

Annual Report 2000

The Yokohama Rubber Co., Ltd.
Year ended March 31, 2000



ACTION 21 | STAYING ON COURSE INTO THE NEW CENTURY

PROFILE

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 in Europe. Our objective is to build on the loyalty of customers around the world.

C O N T E N T S

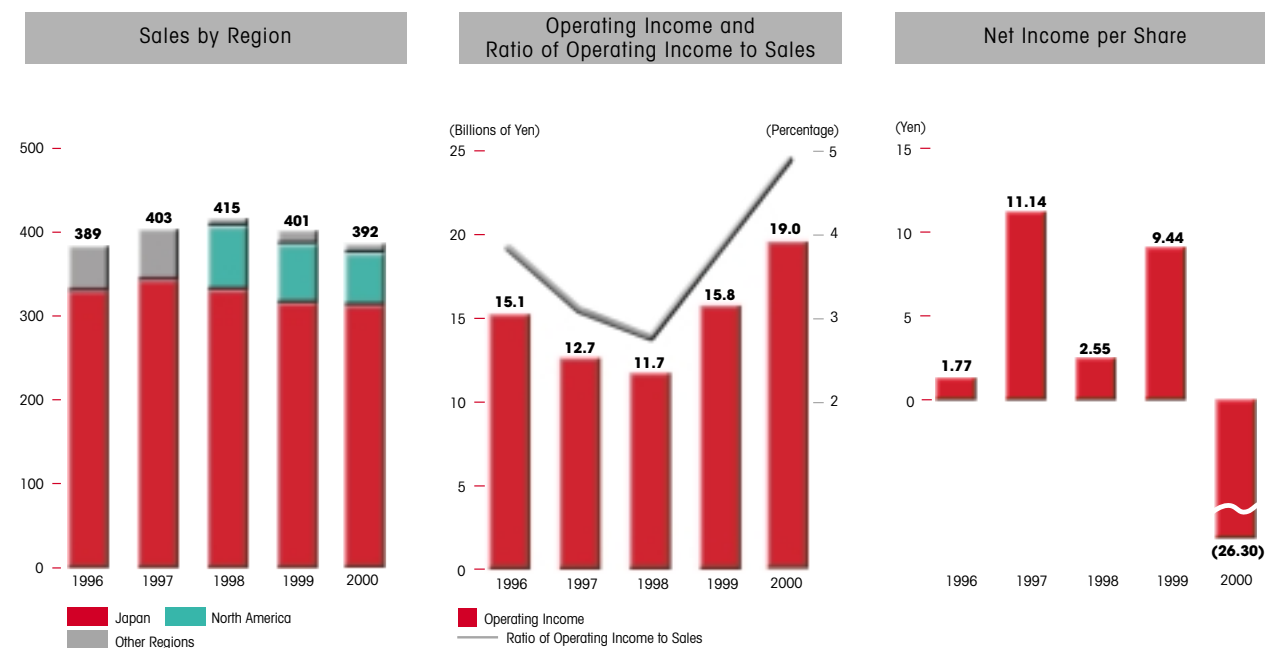
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FINANCIAL HIGHLIGHTS

For the Years Ended March 31, 2000 and 1999

	Millions of Yen		Percentage change (2000/1999)	Thousands of U.S. Dollars
	2000	1999		2000
Net Sales	¥392,193	¥401,183	(2.2)	\$3,694,705
Operating Income	19,043	15,809	20.5	179,397
Income (Loss) before Income Taxes	(13,692)	7,731		(128,987)
Net Income (Loss)	(9,009)	3,233		(84,870)
			Increase (Decrease) (2000-1999)	
Total Assets	¥425,927	¥432,457	(6,530)	\$4,012,501
Shareholders' Equity	94,743	105,984	11,241	892,539
		Yen		U.S. Dollars
	2000	1999		2000
Per Share:				
Net Income (Loss): Basic	¥ (26.30)	¥ 9.44		\$ (0.25)
Cash Dividends	6.00	6.00		0.06

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 ¥106.15=U.S.\$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, 2000.



Results for Other Regions include North America until 1997.

TO OUR SHAREHOLDERS

Looking Back on the Previous Year

I would like to take this opportunity to greet our shareholders and report on the Yokohama Group's performance during fiscal 2000, ended March 31, 2000.

Looking back at the global economy, steady improvement was visible in the U.S. and Europe, while Asian economies also began to pick up. In Japan, however, economic recovery has been weak, with private-sector capital investment and consumer spending remaining stagnant. With the appreciation of the yen in the summer putting a damper on the already slow recovery, the economic situation in Japan was once again difficult.

Amid these circumstances, Yokohama worked diligently to reform its operational structure, as well as enhance its corporate structure. First, in the Tire Group we focused on certain primary products in an effort to restructure the organization in accordance with regional demand, while at the same time releasing a series of attractive products that employ the world's most advanced technologies, as well as engaging in aggressive sales activities. In the Multiple Business (MB) Group, we enhanced the selectivity and intensiveness of

our operations. We concentrated our resources on growth fields, such as hoses and sealants, to strengthen these operations. In addition, we strove to reduce production costs, improve distribution efficiency and improve our financial standing. Thanks to these efforts, we were able to achieve profitability at our domestic sales subsidiaries and Yokohama Tire Corporation in the United States, and earnings expanded in the

MB Group.

Unfortunately, weak demand in Japan and the strong yen had a serious negative impact on our overall performance, leading to a 2.2% year-on-year decrease in sales, to ¥392,193 million.



We nevertheless managed to post an operating profit of ¥19,043 million, a 20.5% increase from the previous year, though we also suffered a net loss of ¥9,009 million, the result of having written off ¥23,168 million worth of prior service costs for pension plan.

Enhancing Corporate Foundations through

Action 21

More time will be needed before private-sector capital investment and consumer spending

recover in Japan, while in Europe and the United States the economic outlook is uncertain. We therefore expect our operating environment to remain difficult through fiscal 2001.

In this situation, we initiated a structural reform program called Action 21 in fiscal 1999. Under this plan, we are attempting to strengthen the Yokohama Group in several different areas, including operations, finance and organization, during the two years to March 2001. Our aim is to improve profitability in the Tire and MB groups, enhance our financial structure and speed up the decision-making process. Our efforts have already yielded results in some areas, and we will continue to emphasize the measures mentioned below.

First, in the Tire Group we will develop new products applying our distinctive technologies, employ integrated logistics on a full scale, improve and expand our sales network linking group companies, and establish a new production system to further improve efficiency and cost competitiveness. Also, to cope with today's fierce global competition and strengthen our sales capabilities in each region, we will improve our production/supply systems in the United States and Asia.

In the MB Group, we will expand our operations in fields in which we already enjoy a strong competitive position, namely hoses,

adhesives, sealing materials, aircraft components and golf products, as well as in markets that have strong future potential, such as antiseismic bearings for buildings and bridges. Overseas, we intend to continue enhancing our activities related to those businesses mentioned above in which we hold a competitive edge.

In the area of environmental preservation measures, by July 1999 we had obtained certification under the ISO 14001 international environmental management standard at all of our domestic plants. We will work further to obtain certification throughout the Yokohama Group.

We will work hard to become a truly global group with strong profitability and high growth potential in preparation for the 21st century.

I would appreciate your understanding and continuing support as we work to meet these goals.

June 2000



Yasuo Tominaga, President



YOKOHAMA IS CHANGING THANKS TO ACTION 21

The Action 21 plan aims to fundamentally reform Yokohama's corporate structure over a period of two years to strengthen profitability and improve the Company's growth capabilities. We have already achieved a number of successes during the past year, and will further enhance these activities to strengthen the Company for the 21st century.

Outline of Action 21 and Results for Fiscal 2000

Tire Group

- Reorganized operational organization into four regions and three divisions
4 regions (Japan, Asia, North America, Europe)
3 divisions (Passenger Car Tires, Light Truck Tires, and Tires for Trucks and Buses)
- Implemented integrated logistics system to link plants, distribution bases and sales sites in Japan through an information network

MB Group

- Operational objectives were drawn up for:
Operations to be expanded (hose, adhesive products and aircraft components)
High-potential business (antiseismic rubber bearings)
Focusing resources on or shifting them to the above items.
- Eliminated unprofitable operations
(Consigned rubber roll business to third-party company, withdrew from SURFAM all-weather sports surface material and office automation blade businesses)
- The above activities sustained a sharp 55% rise in operating profits from the previous fiscal year.

TOTAL ASSETS

Objective: ¥30 billion reduction

Result: ¥19.2 billion reduction

Ratio of achievement: 64%

INTEREST-BEARING DEBT

Objective: ¥20 billion reduction

Result: ¥16.3 billion reduction

Ratio of achievement: 82%

PERSONNEL

Objective: 1,100-person reduction

Result: 720-person reduction

Ratio of achievement: 65%

Operational Reform from Fiscal 2001

Tire Group

<Japan>

- Fully implement integrated logistics system to shorten delivery times, reduce inventories and improve distribution efficiency
- Merge production of radial tires for trucks and buses into one plant
- Implement fiscal 1999 decision to halt production of bias tires for trucks and buses

<Asia>

- Expand sales of passenger car tires throughout Asia
- Expand passenger car tire production in the Philippines

<United States>

- Expand passenger car, truck and bus tire operations, primarily at YTC and GTY
- Increase the number of dealers

<Europe>

- Raise market share by actively marketing our high-performance tires specially developed on thorough studies of customer needs

MB Group

<Hoses>

- Proceed with operational integration at Yokohama Hydrex
- Expand operations in the United States and Thailand

<Adhesive Products>

- Expand production capacity in Japan
- Develop environmentally friendly products for automobiles
- Develop weather-proof and highly durable products for construction use
- Expand operations in the United States and Thailand

<Antiseismic Rubber Bearings>

- With a particular emphasis on the civil engineering market in Japan, develop and expand antiseismic bearing business

<Aircraft Components>

- Develop new products with an emphasis on the private sector

Directives of Action 21

Tire Group

- Enhance the company's position in the Japanese market
- Develop and expand operations in Asia, and speed up the enhancement of sales, production, and infrastructure

MB Group

- Make all business lines profitable by March 31, 2001
- Expand overseas operations related to adhesive products and hose
- Further reduce production costs while proceeding with reorganizing businesses to select and concentrate on areas of high potential

R & D — Boosting Our Power

Distinctive Technologies

- Silica surface-treated carbon black for tires, which helps improve fuel consumption and provides excellent grip
- Yokohama Advanced Liner (YAL), an inner liner that substantially reduces tire weight
- Run-flat tires, which enhance driving safety

Development Targets

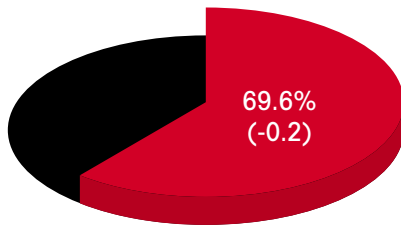
- Continue to develop products using the most advanced materials technologies
- Develop high-value-added products with an emphasis on environmental preservation
- Use information technologies (IT) to substantially speed up new product development

New Tire Production System

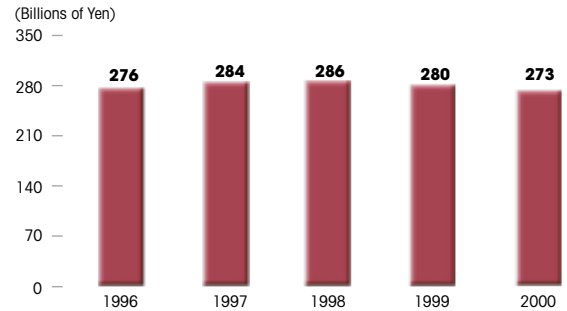
- Promote NMS (New Manufacturing System), a new system to improve the efficiency of multiple-product, small-lot production

GROUP AT A GLANCE

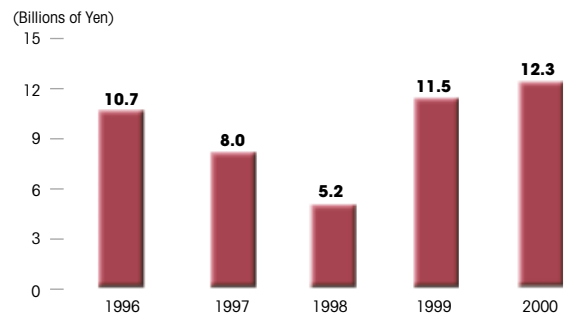
TIRE GROUP :



Fiscal 2000 Sales by the Tire Group
Percentage of net sales (change from fiscal 1999)

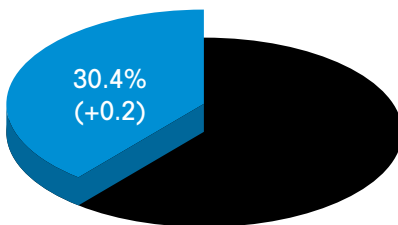


Sales by the Tire Group

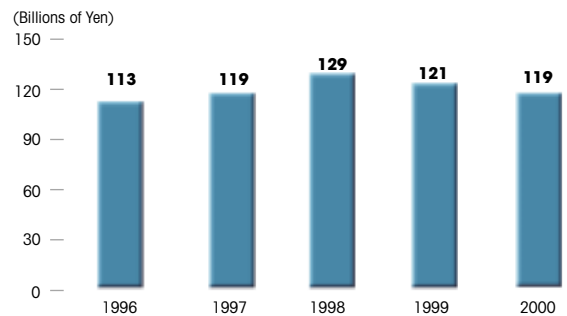


Operating Income by the Tire Group

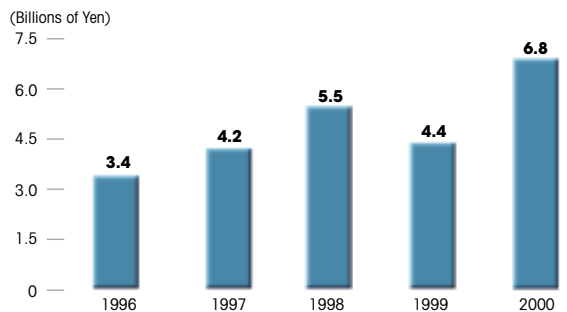
MB GROUP :



Fiscal 2000 Sales by the MB Group
Percentage of net sales (change from fiscal 1999)



Sales by the MB Group



Operating Income by the MB Group

Main Products

Tires for passenger cars, trucks, buses, light 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 Japan, industrial-use products are manufactured by Yokohama and Yokohama Hydrex Co., Ltd., and marketed by Yokohamagomu Multiple Business East Co., Ltd., and seven other sales subsidiaries, and by Yokohama Hydrex. In the United States, manufacturing and sales of these products are

handled by SAS Rubber Company and YH America, Inc. Yokohama produces golf products for marketing in Japan by PRGR Co., Ltd., and in North America by PRGR USA Corporation. Yokohama also manufactures aircraft components in Japan for marketing around the world.