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Operating Results

Net sales increased 10.9%, to ¥551.4 billion. Yokohama posted record sales volume for the third consecutive year.

Cost of sales increased 8.7%, to ¥381.4 billion. That increase reflected sales growth and the rise in prices for natural rubber, synthetic rubber, and other raw materials. The rising cost of raw materials accounted for about ¥6.5 billion of the increase in cost of sales. A revision of Japan's corporate tax code mandated a change in the method of calculating depreciation, and that resulted in an increase of ¥3.0 billion in depreciation expenses.

Selling, general and administrative expenses increased 9.2%, to ¥136.9 billion. The chief factors in that increase were the expanded volume of tire exports and rising unit costs for shipping. Research and development expenses, included in cost of sales and in selling, general and administrative expenses, increased 4.4%, to ¥15.3 billion.

Operating income increased 57.2%, to ¥33.1 billion, and the operating profit margin rose 1.8 points, to 6.0%. Underlying the improvement in operating profitability were sales gains, price increases, and the weakening of the yen against the euro.

A shift of ¥17.6 billion in other income and expenses resulted in net expenses of ¥12.6 billion, compared with net income of ¥5.0 billion in the previous year. The appreciation of the yen toward the end of the fiscal year resulted in translation losses on foreign currency denominated receivables, and the slump in the stock market resulted in valuation losses on investment securities.

Income before income taxes declined 21.4%, to ¥20.5 billion. That decline occurred as an increase in net other expenses more than offset the increase in operating income.

Income taxes declined ¥10.3 billion, producing a net tax credit of ¥1.0 billion. The effective tax rate was –5.1%, compared with 35.5% in the previous year. That shift of 40.3% reflected tax benefits enabled by the improved profitability at the U.S. tire production and sales company Yokohama Tire Corporation.

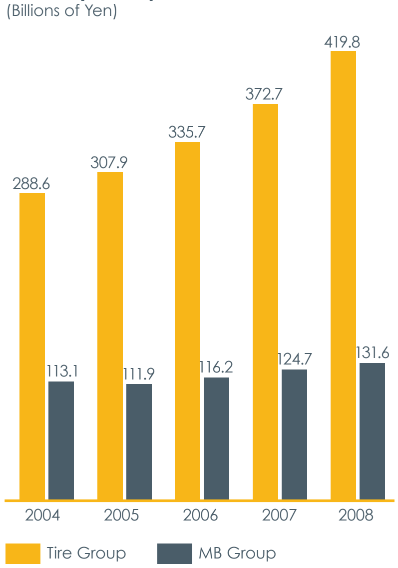
Net income increased 28.7%, to ¥21.1 billion, on account of the decline in corporate income taxes. Net return on sales rose 0.5 points, to 3.8%.

Results by Segment

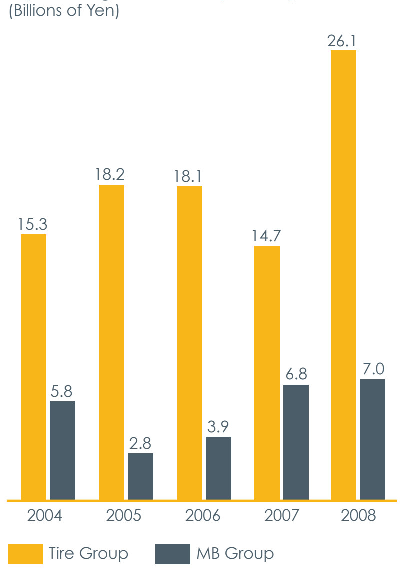
By business segment

Sales in the Tire Group increased 12.6%, to ¥419.8 billion, and the group's operating income rose 77.6%, to ¥26.1 billion. Business expanded in overseas markets and in the Japanese market for original-equipment tires. That expansion more than offset a sales decline in the Japanese market for replacement tires. Improvements in the structure of earnings at production subsidiaries in North America, Thailand,

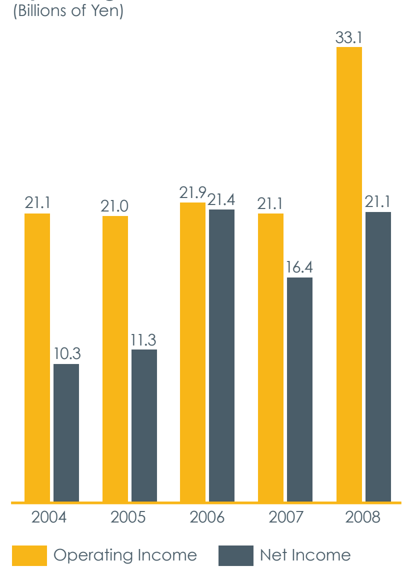
Sales by Group
(Billions of Yen)



Operating Income by Group
(Billions of Yen)



Operating Income and Net Income
(Billions of Yen)



the Philippines, and China led the rise in profitability.

Sales in the Multiple Business Group increased 5.5%, to ¥131.6 billion, and the group's operating income rose 3.6%, to ¥7.0 billion. Business expanded notably in high-pressure hoses for off-the-road equipment, in conveyor belts, and in marine fenders, supported by vigorous demand. The appreciation of the yen against the dollar toward the end of the fiscal year and the continuing rise in raw material costs restrained the growth in profitability.

By geographical segment

Sales in Japan increased 4.7%, to ¥387.2 billion, and operating income increased 31.1%, to ¥22.9 billion. Profitability improved as tire exports grew, as Japanese sales of original-equipment tires grew, and as price increases took hold.

In North America, sales increased 14.1%, to ¥112.0 billion, and operating income increased 76.5%, to ¥6.7 billion. Promoting the Yokohama name as a high-value-added tire brand supported the gains in sales and earnings, and business expanded profitably at the company's U.S. tire production platform Yokohama Tire Corporation.

Sales increased 65.5% in Asian markets besides Japan, to ¥23.0 billion, and operating income increased 22.7-fold, to ¥2.8 billion. Supporting the sales growth were large increases in production capacity in Thailand, the Philippines, and China. The strong growth in earnings reflected the completion of investment projects in those nations and the smooth start-up of the new production capacity.

In other regions, sales increased 87.1%, to ¥29.2 billion, and operating income increased 2.7-fold, to ¥1.0 billion. The sales increase resulted mainly from the first-time inclusion in Yokohama's consolidated accounts of a sales company in Russia. Sales have grown strongly in Russia in recent years.

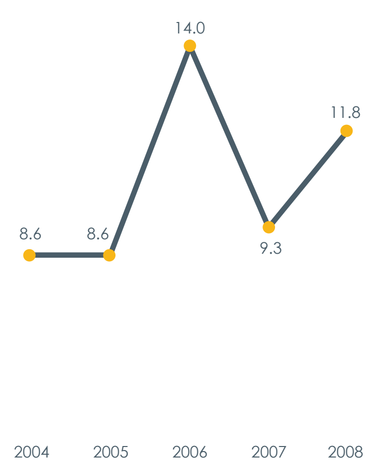
Capital Spending

Capital spending declined 32.8%, to ¥27.3 billion. Yokohama funded that spending with Internally generated funds and with borrowings.

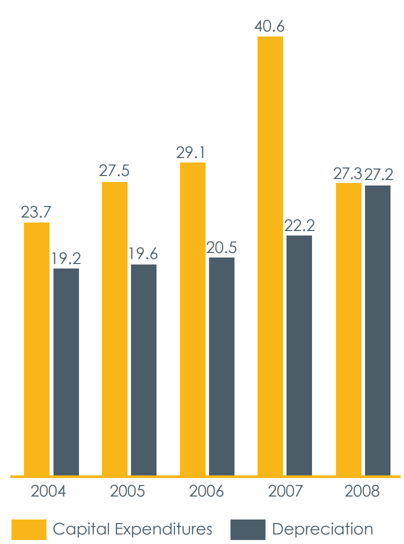
In the Tire Group, capital spending declined 37.7%, to ¥23.1 billion. That total included ¥12.4 billion of investment at the parent company for expanding production capacity, for raising productivity, and for improving product quality. It also included ¥3.1 billion of investment at Yokohama Tire Manufacturing (Thailand) Co., Ltd., for expanding production capacity for tires for passenger cars and light trucks and for building a proving ground and ¥1.5 billion of investment at Hangzhou Yokohama Tire Co., Ltd., for expanding production capacity for passenger car tires.

In the Multiple Business Group, capital spending increased 8.3%, to ¥3.8 billion. That investment was mainly for expanding production capacity for sealants and hoses.

Return on Shareholder's Equity
(Percent)



Capital Expenditures and Depreciation
(Billions of Yen)



Sources of Funds and Liquidity

Financial position

Total assets declined ¥10.1 billion, to ¥526.2 billion at fiscal year-end. The main reason for the decline was a ¥33.1 billion decrease in investment securities. That decline occurred as the downturn in the market prices of listed equity shares diminished the company's unrealized gains on securities holdings.

Liquid assets increased ¥18.0 billion. That increase included growth in trade notes and receivables, which resulted from the expansion in tire business. It also included growth in inventories, which reflected expanded tire production and the rise in raw material costs.

Total liabilities declined ¥5.1 billion, to ¥344.7 billion. That decline occurred as the diminution of unrealized gains on listed equity shares reduced deferred tax liabilities by ¥13.7 billion.

Net assets declined ¥5.0 billion, to ¥181.5 billion at fiscal year-end. Retained earnings increased ¥14.8 billion, reflecting the growth in net income. More than offsetting that increase was a ¥20.3 billion decline in the item "unrealized gains on securities," which resulted from the diminution of unrealized gains on listed equity shares.

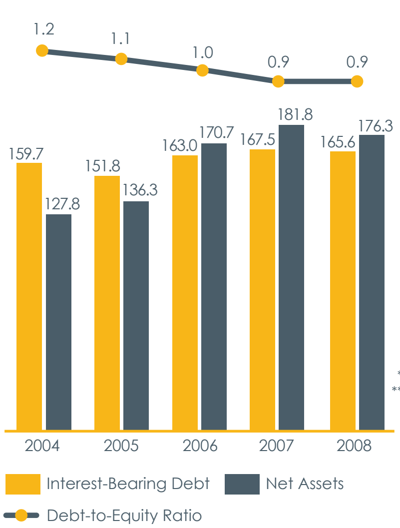
Cash flow

Net cash provided by operating activities, including an increase in depreciation, increased ¥4.9 billion, to ¥41.6 billion. Net cash used in investing activities declined ¥1.4 billion, to ¥33.7 billion, reflecting the completion of a round of expansion of tire production capacity. Free cash flow—net cash provided by operating activities less net cash used in investing activities—thus increased ¥6.3 billion, to ¥7.9 billion. The company used part of its free cash flow and long-term deposits received to repay borrowings and to fund an increase in the dividends per share. Cash and cash equivalents at year-end increased ¥4.7 billion, to ¥19.5 billion.

Fiscal Outlook

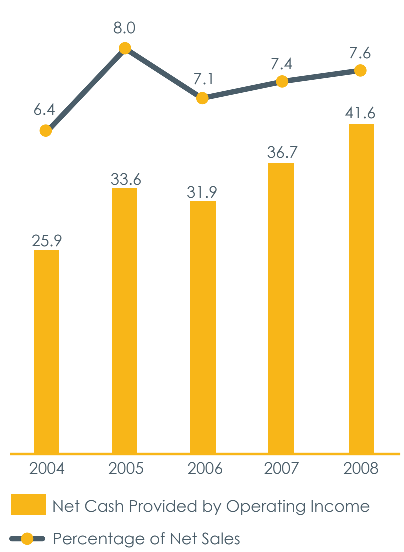
Management projects further growth in sales and a decline in earnings in fiscal 2009. Demand for tires continues to expand in overseas markets, and management expects the company's overall sales to increase 2.5%, to ¥565.0 billion. The high and still-rising prices for raw materials, along with the strengthening of the yen, appear likely to depress profitability. Management expects operating income to decline 21.5%, to ¥26.0 billion, and net income to decline 38.3%, to ¥13.0 billion.

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

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
Instability in any of the world's principal financial markets could affect the Company's access to funding 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, 2008, the Company's interest-bearing debt was equivalent to 31.5% 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 position.

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

	2008	2007	2006	2005
Net sales	**¥551,431**	¥497,396	¥451,911	¥419,789
Operating income	**33,119**	21,070	21,947	20,955
Income before income taxes and minority interests	**20,478**	26,038	22,673	16,337
Net income	**21,060**	16,363	21,447	11,322
Depreciation	**27,238**	22,166	20,491	19,616
Capital expenditures	**27,292**	40,638	29,067	27,533
R&D expenses	**15,289**	14,649	14,557	14,265
Interest-bearing debt	**165,614**	167,474	163,022	151,758
Total net assets	**181,538**	186,528	174,609	139,534
Total assets	**526,192**	536,322	502,014	432,717
Per share (yen):				
Net income: Basic	**¥ 62.81**	¥ 48.79	¥ 62.75	¥ 32.95
Net assets	**525.96**	542.10	508.64	398.24
Cash dividends	**13.00**	12.00	10.00	8.00
Key financial ratios:				
Operating margin (%)	**6.0**	4.2	4.9	5.0
Return on shareholders' equity (%)	**11.8**	9.3	14.0	8.6
Capital turnover (times)	**1.0**	1.0	1.0	1.0
Interest-bearing debt to shareholders' equity (times)	**0.9**	0.9	1.0	1.1
Interest coverage (times)	**9.0**	7.0	10.1	11.2
Number of employees	**16,099**	15,423	14,617	13,464

Millions of Yen

2004	2003	2002	2001	2000	1999	1998
¥401,718	¥400,448	¥399,824	¥387,855	¥392,193	¥401,183	¥415,397
21,073	23,184	22,701	19,845	19,043	15,809	11,668
16,931	18,778	16,076	7,052	(13,692)	7,731	5,685
10,331	10,144	7,363	96	(9,009)	3,233	873
19,199	19,040	19,247	20,083	21,922	21,141	21,566
23,735	22,708	16,940	18,118	19,470	28,216	27,229
13,818	12,520	12,298	11,827	11,626	13,300	13,800
159,700	167,832	179,098	191,289	198,930	215,245	209,132
130,622	114,719	116	114,205	96,837	107,669	106,559
429,350	412,626	437,771	448,130	425,927	432,457	440,420
¥ 29.95	¥ 29.38	¥ 21.32	¥ 0.28	¥(26.30)	¥ 9.44	¥ 2.55
373.23	327.61	334.24	328.81	276.54	309.36	307.88
8.00	8.00	6.00	—	6.00	6.00	8.00
5.2	5.8	5.7	5.1	4.9	3.9	2.8
8.6	8.9	6.5	0.1	(9.0)	3.1	0.8
1.0	0.9	0.9	0.9	0.9	0.9	1.0
1.2	1.5	1.6	1.7	2.1	2.0	2.0
9.2	7.9	4.9	3.5	3.7	2.7	2.3
13,264	12,979	13,130	13,362	13,764	12,107	12,325

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2008**	2007	**2008**
Current Assets:			
Cash and cash equivalents	**¥ 19,530**	¥ 14,812	**$ 194,934**
Time deposits	**59**	72	**586**
Trade receivables:			
Notes and accounts (Note 6)	**115,776**	108,137	**1,155,565**
Inventories (Note 3)	**84,231**	78,944	**840,709**
Deferred income taxes (Note 13)	**8,354**	7,200	**83,386**
Other current assets	**8,640**	9,748	**86,236**
Allowance for doubtful receivables	**(1,352)**	(1,679)	**(13,496)**
Total current assets	**235,238**	217,234	**2,347,920**
Property, Plant and Equipment, at Cost (Notes 4 and 5):			
Land	**36,079**	34,654	**360,101**
Buildings and structures	**130,805**	128,850	**1,305,572**
Machinery and equipment	**389,591**	397,455	**3,888,527**
Construction in progress	**11,692**	10,215	**116,693**
	568,167	571,174	**5,670,893**
Less accumulated depreciation	**(374,640)**	(377,613)	**(3,739,292)**
Total property, plant and equipment, net	**193,527**	193,561	**1,931,601**
Investments and Other Assets:			
Investment securities (Note 10)	**67,781**	100,844	**676,520**
Long-term loans receivable	**843**	709	**8,414**
Deferred income taxes (Note 13)	**9,093**	3,095	**90,760**
Other investments and other assets	**20,866**	22,049	**208,262**
Allowance for doubtful receivables	**(1,156)**	(1,170)	**(11,536)**
Total investments and other assets	**97,427**	125,527	**972,420**
Total assets	**¥526,192**	¥536,322	**$5,251,941**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
Current Liabilities:			
Bank loans	**¥ 81,598**	¥ 62,128	**$ 814,431**
Current maturities of long-term debt (Note 4)	**17,376**	25,061	**173,434**
Commercial paper	**1,000**	1,000	**9,981**
Trade notes and accounts payable	**87,136**	84,684	**869,708**
Accrued income taxes	**3,845**	2,466	**38,377**
Accrued expenses	**29,725**	26,662	**296,683**
Other current liabilities (Note 13)	**14,547**	14,355	**145,192**
Total current liabilities	**235,227**	216,356	**2,347,806**
Long-Term Liabilities:			
Long-term debt (Note 4)	**65,640**	79,285	**655,156**
Deferred income taxes (Note 13)	**9,811**	23,465	**97,920**
Reserve for pension and severance payments (Note 12)	**18,510**	19,938	**184,745**
Other long-term liabilities	**15,466**	10,750	**154,373**
Total long-term liabilities	**109,427**	133,438	**1,092,194**
Total liabilities	**344,654**	349,794	**3,440,000**
Contingent liabilities (Note 6)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares in 2008 and 2007			
Issued: 342,598,162 shares in 2008 and 2007	**38,909**	38,909	**388,354**
Capital surplus	**31,953**	31,953	**318,923**
Retained earnings (Note 8)	**94,856**	80,065	**946,761**
Treasury stock, at cost: 7,352,359 shares in 2008 and 7,257,127 shares in 2007	**(4,681)**	(4,600)	**(46,718)**
Total shareholders' equity	**161,037**	146,327	**1,607,320**
Valuation and Translation Adjustments:			
Unrealized gains on securities	**19,332**	39,635	**192,957**
Foreign currency translation adjustments	**(4,045)**	(4,175)	**(40,378)**
Total valuation and translation adjustments	**15,287**	35,460	**152,579**
Minority Interests:	**5,214**	4,741	**52,042**
Total net assets	**181,538**	186,528	**1,811,941**
Total liabilities and net assets	**¥526,192**	¥536,322	**$5,251,941**

Consolidated Statements of Income

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
Net sales	**¥551,431**	¥497,396	¥451,911	**$5,503,853**
Cost of sales (Notes 5 and 7)	**381,447**	350,978	310,232	**3,807,232**
Gross profit	**169,984**	146,418	141,679	**1,696,621**
Selling, general and administrative expenses (Notes 5 and 7)	**136,865**	125,348	119,732	**1,366,062**
Operating income	**33,119**	21,070	21,947	**330,559**
Other income (expenses)				
Interest and dividends income	**1,921**	1,714	1,034	**19,178**
Interest expense	**(3,898)**	(3,247)	(2,270)	**(38,908)**
Other — net	**(10,664)**	6,501	1,962	**(106,434)**
	(12,641)	4,968	726	**(126,164)**
Income before income taxes and minority interests	**20,478**	26,038	22,673	**204,395**
Income taxes (Notes 2 and 13):				
Current	**5,334**	2,735	2,722	**53,240**
Deferred	**(6,373)**	6,505	(1,871)	**(63,608)**
	(1,039)	9,240	851	**(10,368)**
Minority interests in net income of consolidated subsidiaries	**(457)**	(435)	(375)	**(4,557)**
Net income	**¥ 21,060**	¥ 16,363	¥ 21,447	**$ 210,206**

Per Share Amounts:	Yen			U.S. Dollars (Note 1)
Net income: Basic	**¥62.81**	¥48.79	¥62.75	**$0.63**
Net income: Diluted	**—**	—	—	**—**
Cash dividends	**¥13.00**	¥12.00	¥10.00	**$0.13**

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, 2008, 2007, 2006 and 2005

	Shares of Common Stock	Millions of Yen							
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
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 losses 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
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	(1,557)	—	(1,557)	—	—	(1,557)
Net income	—	—	—	21,060	—	21,060	—	—	21,060
Cash dividends paid	—	—	—	(4,694)	—	(4,694)	—	—	(4,694)
Increase in retained earnings due to merger	—	—	—	114	—	114	—	—	114
Decrease in retained earnings due to change in accounting policies in overseas subsidiaries	—	—	—	(132)	—	(132)	—	—	(132)
Repurchase of treasury stock, net	—	—	—	(0)	(81)	(81)	—	—	(81)
Valuation and translation adjustments									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(20,303)	—	(20,303)
Foreign currency translation adjustments	—	—	—	—	—	—	130	—	130
Increase (decrease) in minority interests	—	—	—	—	—	—	—	473	473
Balance at March 31, 2008	342,598,162	¥38,909	¥31,953	¥94,856	¥(4,681)	¥161,037	¥15,287	¥5,214	¥181,538

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2007	$388,354	$318,923	$799,138	$(45,916)	$1,460,499	$353,930	$47,315	$1,861,744
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	(15,544)	—	(15,544)	—	—	(15,544)
Net income	—	—	210,206	—	210,206	—	—	210,206
Cash dividends paid	—	—	(46,854)	—	(46,854)	—	—	(46,854)
Increase in retained earnings due to merger	—	—	1,134	—	1,134	—	—	1,134
Decrease in retained earnings due to change in accounting policies in overseas subsidiaries	—	—	(1,317)	—	(1,317)	—	—	(1,317)
Repurchase of treasury stock, net	—	—	(2)	(802)	(804)	—	—	(804)
Valuation and translation adjustments								
Net unrealized gains and losses on securities	—	—	—	—	—	(202,647)	—	(202,647)
Foreign currency translation adjustments	—	—	—	—	—	1,296	—	1,296
Increase (decrease) in minority interests	—	—	—	—	—	—	4,727	4,727
Balance at March 31, 2008	$388,354	$318,923	$946,761	$(46,718)	$1,607,320	$152,579	$52,042	$1,811,941

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, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
Operating Activities:				
Income before income taxes and minority interests	**¥20,478**	¥26,038	¥22,673	**$204,395**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation (Notes 2 and 5)	**27,238**	22,166	20,491	**271,865**
Reserve for pension and severance payments	**(1,930)**	(1,327)	731	**(19,261)**
Gain on change of pension and severance plan	**—**	—	(4,251)	**—**
Funding for defined contribution pension plan	**—**	—	(7,747)	**—**
Gain on sale of investment securities	**(168)**	(6,435)	—	**(1,683)**
Loss on revaluation of investment securities	**3,472**	—	—	**34,650**
Other, net	**3,136**	1,244	(295)	**31,304**
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	**(7,568)**	(6,061)	5,327	**(75,537)**
Inventories	**(5,473)**	(7,425)	(5,454)	**(54,625)**
Notes and accounts payable	**1,418**	13,450	2,877	**14,156**
Other, net	**7,072**	(1,182)	1,838	**70,587**
Interest and dividends received	**1,904**	1,680	1,045	**18,999**
Interest paid	**(3,920)**	(3,067)	(2,227)	**(39,124)**
Income taxes paid	**(4,010)**	(2,343)	(3,147)	**(40,029)**
Net cash provided by operating activities	**41,649**	36,738	31,861	**415,697**
Investing Activities:				
Purchases of property, plant and equipment	**(28,535)**	(37,464)	(28,107)	**(284,807)**
Purchases of marketable securities and investment securities	**(5,654)**	(6,292)	(1,618)	**(56,432)**
Proceeds from sales of marketable securities, investment securities and property	**564**	8,437	771	**5,627**
Other, net	**(110)**	197	(230)	**(1,094)**
Net cash used in investing activities	**(33,735)**	(35,122)	(29,184)	**(336,706)**
Financing Activities:				
Increase (decrease) in short-term bank loans	**18,916**	(6,049)	(5,481)	**188,799**
Increase (decrease) in commercial paper	**—**	(12,000)	13,000	**—**
Proceeds from long-term debt	**4,022**	38,806	10,749	**40,147**
Decrease in long-term debt	**(25,894)**	(18,329)	(10,881)	**(258,451)**
Payment of cash dividends	**(4,694)**	(3,357)	(4,102)	**(46,847)**
Other, net	**3,642**	(79)	(6,399)	**36,347**
Net cash used in financing activities	**(4,008)**	(1,008)	(3,114)	**(40,005)**
Effect of exchange rate changes on cash and cash equivalents	**340**	(53)	789	**3,396**
Increase in cash and cash equivalents	**4,246**	555	352	**42,382**
Cash and cash equivalents at beginning of year	**14,812**	14,290	13,836	**147,841**
Effect of changes in consolidation scope on cash and cash equivalents	**472**	(33)	102	**4,711**
Cash and cash equivalents at end of year	**¥19,530**	¥14,812	¥14,290	**$194,934**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries

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 Financial Instruments 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 ¥100.19 = US$1.00, the approximate exchange rate prevailing on March 31, 2008.

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.

The method of depreciation of tangible fixed assets acquired on or after April 1, 2007 in the Company and its domestic consolidated subsidiaries has been changed in accordance with the Corporation Tax Law of Japan revised in 2007. The effect of this change resulted in a decrease of income before income taxes by ¥947 million ($9,448 thousand). Additionally, concerning tangible fixed assets acquired on or before March 31, 2007 in the Company and its domestic consolidated subsidiaries, the residual values are depreciated by the straight-line method over 5 years from the next fiscal year following the fiscal year when those assets reached 5% of acquisition cost in accordance with the revised Corporation Tax Law of Japan. The effect of this change resulted in a decrease of income before income tax by ¥2,022 million ($20,178 thousand).

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. Unrecognized prior service cost is amortized by the straight-line methed over 10 years.

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" (SFAS No. 106).

Additionally, on December 31, 2007, those subsidiaries adopted SFAS No.158, "Employers' Accounting for Defined Pension and Other Postretirement Plans—an Amendment of Financial Accounting Standards Board Statements No. 87, 88 and 106 and 132(R)."

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 in the years ended March 31, 2008, 2007 and 2006.

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.

3. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Finished products	**¥59,195**	¥53,553	**$590,832**
Work-in-process	**11,091**	11,055	**110,702**
Raw materials and supplies	**13,944**	14,336	**139,175**
	¥84,231	¥78,944	**$840,709**

4. Long-Term Debt

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
0.62% straight bonds due 2008	**¥10,000**	¥10,000	**$ 99,810**
0.84% straight bonds due 2010	**10,000**	10,000	**99,810**
1.688% straight bonds due 2013	**10,000**	10,000	**99,810**
Loans, principally from banks and insurance companies	**53,016**	74,346	**529,160**
	83,016	104,346	**828,590**
Less current maturities	**17,376**	25,061	**173,434**
	¥65,640	¥79,285	**$655,156**

Assets pledged to secure bank loans and long-term debt at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Property, plant and equipment	**66,001**	71,916	**658,753**
	¥66,001	¥71,916	**$658,753**

5. Depreciation

Depreciation charges were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	**2008**
Selling, general and administrative expenses	**¥ 3,370**	¥ 2,970	¥ 2,712	**$ 33,638**
Manufacturing costs	**¥23,868**	¥19,196	¥17,779	**$238,227**

6. Contingent Liabilities

Contingent liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Notes discounted and endorsed	**¥ 659**	¥664	**$ 6,575**
Guarantees	**¥5,755**	¥767	**$57,436**

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, 2008, 2007 and 2006 were ¥15,289 million ($152,602 thousand), ¥14,649 million and ¥14,557 millon, respectively.

8. Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Corporate Law 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 are applicable.

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
	2008	2007	**2008**
Acquisition costs	**¥4,148**	¥3,979	**$41,399**
Accumulated depreciation	**1,854**	1,825	**18,501**
Net book value	**¥2,294**	¥2,154	**$22,898**

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Within one year	**¥ 720**	¥ 667	**$ 7,190**
After one year	**1,574**	1,487	**15,708**
	¥2,294	¥2,154	**$22,898**

Lease expenses under finance leases, which are accounted for as operating leases, for the years ended March 31, 2008 and 2007 aggregated approximately ¥767 million ($7,654 thousand) and ¥994 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Within one year	**¥1,132**	¥1,126	**$11,299**
After one year	**5,363**	5,019	**53,529**
	¥6,495	¥6,145	**$64,828**

10. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen							
	2008				2007			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as:								
Available-for-sale:								
Stock	**¥29,069**	**¥61,460**	**¥32,816**	**¥(425)**	¥28,942	¥95,366	¥67,037	¥(613)

	Thousands of U.S. Dollars			
	2008			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as:				
Available-for-sale:				
Stock	**$290,137**	**$613,434**	**$327,537**	**$(4,240)**

Sales of securities classified as available-for-sale securities amounted to ¥277 million ($2,767 thousand), with an aggregate gain of ¥146 million ($1,454 thousand) for the year ended March 31, 2008.

The corresponding amounts for the year ended March 31, 2007 were ¥8,188 million and ¥6,435 million.

11. Derivative Instruments

Fair value information of derivative instruments at March 31, 2008 and 2007 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			**2008**		
	Contract Amount	Fair Value	Unrealized Gains	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains
Forward exchange contracts :									
EURO	**¥3,580**	**¥3,547**	**¥ 33**	¥3,125	¥3,237	¥(112)	**$35,734**	**$35,404**	**$ 330**
U.S. dollar	**2,427**	**2,323**	**104**	2,386	2,377	9	**24,223**	**23,188**	**1,035**
Others	**2,159**	**2,025**	**134**	1,976	2,033	(57)	**21,548**	**20,215**	**1,333**
	¥8,166	**¥7,896**	**¥270**	¥7,487	¥7,647	¥(160)	**$81,505**	**$78,807**	**$2,698**

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			**2008**		
	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized losses	Contract Amount	Fair Value	Unrealized Losses
Interest rate swap agreements	**¥49**	**¥(1)**	**¥(1)**	¥59	¥(1)	¥(1)	**$489**	**$(9)**	**$(9)**
	¥—	**¥(1)**	**¥(1)**	¥—	¥(1)	¥(1)	**$ —**	**$(9)**	**$(9)**

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, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligations	**¥(31,634)**	¥(32,692)	**$(315,740)**
Fair value of plan assets	**12,057**	19,304	**120,337**
Funded status	**(19,577)**	(13,388)	**(195,403)**
Unrecognized actuarial gain and loss	**321**	(7,396)	**3,210**
Unrecognized prior service cost	**746**	846	**7,448**
Net amount recognized	**¥(18,510)**	¥(19,938)	**$(184,745)**

b. The components of net pension and severance costs for the year ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥1,839**	¥1,857	$18,354
Interest cost	**648**	679	6,466
Expected return on plan assets	**—**	—	—
Recognized actuarial gains	**(526)**	(543)	(5,245)
Recognized prior service cost	**100**	100	994
Net periodic benefit cost	**2,061**	2,093	20,569
Contribution of defined contribution benefit plan	**513**	490	5,124
	¥2,574	¥2,583	$25,693

c. Assumptions used as of March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	**2.5%**	2.5%
Expected return rate on plan assets	**0.00%**	0.75%

13. Deferred Income Taxes

a. Significant components of the deferred income tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Liabilities for pension and severance payments	**¥12,250**	¥ 12,773	**$122,266**
Net operating loss carryforwards	**5,210**	10,270	**51,999**
Unrealized profits	**4,278**	3,810	**42,704**
Accrued expenses	**2,536**	2,409	**25,312**
Loss on revaluation of investment securities	**1,632**	—	**16,284**
Other	**6,796**	3,860	**67,834**
Gross deferred tax assets	**32,702**	33,122	**326,399**
Less valuation allowance	**(3,361)**	(11,106)	**(33,548)**
Total deferred tax assets	**29,341**	22,016	**292,851**
Deferred tax liabilities:			
Unrealized gains on securities	**(13,032)**	(26,766)	**(130,075)**
Liabilities for pension and severance payments	**(3,447)**	(3,447)	**(34,399)**
Gain on receipt of stock set by pension plan	**(3,155)**	(3,155)	**(31,494)**
Property, plant and equipment	**(1,799)**	(1,904)	**(17,951)**
Other	**(336)**	(78)	**(3,355)**
Total deferred tax liabilities	**(21,769)**	(35,350)	**(217,274)**
Net deferred tax assets (liabilities)	**¥ 7,572**	¥(13,334)	**$ 75,577**

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

	Years ended March 31	
	2008	2007
Statutory income tax rate in Japan	**40.3%**	40.3%
Valuation allowance for net operating loss carryforwards	**(15.2)**	(5.0)
Permanently nondeductible expenses	**2.9**	1.8
Permanently nontaxable income	**(1.8)**	(1.3)
Valuation allowance	**(29.1)**	—
Other	**(2.2)**	(0.3)
Effective income tax rate	**(5.1)%**	35.5%

14. Segment Information

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2008, 2007 and 2006 are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year Ended March 31, 2008				
Sales to third parties	**¥419,834**	**¥131,597**	**¥551,431**	**¥ —**	**¥551,431**
Intergroup sales and transfers	**83**	**12,478**	**12,561**	**(12,561)**	**—**
Total sales	**419,917**	**144,075**	**563,992**	**(12,561)**	**551,431**
Operating expenses	**393,867**	**137,030**	**530,897**	**(12,585)**	**518,312**
Operating income	**¥ 26,050**	**¥ 7,045**	**¥ 33,095**	**¥ 24**	**¥ 33,119**
Total assets at end of year	**¥397,181**	**¥146,727**	**¥543,908**	**¥(17,716)**	**¥526,192**
Depreciation	**¥ 22,455**	**¥ 4,214**	**¥ 26,669**	**¥ 569**	**¥ 27,238**
Capital expenditures	**¥ 23,064**	**¥ 3,776**	**¥ 26,840**	**¥ 452**	**¥ 27,292**
	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

	Thousands of U.S. Dollars				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year Ended March 31, 2008				
Sales to third parties	**$4,190,381**	**$1,313,472**	**$5,503,853**	**$ —**	**$5,503,853**
Intergroup sales and transfers	**821**	**124,548**	**125,369**	**(125,369)**	**—**
Total sales	**4,191,202**	**1,438,020**	**5,629,222**	**(125,369)**	**5,503,853**
Operating expenses	**3,931,199**	**1,367,704**	**5,298,903**	**(125,609)**	**5,173,294**
Operating income	**$ 260,003**	**$ 70,316**	**$ 330,319**	**$ 240**	**$ 330,559**
Total assets at end of year	**$3,964,277**	**$1,464,484**	**$5,428,761**	**$(176,820)**	**$5,251,941**
Depreciation	**$ 224,128**	**$ 42,057**	**$ 266,185**	**$ 5,680**	**$ 271,865**
Capital expenditures	**$ 230,205**	**$ 37,683**	**$ 267,888**	**$ 4,515**	**$ 272,403**

Geographical Areas

	Millions of Yen						
	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Year Ended March 31, 2008						
Sales to third parties	**¥387,217**	**¥111,995**	**¥22,993**	**¥29,226**	**¥551,431**	**¥ —**	**¥551,431**
Interarea sales and transfers	**67,226**	**1,062**	**34,680**	**—**	**102,968**	**(102,968)**	**—**
Total sales	**454,443**	**113,057**	**57,673**	**29,226**	**654,399**	**(102,968)**	**551,431**
Operating expenses	**431,543**	**106,343**	**54,879**	**28,179**	**620,944**	**(102,632)**	**518,312**
Operating income	**¥ 22,900**	**¥ 6,714**	**¥ 2,794**	**¥ 1,047**	**¥ 33,455**	**¥ (336)**	**¥ 33,119**
Total assets at end of year	**¥416,023**	**¥ 70,574**	**¥74,548**	**¥17,450**	**¥578,595**	**¥(52,403)**	**¥526,192**
	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

	Thousands of U.S. Dollars						
	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Year Ended March 31, 2008						
Sales to third parties	**$3,864,828**	**$1,117,829**	**$229,488**	**$291,708**	**$5,503,853**	**$ —**	**$5,503,853**
Interarea sales and transfers	**670,980**	**10,602**	**346,141**	**—**	**1,027,723**	**(1,027,723)**	**—**
Total sales	**4,535,808**	**1,128,431**	**575,629**	**291,708**	**6,531,576**	**(1,027,723)**	**5,503,853**
Operating expenses	**4,307,241**	**1,061,422**	**547,746**	**281,255**	**6,197,664**	**(1,024,370)**	**5,173,294**
Operating income	**$ 228,567**	**$ 67,009**	**$ 27,883**	**$ 10,453**	**$ 333,912**	**$ (3,353)**	**$ 330,559**
Total assets at end of year	**$4,152,336**	**$ 704,401**	**$744,071**	**$174,170**	**$5,774,978**	**$ (523,037)**	**$5,251,941**

Overseas Sales

	Millions of Yen		
	North America	Other	Total
	Year Ended March 31, 2008		
(A) Overseas sales	**¥117,109**	**¥125,817**	**¥242,926**
(B) Consolidated net sales			**¥551,431**
(C) (A)/(B) × 100	**21.2%**	**22.8%**	**44.1%**
	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%

	Thousands of U.S. Dollars		
	North America	Other	Total
	Year Ended March 31, 2008		
(A) Overseas sales	**$1,168,870**	**$1,255,787**	**$2,424,657**
(B) Consolidated net sales			**$5,503,853**
(C) (A)/(B) × 100	**21.2%**	**22.8%**	**44.1%**

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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, 2008 and 2007, 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, 2008, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, 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, 2008 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.

June 27, 2008