

ANNUAL REPORT

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The Yokohama Rubber Co., Ltd. Year ended March 31, 1999

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P R O F I L E

The Yokohama Rubber Co., Ltd. (Yokohama), is one of the world's leading manufacturers of rubber products, including vehicle tires, other rubber products and adhesive products. The Company was established in 1917 and today has expanded its business on a global scale. We have achieved an excellent reputation worldwide for technologically advanced products that meet customer needs in the fields of automobiles, civil engineering, construction, marine engineering, aircraft components and golf products. In recent years, we have reinforced our global manufacturing and marketing structure through plants in Japan, the United States and Asia, and through sales operations in these regions, as well as Europe. Our objective is to build on the loyalty of customers around the world.



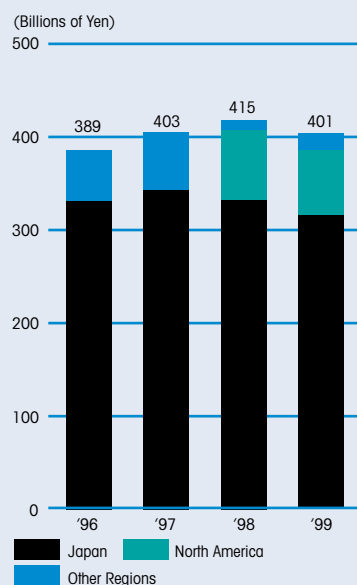
FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 1999 AND 1998

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS
	1999	1998	Percentage change (1999/1998)	1999
NET SALES	¥401,183	¥415,397	(3.4)	\$3,327,938
OPERATING INCOME	15,809	11,668	35.5	131,141
INCOME BEFORE INCOME TAXES	7,731	5,685	36.0	64,131
NET INCOME	3,233	873	270.3	26,819
			Increase (Decrease) (1999-1998)	
TOTAL ASSETS	¥432,457	¥440,420	(7,963)	\$3,587,366
SHAREHOLDERS' EQUITY	105,984	105,478	506	879,170
	YEN			U.S. DOLLARS
	1999	1998		1999
PER SHARE:				
NET INCOME (BASIC)	¥ 9.44	¥ 2.55		0.08
CASH DIVIDENDS	6.00	8.00		0.05

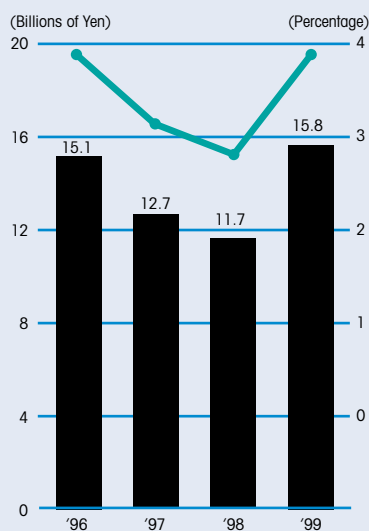
Note: Throughout this report, the United States dollar amounts have been translated from Japanese yen solely for the convenience of readers at the rate of ¥120.55=US\$1, the mean of the telegraphic transfer selling exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo foreign exchange market on March 31, 1999.

SALES BY REGION

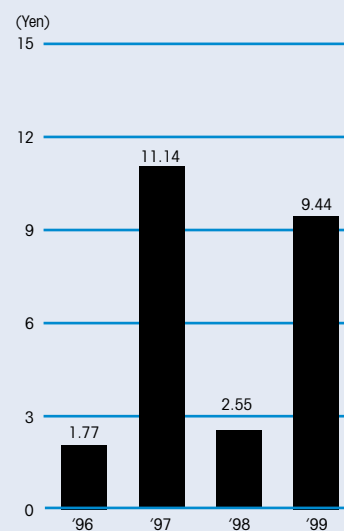


Results for Other Regions include North America until 1997.

OPERATING INCOME AND RATIO OF OPERATING INCOME TO SALES



NET INCOME PER SHARE



TO OUR SHAREHOLDERS



Seiji Hagiwara (right), Chairman, and Yasuo Tominaga, President

● THE YEAR IN REVIEW

In fiscal 1999, ended March 31, 1999, the economies of Asia, including Japan, were beset by financial difficulties, but conditions in Europe and the United States were generally robust. Japan—the core market for Yokohama—suffered from ongoing instability of its financial system, and consumer spending and private-sector capital investment remained sluggish. The rubber products industry also endured falling demand. Although the weak yen boosted exports from Japan in the first half of the year, the currency environment underwent a rapid reversal in the fall of 1998.

In this situation, Yokohama endeavored to improve its results by introducing products with superior functions, strengthening its network of dealers, enhancing management efficiency at sales subsidiaries and undertaking aggressive marketing efforts. At the same time, we implemented a variety of cost-cutting measures and related activities to improve our management foundations. However, these steps were insufficient to counter the effects of slow demand in Japan, and as a result our consolidated net sales fell 3.4%, to ¥401,183 million. On the other hand, successful responses to strengthen our U.S. tire company and sales subsidiaries in Japan sustained a 270.3% rise in net income, to ¥3,233 million.

● THE DIRECTION OF BUSINESS REFORM

Amid continuing rapid changes in the market for automobiles, Yokohama is actively meeting the challenge of becoming a truly global company with the potential of expanding both sales and earnings. These efforts are encapsulated in the Action 21 Business Reform plan.

The Action 21 Business Reform plan comprises activities to comprehensively restructure our

organization in seven key action areas: businesses, financing, cash position, human resources, operating structure, administration and Group management. Simultaneously, we are working on a series of Urgent Measures for cost reduction to help guarantee a healthy income into the future.

An integral part of the Action 21 Business Reform plan is revamping our business activities. In the Tire Group, our operations are focusing on the three product areas of passenger car radials, radials for light trucks and steel radials for trucks and buses, while our marketing emphasis is on the four markets of Japan, the rest of Asia, North America and exports. In these product areas and markets, we will introduce world-leading technologies, launch new manufacturing methods and establish an integrated logistics system based on an information network. The theme of these activities is to become a more distinctive corporate group by improving our technological capabilities and shortening lead times. In this fashion, through the strengthening our production and marketing structures in individual regions we will improve our market presence, raise efficiency throughout our operations and enhance our cost competitiveness.

In the Multiple Business (MB) Group, our goal is to achieve higher market shares for our adhesives, sealants, hoses, aircraft components and golf products. We will also work to turn high-potential businesses such as antiseismic rubber bearings for bridges and buildings into major profit centers. Further, we currently boast a variety of products that are competitive in the global market, including hydraulic hoses and sealants, which we intend to market even more vigorously. In addition, we will strive to pioneer new business fields while seeking significant cost reductions and higher profitability.

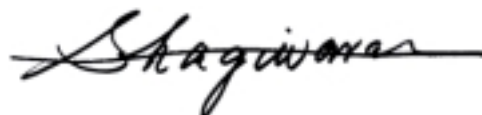
● IMPLEMENTING THE ACTION 21 BUSINESS REFORM PLAN

It is difficult to predict a rapid recovery in consumer spending or capital investment in Japan in fiscal 2000, and concerns have arisen over trends in currency markets and the future direction of the U.S. and European economies, making for a continuing harsh operating environment for the Yokohama Group. To ensure our prosperity in these circumstances, we are working on the two-year Action 21 Business Reform plan launched in April 1999. All of us in the Yokohama Group are committed to realizing the aims of this plan through such measures as reducing our total assets by ¥30.0 billion, our interest-bearing debt by ¥20.0 billion and our personnel by 1,000 employees.

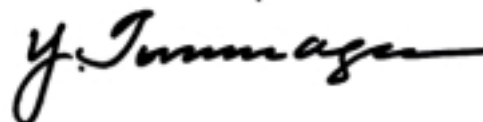
Furthermore, in accordance with the Environmental Action Plan, which is concerned with environmental preservation and was revised in June 1998, we are working not only to reduce carbon dioxide emissions, but also to achieve certification under the ISO 14001 international environmental management standard at all six of our domestic plants by mid-1999. The Mishima, Mie, Shinshiro and Ibaraki plants have already earned this accreditation.

We hope that our shareholders around the world will understand our management stance and extend their continued support into the future.

June 15, 1999



Shigeo Hasegawa, Chairman

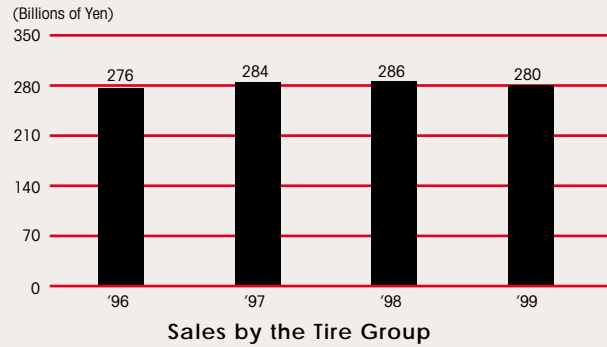
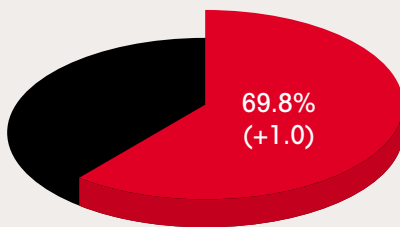


Y. Iimura, President

GROUP AT A GLANCE

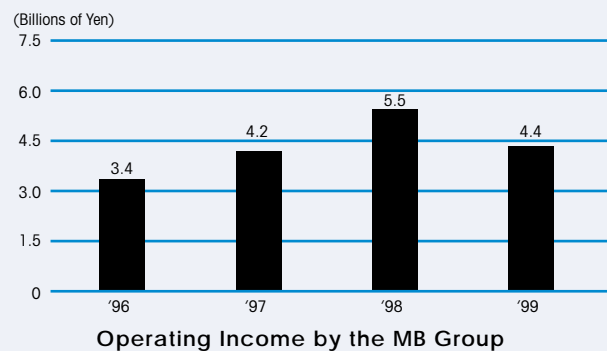
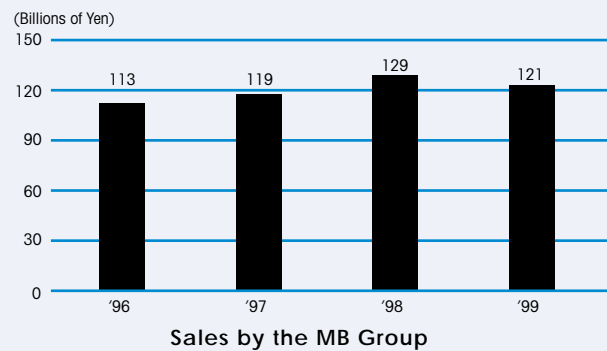
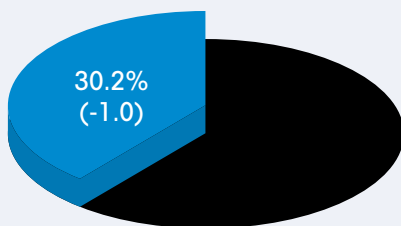
TIRE GROUP :

Fiscal 1999 Sales by the Tire Group
Percentage of net sales (change from fiscal 1998)



MB GROUP :

Fiscal 1999 Sales by the MB Group
Percentage of net sales (change from fiscal 1998)



Main Products

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

Manufacturing and Sales Organization

Yokohama manufactures and markets tires in Japan through 26 sales subsidiaries, including Shin Tokyo Yokohama Tire Co., Ltd., and 209 dealerships that also sell our products. Overseas, our tires are produced and sold by Yokohama Tire Corporation (YTC) in the United States, and Yokohama Tire Philippines, Inc., and Yokohama

Tyre Vietnam Company in Asia. In addition, GTY Tire Company, a joint venture with General Tire, Inc., and Toyo Tire & Rubber Co., Ltd., handles a portion of our U.S. manufacturing.

In Europe, our organization of eight sales subsidiaries includes Yokohama Reifen GmbH in Germany and Yokohama HPT Ltd. in the United Kingdom.

Main Products

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

Manufacturing and Sales Organization

In the field of products for industrial use, Yokohama and Yokohama Hydrex Co., Ltd., are responsible for manufacturing in Japan, while SAS Rubber Company and YH America, Inc. handle U.S. production and sales. Sales in Japan are handled by Yokohamagomu Industrial Products Tokyo Sales Co., Ltd., and seven other

sales subsidiaries, and by Yokohama Hydrex and Tokyo Hydrex Sales Co., Ltd.

Our golf products are manufactured by Yokohama and marketed in Japan by PRGR Co., Ltd., and in North America by PRGR USA Corporation. Aircraft components are manufactured in Japan and marketed around the world by Yokohama.