires. Japanese business in replacement tires suffered from decreased sales of winter tires on account of abnormally light snowfall. Operating income declined 19.0%, to ¥14.7 billion, because of the rise in prices for natural rubber and other raw materials.

Sales in the Multiple Business Group increased 7.3%, to ¥124.7 billion. Gains in hoses, aircraft products, and marine fenders more than compensated for weakness in sealants. Operating income increased 72.5%, to ¥6.8 billion, supported by improvements in the structure of earnings in hoses and aircraft products.

Geographical segments

Sales in Japan increased 6.0%, to ¥369.7 billion, including gains in the Tire Group and in the Multiple Business Group. Operating income declined 11.0%, to ¥17.5 billion, diminished by the rising prices for raw materials.

In North America, sales increased 19.4%, to ¥98.1 billion, and operating income increased 48.5%, to ¥3.8 billion. North American demand for tires declined, but the Company's U.S. production-and-sales subsidiary Yokohama Tire Corporation posted gains in sales and earnings.

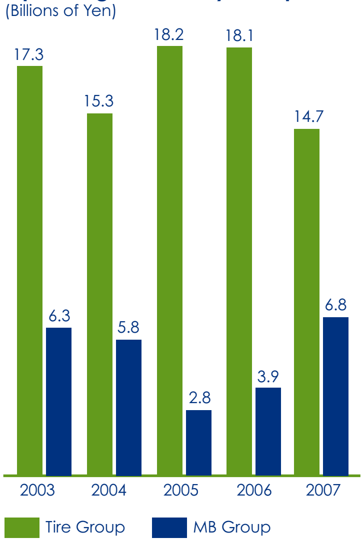
Sales in Asian nations besides Japan increased 57.8%, to ¥13.9 billion, and operating income totaled ¥123 million, compared with an operating deficit of ¥135 million in the previous year. Sales in China increased strongly, but the increase in raw material costs and expenses associated with capacity-expansion projects at tire plants in the Philippines and Thailand minimized the rise in operating income.

In other regions, sales increased 27.5%, to ¥15.6 billion, led by growth in tire sales in Europe and in Australia. Operating income increased 4.8%, to ¥394 million.

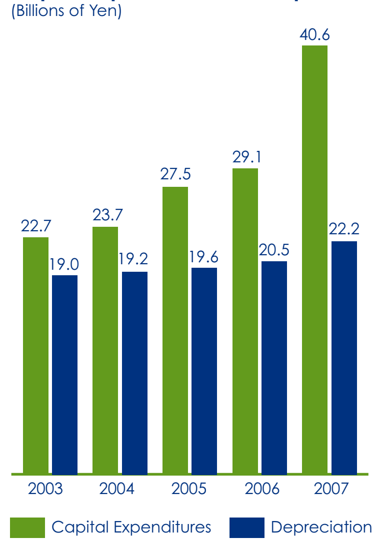
Capital Spending

Capital spending increased 39.8%, to ¥40.6 billion. The Company funded its capital spending by supplementing internally generated funds with borrowings. In the Tire Group, capital spending increased 44.5%, to ¥37.0 billion. That investment included ¥13.1 billion at the parent company, mainly for purchasing equipment and systems to expand production capacity, to raise productivity, and to ensure high product quality. It also included ¥10.9 billion for inaugurating the production of passenger-car and light truck tires at Yokohama Tire Manufacturing (Thailand) and ¥5.5 billion for expanding production capacity for passenger-car tires at Yokohama Tire Philippines. In the Multiple Business Group, capital spending increased 5.1%, to ¥3.5 billion. That increase reflected investment in equipment and systems for expanding the production of sealants and hoses.

Operating Income by Group
(Billions of Yen)



Capital Expenditures and Depreciation
(Billions of Yen)



Sources of Funds and Liquidity

Financial position

Total assets at year-end increased ¥34.3 billion, to ¥536.3 billion at fiscal year-end. The primary component of that increase was the expansion of ¥22.4 billion in total property, plant and equipment, net, which reflected stepped-up investment in tire plants in Japan, Thailand, and the Philippines. Current assets increased ¥15.8 billion, including an ¥8.2 billion increase in inventories, which reflected growth in tire production capacity and in unit sales volume. It also included a ¥6.9 billion increase in notes and accounts receivable, which reflected the growth in sales volume.

Total liabilities increased ¥22.4 billion, to ¥349.8 billion at fiscal year-end. That increase resulted mainly from a ¥14.7 billion increase in trade notes and accounts payable, which reflected higher raw material prices and expanded production volume. Interest-bearing debt increased ¥4.5 billion, to ¥167.5 billion, reflecting an increase in debt to finance stepped-up capital spending. The debt-to-equity ratio (interest-bearing debt divided by net assets less minority interests) declined 0.1 points, to 0.9. That improvement reflects a ¥12.6 billion increase in shareholders' equity, which resulted mainly from the growth in retained earnings. Note that the Company has adopted an accounting change as of fiscal 2007 under which minority interests are included in net assets.

Cash flow

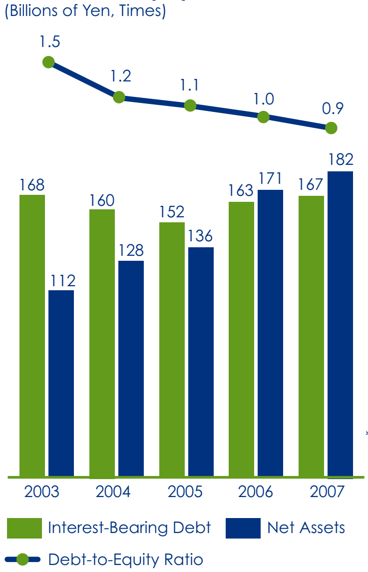
Net cash provided by operating activities increased ¥4.9 billion, to ¥36.7 billion. That increase reflects the rise in income before income taxes and minority interests and a one-time payment in the previous fiscal year in connection with the Company's shift to a defined-contribution pension plan. Net cash used in investing activities increased ¥5.9 billion, to ¥35.1 billion. That increase resulted mainly from stepped-up investment in production platforms in Asia.

Free cash flow—net cash provided by operating activities less net cash used in investment activities—declined ¥1.1 billion, to ¥1.6 billion. The Company applied its free cash flow, supplemented with borrowings, to fund dividend payments and other expenditures. Cash and cash equivalents at year-end increased ¥522 million, to ¥14.8 billion.

Projections for Fiscal 2008

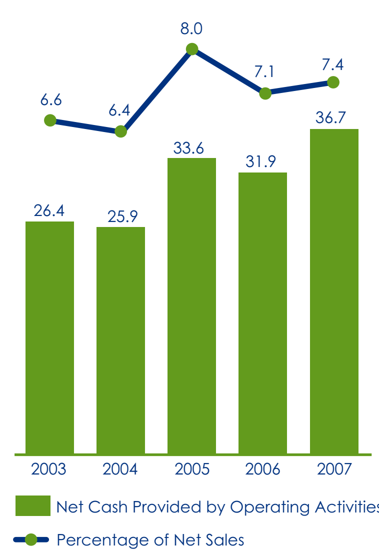
Management projects an increase of 7.0% in net sales in fiscal 2008, to ¥532.0 billion, and an increase of 35.3% in operating income, to ¥28.5 billion. Management's projections call for a 6.9% increase in net income, to ¥17.5 billion. The modest increase in net income reflects an expected increase in net interest expense and an expected decline in foreign exchange gains.

Interest-Bearing Debt, Net Assets*, and Debt-to-Equity Ratio**
(Billions of Yen, Times)



*Less minority interests
**Interest-bearing debt divided by net assets less minority interests

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



Risk

The following text summarizes the principal kinds of risk that could substantially affect the Company's operating performance, share price, and financial position.

Economic conditions

Vehicle tires account for most of the Company's worldwide revenues. Demand for those tires reflects economic conditions in nations and regions where the Company sells its products. Therefore, economic trends and developments that diminish demand in the Company's main markets—including Japan, North America, Europe, and Asian nations besides Japan—could adversely affect the Company's business performance and financial position.

Competition

A loss of market share caused by a deterioration of the Company's competitive position or a decline in selling prices caused by escalating competition could adversely affect the Company's business performance and financial position.

Exchange rates

The Company conducts most of its business transactions and investment in yen, but it conducts some transactions and investment in dollars and in other currencies. The Company continues to expand its operations globally. That expansion will increase the Company's exposure to fluctuations in currency exchange rates. The Company hedges its exposure to currency exchange rates with forward exchange contracts and with other instruments, but management cannot be certain that hedging will fully offset the effect of fluctuations in currency exchange rates on the Company's business performance and financial position.

Seasonal factors

Sales of winter tires are an important contributor to the Company's sales and earnings. A later-than-usual onset of winter or lighter-than-usual snowfall could diminish demand for winter tires and thereby adversely affect the Company's business performance and financial position.

Raw material prices

The Company's principal raw materials are natural rubber and petrochemical products, including synthetic rubber and carbon black. Increases in prices for natural rubber and for crude oil have adversely affected the Company's business performance and financial position in recent years, and they could have a similar effect in the future.

Access to funds

The Company conducts financial management with an eye to securing reliable and flexible access to funding. Instability in any of the world's principal financial markets could affect that access adversely. In addition, the lowering of the Company's credit rating by leading credit-rating agencies could adversely affect the Company's access to debt financing and could increase the Company's cost of funds. That could adversely affect the Company's financial performance and financial position.

Interest rates

As of March 31, 2007, the Company's interest-bearing debt was equivalent to 31.2% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position.

Securities

The Company owns marketable securities, mainly Japanese equities. A decline in the value of those securities could adversely affect the Company's financial performance and financial position.

Investment

In response to growing demand for automobile tires, the Company is investing in expanding its tire production capacity, especially in Asia. Changes in the regulatory environment, in economic conditions, in industrial circumstances, or in political and social stability in the host nations for the Company's investment could adversely affect the Company's business performance and financial condition.

Retirement benefit obligations

The Company calculates retirement benefit obligations and retirement benefit expenses according to predetermined criteria, including expected returns on pension assets. If actual return on the Company's pension assets declined substantially below the expected return or if the Company revised its retirement plan substantially, that could adversely affect the Company's financial performance and financial position.

Natural disasters

Earthquakes and other natural disasters could damage the Company's plants and other facilities and could limit the Company's access to essential raw materials and services. That could adversely affect the Company's business performance and financial position.

Eleven-Year Summary

The Yokohama Rubber Co., Ltd., and Consolidated Subsidiaries
Fiscal Years Ended March 31

	2007	2006	2005	2004
Net sales	**¥497,396**	¥451,911	¥419,789	¥401,718
Operating income	**21,070**	21,947	20,955	21,073
Income before income taxes and minority interests	**26,038**	22,673	16,337	16,931
Net income	**16,363**	21,447	11,322	10,331
Depreciation	**22,166**	20,491	19,616	19,199
Capital expenditures	**40,638**	29,067	27,533	23,735
R&D expenditures	**14,649**	14,557	14,265	13,818
Interest-bearing debt	**167,474**	163,022	151,758	159,700
Total net assets	**186,528**	174,609	139,534	130,622
Total assets	**536,322**	502,014	432,717	429,350
Per share (yen):				
Net income: Basic	**¥ 48.79**	¥ 62.75	¥ 32.95	¥ 29.95
Net assets	**542.10**	508.64	398.24	373.23
Cash dividends	**12.00**	10.00	8.00	8.00
Key financial ratios:				
Operating margin (%)	**4.2**	4.9	5.0	5.2
Return on shareholders' equity (%)	**9.3**	14.0	8.6	8.6
Capital turnover (times)	**1.0**	1.0	1.0	1.0
Interest-bearing debt to shareholders' equity (times)	**0.9**	1.0	1.1	1.2
Interest coverage (times)	**7.0**	10.1	11.2	9.2
Number of employees	**15,423**	14,617	13,464	13,264

Millions of Yen

2003	2002	2001	2000	1999	1998	1997
¥400,448	¥399,824	¥387,855	¥392,193	¥401,183	¥415,397	¥402,652
23,184	22,701	19,845	19,043	15,809	11,668	12,681
18,778	16,076	7,052	(13,692)	7,731	5,685	13,808
10,144	7,363	96	(9,009)	3,233	873	3,753
19,040	19,247	20,083	21,922	21,141	21,566	21,167
22,708	16,940	18,118	19,470	28,216	27,229	20,316
12,520	12,298	11,827	11,626	13,300	13,800	13,900
167,832	179,098	191,289	198,930	215,245	209,132	188,428
114,719	116.136	114,205	96,837	107,669	106,559	109,256
412,626	437,771	448,130	425,927	432,457	440,420	420,939
¥ 29.38	¥ 21.32	¥ 0.28	¥ (26.30)	¥ 9.44	¥ 2.55	¥ 11.14
327.61	334.24	328.81	276.54	309.36	307.88	316.13
8.00	6.00	—	6.00	6.00	8.00	8.00
5.8	5.7	5.1	4.9	3.9	2.8	3.0
8.9	6.5	0.1	(9.0)	3.1	0.8	3.5
0.9	0.9	0.9	0.9	0.9	1.0	1.0
1.5	1.6	1.7	2.1	2.0	2.0	1.7
7.9	4.9	3.5	3.7	2.7	2.3	2.4
12,979	13,130	13,362	13,764	12,107	12,325	12,267

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

Assets	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
Current Assets:			
Cash and cash equivalents	**¥ 14,812**	¥ 14,290	**$ 125,474**
Time deposits	**72**	15	**613**
Trade receivables:			
Notes and accounts (Notes 4 and 6)	**108,137**	101,240	**916,026**
Inventories (Note 3)	**78,944**	70,771	**668,735**
Deferred income taxes (Note 13)	**7,200**	9,713	**60,989**
Other current assets	**9,748**	7,273	**82,573**
Allowance for doubtful receivables	**(1,679)**	(1,900)	**(14,219)**
Total current assets	**217,234**	201,402	**1,840,191**
Property, Plant and Equipment, at Cost (Notes 4 and 5)**:**			
Land	**34,654**	33,643	**293,553**
Buildings and structures	**128,850**	121,345	**1,091,492**
Machinery and equipment	**397,455**	368,376	**3,366,836**
Construction in progress	**10,215**	7,963	**86,528**
	571,174	531,327	**4,838,409**
Less accumulated depreciation	**(377,613)**	(360,125)	**(3,198,760)**
Total property, plant and equipment, net	**193,561**	171,202	**1,639,649**
Investments and Other Assets:			
Investment securities (Note 10)	**100,844**	106,445	**854,252**
Long-term loans receivable	**709**	1,255	**6,010**
Deferred income taxes (Note 13)	**3,095**	2,743	**26,214**
Other investments and other assets	**22,049**	20,383	**186,778**
Allowance for doubtful receivables	**(1,170)**	(1,416)	**(9,915)**
Total investments and other assets	**125,527**	129,410	**1,063,339**
Total assets	**¥536,322**	¥502,014	**$4,543,179**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 1) 2007
Current Liabilities:			
Bank loans	**¥ 62,128**	¥ 67,657	**$ 526,289**
Current maturities of long-term debt (Note 4)	**25,061**	16,719	**212,289**
Commercial paper	**1,000**	13,000	**8,471**
Trade notes and accounts payable	**84,684**	69,992	**717,355**
Accrued income taxes	**2,466**	2,016	**20,895**
Accrued expenses	**26,662**	26,012	**225,851**
Other current liabilities (Note 13)	**14,355**	13,275	**121,602**
Total current liabilities	**216,356**	208,671	**1,832,752**
Long-Term Liabilities:			
Long-term debt (Note 4)	**79,285**	65,646	**671,621**
Deferred income taxes (Note 13)	**23,465**	21,811	**198,769**
Reserve for pension and severance payments (Note 12)	**19,938**	21,355	**168,894**
Other long-term liabilities	**10,750**	9,922	**91,065**
Total long-term liabilities	**133,438**	118,734	**1,130,349**
Total liabilities	**349,794**	327,405	**2,963,101**
Contingent liabilities (Note 6)			
Net Assets (Note 2)			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares in 2007 and 480,000,000 shares in 2006			
Issued: 342,598,162 shares in 2007 and 2006	**38,909**	38,909	**329,599**
Capital surplus	**31,953**	31,953	**270,673**
Retained earnings (Note 8)	**80,065**	67,439	**678,235**
Treasury stock, at cost: 7,257,127 shares in 2007 and 7,142,365 shares in 2006	**(4,600)**	(4,526)	**(38,970)**
Total shareholders' equity	**146,327**	133,775	**1,239,537**
Valuation and Translation Adjustments:			
Unrealized gains on securities	**39,635**	43,555	**335,752**
Foreign currency translation adjustments	**(4,175)**	(6,655)	**(35,368)**
Total Valuation and Translation Adjustments	**35,460**	36,900	**300,384**
Minority Interests:	**4,741**	3,934	**40,157**
Total net assets	**186,528**	174,609	**1,580,078**
Total liabilities and net assets	**¥536,322**	¥502,014	**$4,543,179**

Consolidated Statements of Income

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	**2007**
Net sales	**¥497,396**	¥451,911	¥419,789	**$4,213,437**
Cost of sales (Note 7)	**350,978**	310,232	284,369	**2,973,134**
Gross profit	**146,418**	141,679	135,420	**1,240,303**
Selling, general and administrative expenses (Notes 5 and 7)	**125,348**	119,732	114,465	**1,061,822**
Operating income	**21,070**	21,947	20,955	**178,481**
Other income (expenses)				
Interest and dividends income	**1,714**	1,034	930	**14,522**
Interest expense	**(3,247)**	(2,270)	(1,948)	**(27,507)**
Other — net	**6,501**	1,962	(3,600)	**55,075**
	4,968	726	(4,618)	**42,090**
Income before income taxes and minority interests	**26,038**	22,673	16,337	**220,571**
Income taxes (Note 2):				
Current	**2,735**	2,722	4,390	**23,164**
Deferred	**6,505**	(1,871)	215	**55,105**
	9,240	851	4,605	**78,269**
Minority interests in net income of consolidated subsidiaries	**(435)**	(375)	(410)	**(3,688)**
Net income	**¥ 16,363**	¥ 21,447	¥ 11,322	**$ 138,614**

Per Share Amounts:	Yen			U.S. Dollars (Note 1)
Net income: Basic	**¥48.79**	¥62.75	¥32.95	**$0.41**
Net income: Diluted	—	—	—	—
Cash dividends	**¥12.00**	¥10.00	¥8.00	**$0.10**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006, 2005 and 2004

		Millions of Yen							
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2004	342,598,162	¥38,909	¥31,893	¥43,866	¥ (89)	¥114,579	¥13,254	¥2,789	¥130,622
Increase in capital surplus due to merger	—	—	60	—	—	60	—	—	60
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(1)	—	(1)	—	—	(1)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(256)	—	(256)	—	—	(256)
Net income	—	—	—	11,322	—	11,322	—	—	11,322
Cash dividends paid	—	—	—	(2,738)	—	(2,738)	—	—	(2,738)
Bonuses to directors and corporate auditors	—	—	—	(77)	—	(77)	—	—	(77)
Decrease in retained earnings due to merger	—	—	—	(60)	—	(60)	—	—	(60)
Decrease in retained earnings due to change in accounting standards of a consolidated subsidiary	—	—	—	(122)	—	(122)	—	—	(122)
Repurchase of treasury stock, net	—	—	—	—	(49)	(49)	—	—	(49)
Valuation and translation adjustments									
Unrealized gains on securities	—	—	—	—	—	—	783	—	783
Foreign currency translation adjustments	—	—	—	—	—	—	(382)	—	(382)
Increase (decrease) in minority interests	—	—	—	—	—	—	—	432	432
Balance at March 31, 2005	342,598,162	38,909	31,953	51,934	(138)	122,658	13,655	3,221	139,534
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(9)	—	(9)	—	—	(9)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(1,013)	—	(1,013)	—	—	(1,013)
Net income	—	—	—	21,447	—	21,447	—	—	21,447
Cash dividends paid	—	—	—	(4,106)	—	(4,106)	—	—	(4,106)
Bonuses to directors and corporate auditors	—	—	—	(45)	—	(45)	—	—	(45)
Decrease in retained earnings due to change in accounting standards of a consolidated subsidiary	—	—	—	(769)	—	(769)	—	—	(769)
Repurchase of treasury stock, net	—	—	—	—	(4,388)	(4,388)	—	—	(4,388)
Valuation and translation adjustments									
Unrealized gains on securities	—	—	—	—	—	—	19,957	—	19,957
Foreign currency translation adjustments	—	—	—	—	—	—	3,288	—	3,288
Increase (decrease) in minority interests	—	—	—	—	—	—	—	713	713
Balance at March 31, 2006	342,598,162	38,909	31,953	67,439	(4,526)	133,775	36,900	3,934	174,609
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(337)	—	(337)	—	—	(337)
Net income	—	—	—	16,363	—	16,363	—	—	16,363
Cash dividends paid	—	—	—	(3,354)	—	(3,354)	—	—	(3,354)
Bonuses to directors and corporate auditors	—	—	—	(48)	—	(48)	—	—	(48)
Increase in retained earnings due to merger	—	—	—	2	—	2	—	—	2
Repurchase of treasury stock, net	—	—	—	—	(74)	(74)	—	—	(74)
Valuation and translation adjustments									
Net unrealized gains and loss on securities	—	—	—	—	—	—	(3,920)	—	(3,920)
Foreign currency translation adjustments	—	—	—	—	—	—	2,480	—	2,480
Increase (decrease) in minority interests	—	—	—	—	—	—	—	807	807
Balance at March 31, 2007	342,598,162	¥38,909	¥31,953	¥80,065	¥(4,600)	¥146,327	¥35,460	¥4,741	¥186,528

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total shareholders' equity	Valuation and translation adjustments	Minority Interests	Total Net Assets
	Thousands of U.S.Dollars (Note 1)							
Balance at March 31, 2006	$329,599	$270,673	$571,279	$(38,345)	$1,133,206	$312,581	$33,324	$1,479,111
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	(2,856)	—	(2,856)	—	—	(2,856)
Net income	—	—	138,614	—	138,614	—	—	138,614
Cash dividends paid	—	—	(28,415)	—	(28,415)	—	—	(28,415)
Bonuses to directors and corporate auditors	—	—	(408)	—	(408)	—	—	(408)
Increase in retained earnings due to merger	—	—	21	—	21	—	—	21
Repurchase of treasury stock, net	—	—	—	(625)	(625)	—	—	(625)
Valuation and translation adjustments								
Net unrealized gains and loss on securities	—	—	—	—	—	(33,202)	—	(33,202)
Foreign currency translation adjustments	—	—	—	—	—	21,005	—	21,005
Increase (decrease) in minority interests	—	—	—	—	—	—	6,833	6,833
Balance at March 31, 2007	$329,599	$270,673	$678,235	$(38,970)	$1,239,537	$300,384	$40,157	$1,580,078

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, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	**2007**
Operating Activities:				
Income before income taxes and minority interests	**¥26,038**	¥22,673	¥16,337	**$220,571**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation (Note 5)	**22,166**	20,491	19,616	**187,767**
Reserve for pension and severance payments	**(1,327)**	731	(832)	**(11,237)**
Gain on change of pension and severance plan (Note 12)	**—**	(4,251)	—	**—**
Funding for defined contribution pension plan	**—**	(7,747)	—	**—**
Gain on sale of investment securities	**(6,435)**	—	—	**(54,507)**
Other, net	**1,244**	(295)	656	**10,536**
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	**(6,061)**	5,327	(1,596)	**(51,342)**
Inventories	**(7,425)**	(5,454)	1,165	**(62,901)**
Notes and accounts payable	**13,450**	2,877	3,089	**113,934**
Other, net	**(1,182)**	1,838	2,290	**(10,012)**
Interest and dividends received	**1,680**	1,045	1,002	**14,232**
Interest paid	**(3,067)**	(2,227)	(1,951)	**(25,979)**
Income taxes paid	**(2,343)**	(3,147)	(6,167)	**(19,851)**
Net cash provided by operating activities	**36,738**	31,861	33,609	**311,211**
Investing Activities:				
Purchases of property, plant and equipment	**(37,464)**	(28,107)	(26,493)	**(317,356)**
Purchases of marketable securities and investment securities	**(6,292)**	(1,618)	(411)	**(53,298)**
Proceeds from sales of marketable securities, investment securities and property	**8,437**	771	3,278	**71,463**
Other, net	**197**	(230)	(611)	**1,670**
Net cash used in investing activities	**(35,122)**	(29,184)	(24,237)	**(297,521)**
Financing Activities:				
Decrease in short-term bank loans	**(6,049)**	(5,481)	(18,281)	**(51,238)**
(Decrease) increase in commercial paper	**(12,000)**	13,000	(9,000)	**(101,652)**
Proceeds from long-term debt	**38,806**	10,749	26,026	**328,725**
Decrease in long-term debt	**(18,329)**	(10,881)	(5,977)	**(155,264)**
Payment of cash dividends	**(3,357)**	(4,102)	(2,733)	**(28,436)**
Other, net	**(79)**	(6,399)	(2,042)	**(673)**
Net cash used in financing activities	**(1,008)**	(3,114)	(12,007)	**(8,538)**
Effect of exchange rate changes on cash and cash equivalents	**(53)**	789	(8)	**(449)**
(Decrease) increase in cash and cash equivalents	**555**	352	(2,643)	**4,703**
Cash and cash equivalents at beginning of year	**14,290**	13,836	16,473	**121,050**
Effect of changes in consolidation scope on cash and cash equivalents	**(33)**	102	6	**(279)**
Cash and cash equivalents at end of year	**¥14,812**	¥14,290	¥13,836	**$125,474**

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. (the "Company") and domestic consolidated subsidiaries were prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. The Company's subsidiaries in the United States of America (the "USA") prepared their financial statements in accordance with accounting principles generally accepted in the USA.

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 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 ¥118.05 = US$1.00, the approximate exchange rate prevailing on March 31, 2007.

2. Summary of Significant Accounting Policies

a. 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 significant 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 in consolidation. 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.

b. 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.

Differences arising from such translation are recorded in foreign currency translation adjustments and minority interests in net assets.

c. 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.

d. Marketable Securities and Investment Securities

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

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

e. Derivative Instruments

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

f. 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.

g. 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.

h. 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.

i. 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 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 is 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."

j. 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.

k. Revenue Recognition

Sales of products are recognized upon shipments to customers.

l. Research and Development Costs

Research and development costs are charged to income as incurred.

m. Earnings per Share

Basic net income per share is computed by dividing net income available to common shareholders by the average number of common shares outstanding during each period. Diluted net income per share is not disclosed because there were no dilutive securities for the years ended March 31, 2007, 2006 and 2005.

n. Leases

Finance leases, other than those lease agreements which stipulate the transfer of ownership of the leased property, are accounted for as operating leases.

o. Adoption of New Accounting Standards

On December 9, 2005, the Accounting Standards Board of Japan published a new accounting standard for presentation of net assets, which is effective for fiscal years ending on or after May 1, 2006. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets.

3. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Finished products	**¥53,553**	¥46,540	**$453,649**
Work-in-process	**11,055**	11,958	**93,645**
Raw materials and supplies	**14,336**	12,273	**121,441**
	¥78,944	¥70,771	**$668,735**

4. Long-Term Debt

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
1.3425% straight bonds due 2007	**¥ —**	¥10,000	**$ —**
0.62% straight bonds due 2008	**10,000**	10,000	**84,710**
0.84% straight bonds due 2010	**10,000**	10,000	**84,710**
1.688% straight bond due 2013	**10,000**	—	**84,710**
Loans, principally from banks and insurance companies	**74,346**	52,365	**629,780**
	104,346	82,365	**883,910**
Less current maturities	**25,061**	16,719	**212,289**
	¥ 79,285	¥65,646	**$671,621**

Assets pledged to secure bank loans and long-term debt at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Notes receivable	**¥ —**	¥ 440	**$ —**
Property, plant and equipment	**71,916**	71,025	**609,202**
	¥71,916	¥71,465	**$609,202**

5. Depreciation

Depreciation charges for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Selling, general and administrative expenses	**¥ 2,970**	¥ 2,712	¥ 2,819	**$ 25,161**
Manufacturing costs	**¥19,196**	¥17,779	¥16,797	**$162,606**

6. Contingent Liabilities

Contingent liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Notes discounted and endorsed	**¥664**	¥775	**$5,625**
Guarantees	**¥767**	¥ —	**$6,500**

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, 2007, 2006 and 2005 were ¥14,649 million ($124,095 thousand), ¥14,557 million and ¥14,265 millon, espectively.

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.

On May 1, 2006, a new corporate law (the "Law") became effective, which reformed and replaced the Commercial Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006.

The Law allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year end dividend upon resolution at the shareholders' meeting.

9. Leases

An analysis of leased property under finance leases, which are accounted for as operating leases, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Acquisition costs	**¥3,979**	¥5,555	**$33,705**
Accumulated depreciation	**1,825**	2,471	**15,459**
Net book value	**¥2,154**	¥3,084	**$18,246**

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Within one year	**¥ 667**	¥ 803	**$ 5,654**
After one year	**1,487**	2,281	**12,593**
	¥2,154	¥3,084	**$18,247**

Lease expenses under finance leases, which are accounted for as operating leases, for the years ended March 31, 2007 and 2006 aggregated approximately ¥994 million ($8,420 thousand) and ¥982 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Within one year	**¥1,126**	¥1,006	**$ 9,537**
After one year	**5,019**	3,850	**42,515**
	¥6,145	¥4,856	**$52,052**

10. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen							
	2007				2006			
	Cost	Carrying amount	Unrealized gains	Unrealized losses	Cost	Carrying amount	Unrealized gains	Unrealized losses
Securities classified as:								
Available-for-sale:								
Stock	**¥28,942**	**¥95,366**	**¥67,037**	**¥(613)**	¥27,615	¥100,616	¥73,025	¥(24)

	Thousands of U.S. Dollars			
	2007			
	Cost	Carrying amount	Unrealized gains	Unrealized losses
Securities classified as:				
Available-for-sale:				
Stock	**$245,164**	**$807,841**	**$567,872**	**$(5,195)**

Sales of securities classified as available-for-sale securities amounted to ¥8,188 million ($69,357 thousand), with an aggregate gain of ¥6,435 million ($54,507 thousand) for the year ended March 31, 2007.

The corresponding amounts for the year ended March 31, 2006 were ¥153 million and ¥85 million, respectively.

11. Derivative Instruments

Fair value information of derivative instruments at March 31, 2007 and 2006 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized gains (losses)
Forward exchange contracts:									
EURO	**¥3,125**	**¥3,237**	**¥(112)**	¥2,576	¥2,658	¥ (83)	**$26,474**	**$27,419**	**$ (945)**
U.S. dollar	**2,386**	**2,377**	**9**	2,332	2,357	(25)	**20,208**	**20,131**	**77**
Others	**1,976**	**2,033**	**(57)**	1,416	1,408	8	**16,735**	**17,223**	**(488)**
	¥7,487	**¥7,647**	**¥(160)**	¥6,324	¥6,424	¥(100)	**$63,417**	**$64,773**	**$(1,356)**

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses
Interest rate swap agreements	**¥59**	**¥(1)**	**¥(1)**	¥65	¥(0)	¥(0)	**$500**	**$(6)**	**$(6)**
	¥—	**¥(1)**	**¥(1)**	¥—	¥(0)	¥(0)	**$ —**	**$(6)**	**$(6)**

12. Pension and Severance Plans

a. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligations	**¥(32,692)**	¥(33,432)	**$(276,934)**
Fair value of plan assets	**19,304**	19,408	**163,527**
Funded status	**(13,388)**	(14,024)	**(113,407)**
Unrecognized actuarial losses	**(7,396)**	(8,276)	**(62,651)**
Unrecognized prior service cost	**846**	945	**7,164**
Net amount recognized	**¥(19,938)**	¥(21,355)	**$(168,894)**

b. The components of net pension and severance costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥1,857**	¥2,290	**$15,734**
Interest cost	**679**	918	**5,754**
Expected return on plan assets	**—**	(24)	**—**
Recognized actuarial losses	**(543)**	296	**(4,602)**
Recognized prior service cost	**100**	58	**844**
Net periodic benefit cost	**¥2,093**	¥3,538	**$17,730**
Gain on change of pension and severance plan	**—**	(4,251)	**—**
Contribution of defined contribution benefit plan	**490**	137	**4,150**
	¥2,583	¥ (576)	**$21,880**

c. Assumptions used for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rate	**2.5%**	2.5%
Expected return rate on plan assets	**0.75%**	0.75%

13. Deferred Income Taxes

a. Significant components of the deferred income tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Liabilities for pension and severance payments	**¥ 12,773**	¥13,324	**$ 108,198**
Net operating loss carryforwards	**10,270**	18,237	**87,001**
Unrealized profits	**3,810**	3,434	**32,273**
Accrued expenses	**2,409**	2,377	**20,403**
Other	**3,860**	2,685	**32,701**
Gross deferred tax assets	**33,122**	40,057	**280,576**
Less valuation allowance	**(11,106)**	(11,292)	**(94,080)**
Total deferred tax assets	**22,016**	28,765	**186,496**
Deferred tax liabilities:			
Unrealized gains on securities	**(26,766)**	(29,403)	**(226,736)**
Liabilities for pension and severance payments	**(3,447)**	(3,447)	**(29,195)**
Gain on receipt of stock set by pension plan	**(3,155)**	(3,155)	**(26,730)**
Property, plant and equipment	**(1,904)**	(2,025)	**(16,128)**
Other	**(78)**	(152)	**(661)**
Total deferred tax liabilities	**(35,350)**	(38,182)	**(299,450)**
Net deferred tax assets (liabilities)	**¥(13,334)**	¥ (9,417)	**$(112,954)**

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

	Years ended March 31	
	2007	2006
Statutory income tax rate	**40.3%**	40.3%
Valuation allowance recognized on current losses of subsidiaries	**(5.0)**	(1.5)
Permanently nondeductible expenses	**1.8**	2.1
Permanently nontaxable income	**(1.3)**	(0.9)
Consolidation adjustments	**—**	(37.9)
Other	**(0.3)**	1.7
Effective income tax rate	**35.5%**	3.8%

14. Segment Information

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

Business Segments

	Tires	Multiple business	Total	Eliminations and corporate	Consolidated
	Millions of Yen				
	Year ended March 31, 2007				
Sales to third parties	**¥372,708**	**¥124,688**	**¥497,396**	**¥ —**	**¥497,396**
Intergroup sales and transfers	**86**	**22,307**	**22,393**	**(22,393)**	**—**
Total sales	**372,794**	**146,995**	**519,789**	**(22,393)**	**497,396**
Operating expenses	**358,124**	**140,197**	**498,321**	**(21,995)**	**476,326**
Operating income	**¥ 14,670**	**¥ 6,798**	**¥ 21,468**	**¥ (398)**	**¥ 21,070**
Total assets at end of year	**¥386,765**	**¥147,018**	**¥533,783**	**¥ 2,539**	**¥536,322**
Depreciation	**¥ 17,823**	**¥ 4,041**	**¥ 21,864**	**¥ 302**	**¥ 22,166**
Capital expenditures	**¥ 37,021**	**¥ 3,486**	**¥ 40,507**	**¥ 131**	**¥ 40,638**
	Year ended March 31, 2006				
Sales to third parties	¥335,734	¥116,177	¥451,911	¥ —	¥451,911
Intergroup sales and transfers	68	16,484	16,552	(16,552)	—
Total sales	335,802	132,661	468,463	(16,552)	451,911
Operating expenses	317,693	128,720	446,413	(16,449)	429,964
Operating income	¥ 18,109	¥ 3,941	¥ 22,050	¥ (103)	¥ 21,947
Total assets at end of year	¥344,743	¥145,399	¥490,142	¥11,872	¥502,014
Depreciation	¥ 15,999	¥ 4,154	¥ 20,153	¥ 338	¥ 20,491
Impairment loss	¥ 75	¥ 53	¥ 128	¥ —	¥ 128
Capital expenditures	¥ 25,623	¥ 3,317	¥ 28,940	¥ 127	¥ 29,067
	Year ended March 31, 2005				
Sales to third parties	¥307,861	¥111,928	¥419,789	¥ —	¥419,789
Intergroup sales and transfers	30	17,606	17,636	(17,636)	—
Total sales	307,891	129,534	437,425	(17,636)	419,789
Operating expenses	289,714	126,757	416,471	(17,637)	398,834
Operating income	¥ 18,177	¥ 2,777	¥ 20,954	¥ 1	¥ 20,955
Total assets at end of year	¥297,900	¥140,147	¥438,048	¥ (5,330)	¥432,717
Depreciation	¥ 15,323	¥ 3,940	¥ 19,263	¥ 354	¥ 19,616
Capital expenditures	¥ 22,659	¥ 4,456	¥ 27,115	¥ 418	¥ 27,533

	Tires	Multiple business	Total	Eliminations and corporate	Consolidated
	Thousands of U.S. Dollars				
	Year ended March 31, 2007				
Sales to third parties	**$3,157,208**	**$1,056,229**	**$4,213,437**	**$ —**	**$4,213,437**
Intergroup sales and transfers	**723**	**188,964**	**189,687**	**(189,687)**	**—**
Total sales	**3,157,931**	**1,245,193**	**4,403,124**	**(189,687)**	**4,213,437**
Operating expenses	**3,033,660**	**1,187,613**	**4,221,273**	**(186,317)**	**4,034,956**
Operating income	**$ 124,271**	**$ 57,580**	**$ 181,851**	**$ (3,370)**	**$ 178,481**
Total assets at end of year	**$3,276,278**	**$1,245,393**	**$4,521,671**	**$ 21,508**	**$4,543,179**
Depreciation	**$ 150,976**	**$ 34,233**	**$ 185,209**	**$ 2,558**	**$ 187,767**
Capital expenditures	**$ 313,602**	**$ 29,533**	**$ 343,135**	**$ 1,111**	**$ 344,246**

Geographical Segments

	Millions of Yen						
	Japan	North America	Asia	Other	Total	Eliminations and corporate	Consolidated
	Year ended March 31, 2007						
Sales to third parties	**¥369,741**	**¥98,137**	**¥13,897**	**¥15,621**	**¥497,396**	**¥ —**	**¥497,396**
Interarea sales and transfers	**56,808**	**977**	**18,752**	**—**	**76,537**	**(76,537)**	**—**
Total sales	**426,549**	**99,114**	**32,649**	**15,621**	**573,933**	**(76,537)**	**497,396**
Operating expenses	**409,079**	**95,309**	**32,526**	**15,227**	**552,141**	**(75,815)**	**476,326**
Operating income	**¥ 17,470**	**¥ 3,805**	**¥ 123**	**¥ 394**	**¥ 21,792**	**¥ (722)**	**¥ 21,070**
Total assets at end of year	**¥427,123**	**¥60,190**	**¥62,542**	**¥10,292**	**¥560,147**	**¥(23,825)**	**¥536,322**
	Year ended March 31, 2006						
Sales to third parties	¥348,666	¥82,186	¥ 8,807	¥12,252	¥451,911	¥ —	¥451,911
Interarea sales and transfers	39,162	675	7,553	—	47,390	(47,390)	—
Total sales	387,828	82,861	16,360	12,252	499,301	(47,390)	451,911
Operating expenses	368,206	80,299	16,495	11,876	476,876	(46,912)	429,964
Operating income	¥ 19,622	¥ 2,562	¥ (135)	¥ 376	¥ 22,425	¥ (478)	¥ 21,947
Total assets at end of year	¥407,532	¥55,281	¥36,048	¥ 7,491	¥506,352	¥ (4,338)	¥502,014
	Year ended March 31, 2005						
Sales to third parties	¥329,282	¥72,086	¥ 7,097	¥11,324	¥419,789	¥ —	¥419,789
Interarea sales and transfers	30,644	1,529	3,953	—	36,126	(36,126)	—
Total sales	359,926	73,615	11,050	11,324	455,915	(36,126)	419,789
Operating expenses	342,590	71,510	10,249	11,045	435,394	(36,560)	398,834
Operating income	¥ 17,336	¥ 2,105	¥ 801	¥ 279	¥ 20,521	¥ 434	¥ 20,955
Total assets at end of year	¥379,330	¥50,496	¥19,777	¥ 6,548	¥456,151	¥(23,434)	¥432,717

	Thousands of U.S. Dollars						
	Japan	North America	Asia	Other	Total	Eliminations and corporate	Consolidated
	Year ended March 31, 2007						
Sales to third parties	**$3,132,069**	**$831,316**	**$117,725**	**$132,327**	**$4,213,437**	**$ —**	**$4,213,437**
Interarea sales and transfers	**481,226**	**8,276**	**158,842**	**—**	**648,344**	**(648,344)**	**—**
Total sales	**3,613,295**	**839,592**	**276,567**	**132,327**	**4,861,781**	**(648,344)**	**4,213,437**
Operating expenses	**3,465,311**	**807,361**	**275,527**	**128,989**	**4,677,188**	**(642,232)**	**4,034,956**
Operating income	**$ 147,984**	**$ 32,231**	**$ 1,040**	**$ 3,338**	**$ 184,593**	**$ (6,112)**	**$ 178,481**
Total assets at end of year	**$3,618,151**	**$509,869**	**$529,796**	**$ 87,180**	**$4,744,996**	**$(201,817)**	**$4,543,179**

Overseas Sales

	North America	Other	Total
	Millions of Yen		
	Year ended March 31, 2007		
(A) Overseas sales	**¥104,075**	**¥93,086**	**¥197,161**
(B) Consolidated net sales			**¥497,396**
(C) (A)/(B) × 100	**20.9%**	**18.7%**	**39.6%**
	Year ended March 31, 2006		
(A) Overseas sales	¥87,601	¥70,879	¥158,480
(B) Consolidated net sales			¥451,911
(C) (A)/(B) × 100	19.4%	15.7%	35.1%
	Year ended March 31, 2005		
(A) Overseas sales	¥75,651	¥64,919	¥140,570
(B) Consolidated net sales			¥419,789
(C) (A)/(B) × 100	18.0%	15.5%	33.5%

	North America	Other	Total
	Thousands of U.S. Dollars		
	Year ended March 31, 2007		
(A) Overseas sales	**$881,619**	**$788,531**	**$1,670,150**
(B) Consolidated net sales			**$4,213,437**
(C) (A)/(B) × 100	**20.9%**	**18.7%**	**39.6%**

Ernst & Young ShinNihon

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

We have audited the accompanying consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2007, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards 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 consolidated financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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.

Ernst & Young ShinNihon

June 28, 2007