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Financial Review

OPERATING RESULTS

Sales

In fiscal 2002, ended March 31, 2002, consolidated net sales of the Yokohama Group increased 3.1%, to ¥399.8 billion, primarily owing to increased sales in Japan, America and Europe, as well as the effects of the weak yen.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 2.8%, to ¥267.7 billion, in line with the sales rise and the weak yen, which raised prices of raw materials. Increases in logistics costs and commissions also led to a 1.7% expansion in selling, general and administrative expenses, to ¥109.4 billion.

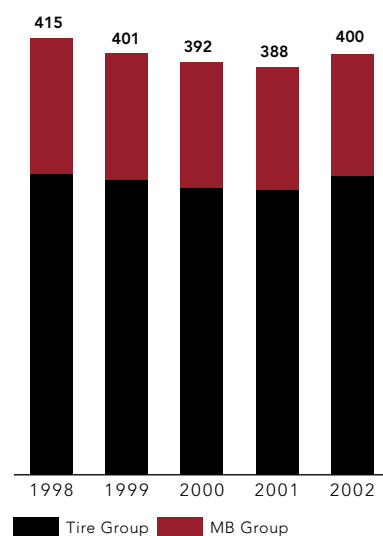
Operating Income

The increase in net sales and improvements in the profitability of U.S. tire operations raised operating income 14.4%, to ¥22.7 billion. The operating margin increased 0.6 percentage point, to 5.7%.

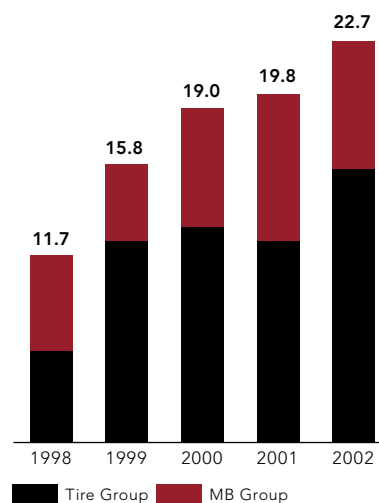
Net Income

In the absence of the one-time write-off of goodwill of YTC in fiscal 2001, the Yokohama Group achieved net income of ¥7.4 billion in fiscal 2002.

Sales by Group
(Billions of Yen)



Operating Income by Group
(Billions of Yen)



SEGMENT INFORMATION

Business Groups

Sales of the Tire Group expanded 5.0%, to ¥284.3 billion, owing to increased sales in Japan, North America, and Europe, and the weak yen. Such factors as a profitability improvement at YTC increased segment operating income 35.9%, to ¥15.6 billion. MB Group sales totaled ¥115.6 billion, a 1.4% decrease, mainly reflecting low sales of hoses and golf products. This Group's operating income declined 12.7%, to ¥7.3 billion.

Regions

Increased sales of tires contributed to a 1.7% rise in sales in Japan, to ¥322.9 billion. Operating income in Japan expanded 7.4%, to ¥22.1 billion.

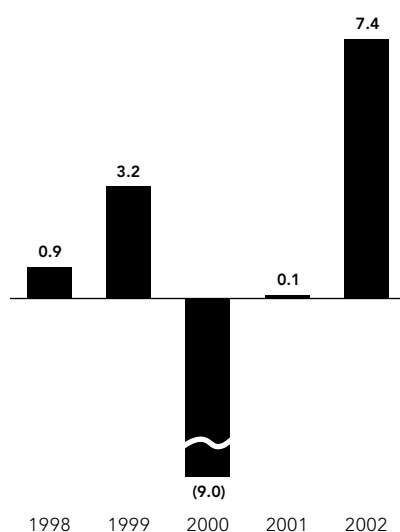
In North America, increased sales and improved profitability at YTC led to a 9.5% increase in regional sales, to ¥67.5 billion. Operating income in that market amounted to ¥544 million, following a ¥1.5 billion loss in fiscal 2001.

Sales in other regions advanced 8.0%, to ¥9.4 billion, stemming from higher demand in Europe and Australia, with operating income expanding 11.4%, to ¥799 million.

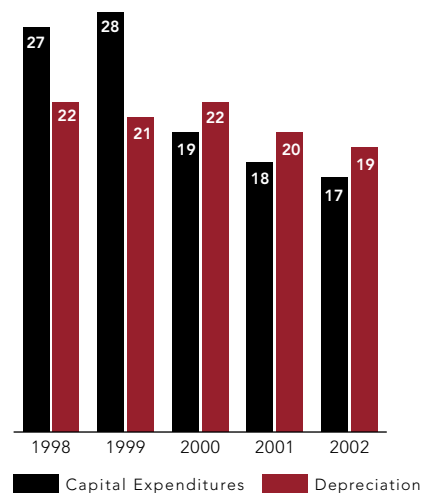
Capital Expenditures and Depreciation

Yokohama's capital expenditures decreased 6.5%, to ¥16.9 billion, and depreciation declined 4.2%, to ¥19.2 billion. Capital expenditures included ¥12.7 billion in the Tire Group, primarily to reinforce production facilities for Yokohama's Inch-Up tires, which feature expanded inner diameters for lower flat ratios and enhanced drivability. In the MB Group, ¥4.1 billion was used to enhance production facilities for hoses and aircraft components. The Company estimates that capital expenditures will be ¥23.9 billion in fiscal 2003, with depreciation amounting to ¥19.6 billion.

Net Income (Loss)
(Billions of Yen)



Capital Expenditures and Depreciation
(Billions of Yen)



FINANCIAL POSITION AND CASH FLOWS

Assets

Total assets of the Yokohama Group were ¥437.8 billion at March 31, 2002, down ¥10.4 billion from a year earlier. Current assets fell ¥2.8 billion, to ¥196.6 billion, owing mainly to decreases in cash and cash equivalents and time deposits. Total investments and other assets fell ¥7.0 billion, to ¥89.0 billion, reflecting a reduction in the market valuation of investment securities.

Liabilities and Shareholders' Equity

Total current and long-term liabilities at fiscal year-end were ¥321.6 billion, down ¥12.3 billion, mostly owing to a ¥12.2 billion reduction in interest-bearing debt. Total shareholders' equity expanded ¥1.9 billion, to ¥114.5 billion. Although the rise in net income generated retained earnings on a consolidated basis, unrealized gains on securities decreased.

Cash Flows

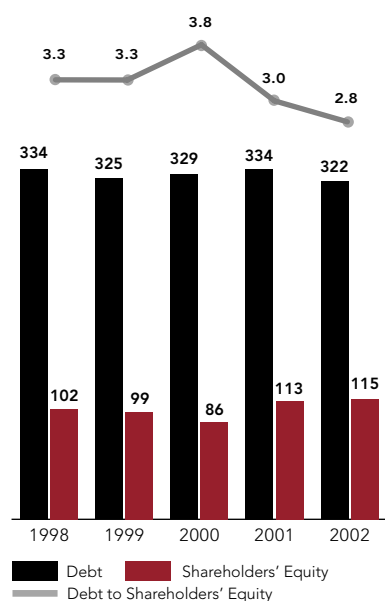
Net cash provided by operating activities decreased ¥3.4 billion, to ¥22.8 billion, as the Group's net income increase raised income taxes paid. Net cash used in investing activities dropped ¥2.8 billion, to ¥12.5 billion, mainly because of a reduction in purchases of property, plant and equipment. Net cash used in financing activities increased ¥5.9 billion, to ¥17.4 billion, primarily owing to a decrease in short-term bank loans and current maturities of long-term debt and a decrease in long-term debt. In this environment, cash and cash equivalents at end of year were ¥18.3 billion, down ¥6.7 billion.

FORECAST FOR FISCAL 2003

In fiscal 2003, ending March 31, 2003, the Yokohama Group forecasts that net sales will increase 1.3%, to ¥405.0 billion. Operating income should rise 1.3%, to ¥23.0 billion, with net income advancing 15.4%, to ¥8.5 billion.

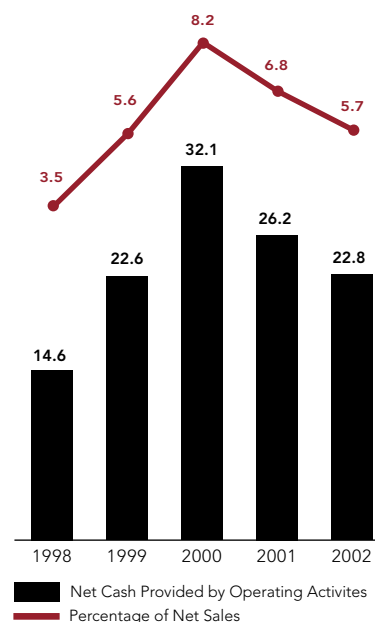
Debt, Shareholders' Equity and Debt to Shareholders' Equity

(Billions of Yen, Times)



Net Cash Provided by Operating Activities and Percentage of Net Sales

(Billions of Yen, Percentage)



Five-Year Summary

FISCAL YEARS ENDED MARCH 31

	Millions of Yen				
	2002	2001	2000	1999	1998
Net Sales	¥399,824	¥387,855	¥392,193	¥401,183	¥415,397
Operating Income	22,701	19,845	19,043	15,809	11,668
Income (Loss) before Income Taxes	16,076	7,052	(13,692)	7,731	5,685
Net Income (Loss)	7,363	96	(9,009)	3,233	873
Depreciation	19,247	20,083	21,922	21,141	21,566
Capital Expenditures	16,940	18,118	19,470	28,216	27,229
R&D Expenditures	12,298	11,827	11,626	13,300	13,800
Interest-Bearing Debt	179,098	191,289	198,931	215,245	209,132
Shareholders' Equity	114,502	112,651	85,951	99,125	102,081
Total Assets	437,771	448,130	416,702	425,247	437,023
Per Share (Yen):					
Net Income (Loss): Basic	¥ 21.49	¥ 0.28	¥ (26.30)	¥ 9.44	¥ 2.55
Cash Dividends	6.00	—	6.00	6.00	8.00
Share Price (Yen):					
High	¥ 352	¥ 312	¥ 368	¥ 351	¥ 563
Low	228	200	197	255	290
Fiscal Year-End	296	235	287	314	319
Common Stock Issued	342,598,162	342,598,162	342,598,162	342,598,162	342,598,162
Number of Employees	13,130	13,362	13,764	12,107	12,325

Note: Since fiscal 2000, R&D expenditures have been based on new accounting standards.

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2002 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Current Assets:			
Cash and cash equivalents (Note 9)	¥ 18,332	¥ 25,046	\$ 137,576
Time deposits	291	1,522	2,184
Trade receivables:			
Notes and accounts (Notes 4 and 6)	106,761	106,437	801,207
Allowance for doubtful receivables	(2,784)	(2,609)	(20,893)
Inventories (Note 3)	60,697	57,644	455,512
Deferred income taxes (Note 14)	6,473	5,955	48,578
Other current assets	6,790	5,350	50,957
Total current assets	196,560	199,345	1,475,121
Property, Plant and Equipment, at Cost (Notes 4 and 5):			
Land	30,972	30,684	232,435
Buildings and structures	112,716	110,763	845,899
Machinery and equipment	320,486	315,493	2,405,148
Construction in progress	5,855	3,123	43,940
	470,029	460,063	3,527,422
Less accumulated depreciation	(317,809)	(307,255)	(2,385,058)
Total property, plant and equipment, net	152,220	152,808	1,142,364
Investments and Other Assets:			
Investment securities (Notes 4 and 11)	60,945	72,109	457,372
Long-term loans receivable	2,013	2,097	15,107
Deferred income taxes (Note 14)	2,458	2,252	18,447
Other investments and other assets	25,261	21,003	189,576
Allowance for doubtful receivables	(1,686)	(1,484)	(12,653)
Total investments and other assets	88,991	95,977	667,849
Total assets	¥437,771	¥448,130	\$3,285,334

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Current Liabilities:			
Bank loans	¥114,936	¥124,768	\$ 862,559
Current maturities of long-term debt (Note 4)	15,852	18,231	118,964
Commercial paper	2,000	—	15,009
Trade notes and accounts payable	65,587	63,462	492,210
Accrued income taxes	4,749	6,579	35,640
Accrued expenses	20,397	19,445	153,073
Other current liabilities	10,707	10,137	80,353
Total current liabilities	234,228	242,622	1,757,808
Long-Term Liabilities:			
Long-term debt (Note 4)	46,310	48,290	347,542
Deferred income taxes (Note 14)	6,646	10,084	49,876
Reserve for pension and severance payments (Note 13)	26,339	27,433	197,666
Other long-term liabilities	8,112	5,496	60,878
Total long-term liabilities	87,407	91,303	655,962
Minority Interests	1,634	1,554	12,263
Contingent liabilities (Note 6)			
Shareholders' Equity:			
Common stock:			
Authorized: 480,000,000 shares			
Issued: 342,598,162 shares	38,909	38,909	292,000
Capital surplus	31,893	31,893	239,347
Retained earnings (Note 8)	29,983	23,010	225,013
Accumulated other comprehensive income			
Unrealized gains on securities	20,033	26,394	150,341
Foreign currency translation adjustments	(6,309)	(7,555)	(47,347)
	114,509	112,651	859,354
Treasury stock, at cost	(7)	(0)	(53)
Total shareholders' equity	114,502	112,651	859,301
Total liabilities, minority interests and shareholders' equity	¥437,771	¥448,130	\$3,285,334

Consolidated Statements of Operations

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2001	2000	2002
Net sales	¥399,824	¥387,855	¥392,193	\$3,000,555
Cost of sales	267,734	260,466	264,626	2,009,261
	132,090	127,389	127,567	991,294
Selling, general and administrative expenses	109,389	107,544	108,524	820,931
Operating income	22,701	19,845	19,043	170,363
Other income (expenses)				
Interest and dividends income	797	832	915	5,981
Interest expense	(4,831)	(5,971)	(5,444)	(36,255)
Lump-sum amortization of goodwill	—	(4,156)	—	—
Amortization of prior service cost for pension plan	—	—	(23,168)	—
Other—net	(2,591)	(3,498)	(5,038)	(19,445)
	(6,625)	(12,793)	(32,735)	(49,719)
Income (loss) before income taxes	16,076	7,052	(13,692)	120,644
Income taxes (Note 2):				
Current	8,266	8,520	4,655	62,034
Deferred	355	(1,579)	(9,434)	2,664
	8,621	6,941	(4,779)	64,698
Minority interests in net income of consolidated subsidiaries	(92)	(15)	(96)	(690)
Net income (loss)	¥ 7,363	¥ 96	¥ (9,009)	\$ 55,256
Per share amounts:		Yen		U.S. Dollars (Note 1)
Net income (loss): Basic	¥ 21.49	¥ 0.28	¥ (26.30)	\$ 0.16
Net income: Diluted	—	—	—	—
Cash dividends	¥ 6.00	¥ —	¥ 6.00	\$ 0.05

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2002, 2001, 2000 and 1999

	Millions of Yen						
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at March 31, 1999	342,598,162	¥38,909	¥31,893	¥35,182	¥ (6,859)	¥(0)	¥ 99,125
Prior year's adjustment for deferred taxes	—	—	—	1,262	—	—	1,262
Decrease in retained earnings due to addition of consolidated subsidiaries	—	—	—	(1,439)	—	—	(1,439)
Net loss	—	—	—	(9,009)	—	—	(9,009)
Cash dividends paid	—	—	—	(2,055)	—	—	(2,055)
Other comprehensive income							
Foreign currency translation adjustments	—	—	—	—	(1,933)	—	(1,933)
Balance at March 31, 2000	342,598,162	38,909	31,893	23,941	(8,792)	(0)	85,951
Net income	—	—	—	96	—	—	96
Cash dividends paid	—	—	—	(1,027)	—	—	(1,027)
Other comprehensive income							
Unrealized gains on securities	—	—	—	—	26,394	—	26,394
Foreign currency translation adjustments	—	—	—	—	1,237	—	1,237
Balance at March 31, 2001	342,598,162	38,909	31,893	23,010	18,839	(0)	112,651
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	—	181	—	—	181
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(571)	—	—	(571)
Net income	—	—	—	7,363	—	—	7,363
Treasury Stock	—	—	—	—	—	(7)	(7)
Other comprehensive income							
Unrealized losses on securities	—	—	—	—	(6,361)	—	(6,361)
Foreign currency translation adjustments	—	—	—	—	1,246	—	1,246
Balance at March 31, 2002	342,598,162	¥38,909	¥31,893	¥29,983	¥13,724	¥(7)	¥114,502

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at March 31, 2001	\$292,000	\$239,347	\$172,683	\$141,381	\$ 0	\$845,411
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	1,358	—	—	1,358
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	(4,285)	—	—	(4,285)
Net income	—	—	55,257	—	—	55,257
Treasury Stock	—	—	—	—	(53)	(53)
Other comprehensive income						
Unrealized losses on securities	—	—	—	(47,737)	—	(47,737)
Foreign currency translation adjustment	—	—	—	9,350	—	9,350
Balance at March 31, 2002	\$292,000	\$239,347	\$225,013	\$102,994	\$(53)	\$859,301

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, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2001	2000	2002
Operating Activities:				
Income (loss) before income taxes	¥ 16,076	¥ 7,052	¥(13,692)	\$ 120,644
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation	19,247	20,083	21,922	144,442
Reserve for pension and severance payments	(943)	(2,145)	(463)	(7,076)
Amortization of prior service cost for pension plan	—	—	23,168	—
Lump-sum amortization of goodwill	—	4,156	—	—
Other, net	4,492	6,686	7,318	33,711
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	1,547	(5,338)	4,265	11,610
Inventories	(306)	394	559	(2,296)
Notes and accounts payable	(90)	3,130	(101)	(675)
Other, net	(2,957)	2,096	1,168	(22,191)
Interest and dividends received	693	830	918	5,201
Interest paid	(4,834)	(5,903)	(5,458)	(36,278)
Income taxes paid	(10,100)	(4,827)	(3,484)	(75,797)
Net cash provided by operating activities	22,825	26,214	32,120	171,295
Investing Activities:				
Purchases of property, plant and equipment	(14,884)	(17,280)	(20,243)	(111,700)
Purchases of marketable securities and investment securities	(1,779)	(492)	(705)	(13,351)
Proceeds from sales of marketable securities, investment securities and properties	3,109	4,035	4,688	23,332
Other, net	1,085	(1,561)	(264)	8,143
Net cash used in investing activities	(12,469)	(15,298)	(16,524)	(93,576)
Financing Activities:				
Increase (decrease) in short-term bank loans and current maturities of long-term debt	(14,269)	2,946	3,788	(107,084)
Increase (decrease) in commercial paper	2,000	(8,000)	(15,000)	15,009
Proceeds from long-term debt	13,447	5,277	3,576	100,916
Decrease in long-term debt	(18,583)	(10,661)	(8,861)	(139,460)
Payment of cash dividends	(6)	(1,030)	(2,054)	(45)
Net cash used in financing activities	(17,411)	(11,468)	(18,551)	(130,664)
Effect of exchange rate change on cash and cash equivalents	(110)	141	(438)	(826)
Decrease in cash and cash equivalents	(7,165)	(411)	(3,393)	(53,771)
Cash and cash equivalents at beginning of year	25,046	25,617	26,463	187,962
Increase (decrease) in cash and cash equivalents due to addition of consolidated subsidiaries	451	(160)	2,547	3,385
Cash and cash equivalents at end of year (Note 9)	¥ 18,332	¥ 25,046	¥ 25,617	\$ 137,576

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. (the "Company") have been prepared in accordance with accounting principles and practices generally accepted in Japan and have been compiled from the consolidated financial statements filed under the Securities and Exchange Law of Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 and practices 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 ¥133.25 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2002.

2. Summary of Significant Accounting Policies

(1) 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 unconsolidated subsidiaries and associated companies (companies owned 20% to 50%) is accounted for by the equity method of accounting.

All significant intercompany transactions and balances have been eliminated. The excess of the cost of the Companies' investments in subsidiaries and associated companies over their equity in the net assets at the dates of acquisition was not material and has been fully written off as incurred.

(2) Foreign Currency Translation

Foreign currency receivables and payables are translated at the year-end spot rates. The resulting exchange losses and gains 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. The resulting exchange adjustments are recorded in shareholders' equity and minority interests.

(3) 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 in 2002 and 2001.

(4) Marketable Securities and Investment Securities

Securities designated as available-for-sale, whose fair values are readily determinable, are carried at fair value with unrealized gains or losses included as a component of shareholder's equity, net of applicable taxes. Costs are determined by the moving average method.

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

(5) Derivative Instruments

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

(6) 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.

(7) The 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.

(8) 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.

(9) 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 their 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 in the year following the year in which the gain or loss is recognized primarily by the straight-line method over 10 years which are 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 unfunded 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."

(10) 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.

(11) Revenue Recognition

Sales of products are recognized in the accounts upon shipments to customers.

(12) Research and Development Costs

Research and development costs are charged to income as incurred.

(13) Earnings per Share

The computation of basic net income (loss) per share is based on the weighted average number of shares outstanding during the period.

(14) 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, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Finished products	¥44,848	¥43,637	\$336,570
Work-in-process	6,676	5,621	50,101
Raw materials and supplies	9,173	8,386	68,841
	¥60,697	¥57,644	\$455,512

4. Long-Term Debt

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
2.65% straight bonds due 2004	¥10,000	¥10,000	\$ 75,047
2.175% straight bonds due 2002	—	10,000	—
2.2% straight bonds due 2003	10,000	10,000	75,047
1.3425% straight bonds due 2007	10,000	—	75,047
Loans, principally from banks and insurance companies	32,162	36,521	241,365
	62,162	66,521	466,506
Less current maturities	15,852	18,231	118,964
	¥46,310	¥48,290	\$347,542

Assets pledged to secure bank loans and long-term debt at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Investment securities	¥ 248	¥ 295	\$ 1,861
Notes receivable	1,326	2,869	9,951
Property, plant and equipment	83,057	90,724	623,317
	¥84,631	¥93,888	\$635,129

5. Depreciation

Depreciation charges were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Selling, general and administrative expenses	¥ 2,951	¥ 2,784	¥ 2,716	\$ 22,146
Manufacturing costs	¥16,296	¥17,299	¥19,206	\$122,296

6. Contingent Liabilities

Contingent liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Notes discounted and endorsed	¥2,052	¥2,171	\$15,400
Guarantees	¥1,669	¥1,799	\$12,525

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, 2002 and 2001 were ¥12,298 million (\$92,295 thousand) and ¥11,827 million, respectively.

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 October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan became effective. The Amendment eliminated the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provided that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

9. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash and time deposits	¥18,623	¥26,288	\$ 139,760
Time deposits with a maturity of over three months	(291)	(1,522)	(2,184)
Investments in short-term, highly liquid securities	—	280	—
Cash and cash equivalents	¥18,332	¥25,046	\$137,576

10. Leases

An analysis of leased property under finance leases is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Acquisition costs	¥5,457	¥6,710	\$40,953
Accumulated depreciation	3,051	3,890	22,897
Net book value	¥2,406	¥2,820	\$18,056

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

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Within one year	¥1,026	¥1,191	\$ 7,700
After one year	1,380	1,629	10,356
	¥2,406	¥2,820	\$18,056

Lease expenses under finance leases for the years ended March 31, 2002 and 2001 aggregated approximately ¥1,312 million (\$9,846 thousand) and ¥1,453 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Within one year	¥2,024	¥1,860	\$15,189
After one year	6,663	7,941	50,004
	¥8,687	¥9,801	\$65,193

11. Securities

Costs, carrying amounts and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2002 and 2001 were as follows:

	Millions of Yen						Thousands of U.S. Dollars					
	2002			2001			2002					
	Cost	Carrying amounts	Unrealized gains	Unrealized losses	Cost	Carrying amounts	Unrealized gains	Unrealized losses	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Securities classified as:												
Available-for-sale:												
Stocks	¥21,898	¥56,226	¥36,644	¥(2,316)	¥22,143	¥67,342	¥45,401	¥(202)	\$164,338	\$421,959	\$275,002	\$(17,381)

12. Derivative Instruments

Fair value information of derivative instruments at March 31, 2002 and 2001 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2002			2001			2002		
	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses
Forward exchange contracts:									
Deutsche mark	—	—	—	¥2,182	¥2,315	¥(133)	—	—	—
EURO	¥1,908	¥1,985	¥ (77)	—	—	—	\$14,319	\$14,897	\$ (578)
U.S. dollar	1,169	1,181	(12)	1,198	1,264	(66)	8,773	8,863	(90)
Others	947	1,000	(53)	772	803	(31)	7,107	7,505	(398)
	¥4,024	¥4,166	¥(142)	¥4,152	¥4,382	¥(230)	\$30,199	\$31,265	\$(1,066)

	Millions of Yen						Thousands of U.S. Dollars		
	2002			2001			2002		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Interest rate swap agreements	¥5,223	¥(48)	¥(48)	¥7,434	¥(66)	¥(66)	\$39,197	\$(360)	\$(360)
Interest rate option (cap) contracts written	2,144	4	4	2,144	8	8	16,090	30	30
	¥ —	¥(44)	¥(44)	¥ —	¥(58)	¥(58)	\$ —	\$(330)	\$(330)

13. Pension and severance plans

1. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligations	¥(51,176)	¥(49,297)	\$(384,060)
Fair value of plan assets	14,999	18,198	112,563
Funded status	(36,177)	(31,099)	(271,497)
Unrecognized transition obligation	1,538	2,051	11,542
Unrecognized actuarial losses	8,300	1,615	62,289
Net amount recognized	¥(26,339)	¥(27,433)	\$(197,666)

2. The components of net pension and severance costs for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost	¥2,376	¥ 2,495	\$17,831
Interest cost	1,513	1,623	11,355
Expected return on plan assets	(216)	(279)	(1,621)
Amortization of transition obligation	514	8,991	3,857
Recognized actuarial losses	161	—	1,208
Net periodic benefit cost	¥4,348	¥12,830	\$32,630

3. Assumptions used as of March 31, 2002 and 2001 were as follows:

	2002	2001
Discount rate	2.5%	3.5%
Expected return rate on plan assets	4.0%	4.0%

14. Deferred Income Taxes

1. Significant components of the deferred income tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets:			
Liabilities for pension and severance payments	¥ 14,053	¥ 14,167	\$ 105,464
Net operating loss carryforwards	11,047	9,078	82,904
Unrealized profits	4,447	4,302	33,373
Accrued expenses	1,405	1,026	10,544
Other	2,898	2,838	21,749
Gross deferred tax assets	33,850	31,411	254,034
Less valuation allowance	(11,238)	(8,896)	(84,338)
Total deferred tax assets	22,612	22,515	169,696
Deferred tax liabilities:			
Unrealized gains on securities	(14,271)	(18,806)	(107,099)
Liabilities for pension and severance payments	(3,558)	(3,558)	(26,702)
Property, plant and equipment	(2,135)	(1,621)	(16,023)
Other	(417)	(472)	(3,129)
Total deferred tax liabilities	(20,381)	(24,457)	(152,953)
Net deferred tax assets (liabilities)	¥ 2,231	¥ (1,942)	\$ 16,743

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

	Years ended March 31	
	2002	2001
Statutory income tax rate in Japan	41.6 %	41.6 %
Valuation allowance recognized on current losses of subsidiaries	7.9	53.1
Permanently nondeductible expenses	3.9	8.9
Permanently nontaxable income	(1.2)	(2.6)
Other	1.4	(2.6)
Effective income tax rate	53.6 %	98.4 %

15. Segment Information

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2002, 2001 and 2000 are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2002					
Sales to third parties	¥284,253	¥115,571	¥399,824	¥ —	¥399,824
Intergroup sales and transfers	91	14,431	14,522	(14,522)	—
Total sales	284,344	130,002	414,346	(14,522)	399,824
Operating expenses	268,768	122,697	391,465	(14,342)	377,123
Operating income	¥ 15,576	¥ 7,305	¥ 22,881	¥ (180)	¥ 22,701
Total assets at end of year	¥304,077	¥142,213	¥446,290	¥ (8,519)	¥437,771
Depreciation	¥ 15,306	¥ 3,822	¥ 19,128	¥ 119	¥ 19,247
Capital expenditures	¥ 12,652	¥ 4,073	¥ 16,725	¥ 215	¥ 16,940
Year ended March 31, 2001					
Sales to third parties	¥270,594	¥117,261	¥387,855	¥ —	¥387,855
Intergroup sales and transfers	134	7,619	7,753	(7,753)	—
Total sales	270,728	124,880	395,608	(7,753)	387,855
Operating expenses	259,264	116,512	375,776	(7,766)	368,010
Operating income	¥ 11,464	¥ 8,368	¥ 19,832	¥ 13	¥ 19,845
Total assets at end of year	¥302,635	¥120,519	¥423,154	¥24,976	¥448,130
Depreciation	¥ 16,020	¥ 3,940	¥ 19,960	¥ 123	¥ 20,083
Capital expenditures	¥ 14,867	¥ 3,420	¥ 18,287	¥ (169)	¥ 18,118
Year ended March 31, 2000					
Sales to third parties	¥273,088	¥119,105	¥392,193	¥ —	¥392,193
Intergroup sales and transfers	120	8,060	8,180	(8,180)	—
Total sales	273,208	127,165	400,373	(8,180)	392,193
Operating expenses	260,925	120,368	381,293	(8,143)	373,150
Operating income	¥ 12,283	¥ 6,797	¥ 19,080	¥ (37)	¥ 19,043
Total assets at end of year	¥277,223	¥103,919	¥381,142	¥35,560	¥416,702
Depreciation	¥ 17,592	¥ 4,124	¥ 21,716	¥ 206	¥ 21,922
Capital expenditures	¥ 15,573	¥ 3,660	¥ 19,233	¥ 237	¥ 19,470
	Thousands of U.S. Dollars				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2002					
Sales to third parties	\$2,133,231	\$ 867,324	\$3,000,555	\$ —	\$3,000,555
Intergroup sales and transfers	683	108,300	108,983	(108,983)	—
Total sales	2,133,914	975,624	3,109,538	(108,983)	3,000,555
Operating expenses	2,017,021	920,803	2,937,824	(107,632)	2,830,192
Operating income	\$ 116,893	\$ 54,821	\$ 171,714	\$ (1,351)	\$ 170,363
Total assets at end of year	\$2,282,003	\$1,067,264	\$3,349,267	\$ (63,933)	\$3,285,334
Depreciation	\$ 114,866	\$ 28,683	\$ 143,549	\$ 893	\$ 144,442
Capital expenditures	\$ 94,949	\$ 30,567	\$ 125,516	\$ 1,613	\$ 127,129

Geographical Areas

Millions of Yen

	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2002						
Sales to third parties	¥322,940	¥67,534	¥ 9,350	¥399,824	¥ —	¥399,824
Interarea sales and transfers	20,909	1,876	3,041	25,826	(25,826)	—
Total sales	343,849	69,410	12,391	425,650	(25,826)	399,824
Operating expenses	321,743	68,866	11,592	402,201	(25,078)	377,123
Operating income	¥ 22,106	¥ 544	¥ 799	¥ 23,449	¥ (748)	¥ 22,701
Total assets at end of year	¥363,764	¥63,377	¥14,167	¥441,308	¥ (3,537)	¥437,771

Year ended March 31, 2001

Sales to third parties	¥317,500	¥61,698	¥ 8,657	¥ 387,855	¥ —	¥387,855
Interarea sales and transfers	19,407	213	2,603	22,223	(22,223)	—
Total sales	336,907	61,911	11,260	410,078	(22,223)	387,855
Operating expenses	316,333	63,391	10,543	390,267	(22,257)	368,010
Operating income (loss)	¥ 20,574	¥ (1,480)	¥ 717	¥ 19,811	¥ 34	¥ 19,845
Total assets at end of year	¥363,656	¥58,558	¥12,578	¥ 434,792	¥ 13,338	¥448,130

Year ended March 31, 2000

Sales to third parties	¥316,695	¥65,549	¥ 9,949	¥392,193	¥ —	¥392,193
Interarea sales and transfers	23,967	673	3,175	27,815	(27,815)	—
Total sales	340,662	66,222	13,124	420,008	(27,815)	392,193
Operating expenses	325,304	64,072	12,427	401,803	(28,653)	373,150
Operating income	¥ 15,358	¥ 2,150	¥ 697	¥ 18,205	¥ 838	¥ 19,043
Total assets at end of year	¥358,850	¥57,709	¥12,611	¥429,170	¥(12,468)	¥416,702

Thousands of U.S. Dollars

	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2002						
Sales to third parties	\$2,423,564	\$506,822	\$ 70,169	\$3,000,555	\$ —	\$3,000,555
Interarea sales and transfers	156,915	14,079	22,822	193,816	(193,816)	—
Total sales	2,580,479	520,901	92,991	3,194,371	(193,816)	3,000,555
Operating expenses	2,414,582	516,818	86,994	3,018,394	(188,202)	2,830,192
Operating income	\$ 165,897	\$ 4,083	\$ 5,997	\$ 175,977	\$ (5,614)	\$ 170,363
Total assets at end of year	\$2,729,936	\$475,624	\$106,318	\$3,311,878	\$ (26,544)	\$3,285,334

Overseas Sales

Millions of Yen

	North America	Other	Total
Year ended March 31, 2002			
(A) Overseas sales	¥70,148	¥39,459	¥109,607
(B) Consolidated net sales			¥399,824
(C) (A)/(B) × 100	17.5%	9.9%	27.4%

Year ended March 31, 2001

(A) Overseas sales	¥61,727	¥33,880	¥ 95,607
(B) Consolidated net sales			¥387,855
(C) (A)/(B) × 100	15.9%	8.8%	24.7%

Year ended March 31, 2000

(A) Overseas sales	¥66,673	¥36,228	¥102,901
(B) Consolidated net sales			¥392,193
(C) (A)/(B) × 100	17.0%	9.2%	26.2%

Thousands of U.S. Dollars

	North America	Other	Total
Year ended March 31, 2002			
(A) Overseas sales	\$526,439	\$296,128	\$ 822,567
(B) Consolidated Net sales			\$3,000,555
(C) (A)/(B) × 100	17.5%	9.9%	27.4%

Independent Auditors' Report



Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03-3503-1100
Fax: 03-3503-1197

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

We have audited the consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, expressed in Japanese yen, present fairly the financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

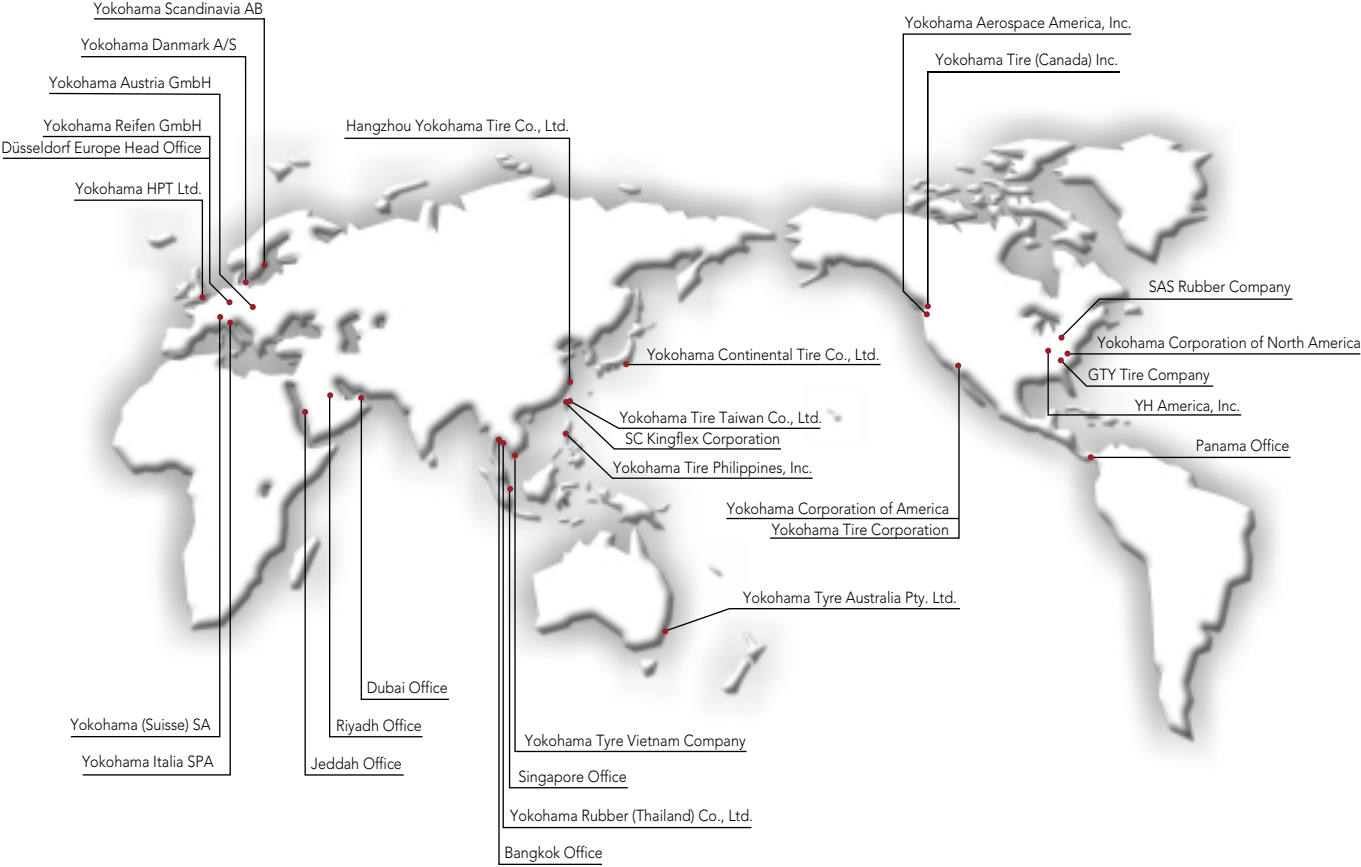
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audits also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Shin Nihon & Co.

June 27, 2002

See Note 1 to the consolidated financial statements, which explains the basis of preparing the consolidated financial statements of The Yokohama Rubber Co., Ltd. under Japanese accounting principles and practices.

Network



OVERSEAS SUBSIDIARIES AND AFFILIATES

Yokohama Tire Corporation
Production and sales of tires and related products

Yokohama Tire (Canada) Inc.
Sales of tires and related products

Hangzhou Yokohama Tire Co., Ltd.
Production and sales of tires and related products

Yokohama Tire Philippines, Inc.
Production and sales of tires and related products

Yokohama Tyre Vietnam Company
Production and sales of tires and related products

GTY Tire Company
Production and sales of tires and related products

Yokohama Tyre Australia Pty. Ltd.
Sales of tires and related products

Yokohama HPT Ltd.
Sales of tires and related products

Yokohama Italia SPA
Sales of tires and related products

Yokohama (Suisse) SA
Sales of tires and related products

Yokohama Scandinavia AB
Sales of tires and related products

Yokohama Reifen GmbH
Sales of tires and related products

Yokohama Austria GmbH
Sales of tires and related products

Yokohama Danmark A/S
Sales of tires and related products

Yokohama Tire Taiwan Co., Ltd.
Sales of tires and related products

Yokohama Continental Tire Co., Ltd.
Marketing support for tires and related products

Yokohama Corporation of America
Equity participation in GTY Tire; sales of tires

Yokohama Corporation of North America
Holding company for shares of YTC and other companies

Yokohama Rubber (Thailand) Co., Ltd.
Production and sales of windshield sealants and hoses

YH America, Inc.
Production and sales of windshield sealants and hoses

SAS Rubber Company
Production and sales of hoses and industrial-use rubber

SC Kingflex Corporation
Production and sales of hoses

Yokohama Aerospace America, Inc.
Sales of aircraft components

OVERSEAS REPRESENTATIVE OFFICES

Düsseldorf Europe Head Office

Jeddah Office

Riyadh Office

Dubai Office

Panama Office

Singapore Office

Bangkok Office

Board of Directors and Corporate Auditors

(AS OF JUNE 27, 2002)

PRESIDENT

Yasuo Tominaga

EXECUTIVE DIRECTORS

Hisao Suzuki

Yoshiro Naitoh

Keimei Kiyoura

MANAGING DIRECTORS

Kohji Ikawa

Seiji Miyashita

Kazuo Okamoto

Takashi Yamashita

Tadanobu Nagumo

Keigo Ueda

Takashi Sugimoto

DIRECTORS

Yuzo Kikuchi

Tetsuya Mizoguchi

Toshihiko Shiraki

Takasuke Sato

Masamichi Danjo

Tatsunari Kojima

Akihisa Takayama

Michio Yuge

CORPORATE AUDITORS

Masaaki Kushida

Seiichi Suzuki

Junnosuke Furukawa

Yuzuru Fujita

Investor Information

(AS OF MARCH 31, 2002)

COMPANY NAME:	The Yokohama Rubber Co., Ltd.
ESTABLISHED:	October 13, 1917
PAID-IN CAPITAL:	¥38,909 million
HEAD OFFICE:	36-11, Shimbashi 5-chome, Minato-ku Tokyo 105-8685, Japan
PRODUCTION FACILITIES:	Hiratsuka Factory and Mie, Mishima, Shinshiro, Ibaraki and Onomichi plants
WWW ADDRESS:	http://www.yrc.co.jp/
AUTHORIZED NUMBER OF SHARES:	480,000,000
ISSUED NUMBER OF SHARES:	342,598,162 (unchanged from fiscal 2001 year-end)
NUMBER OF SHAREHOLDERS:	21,447 (down 2,891 from fiscal 2001 year-end)
AVERAGE SHARES PER SHAREHOLDER:	15,974
SETTLEMENT DATE:	March 31
GENERAL MEETING OF SHAREHOLDERS:	June
TRANSFER AGENT:	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
DATE OF RECORD:	March 31
STOCK EXCHANGE LISTINGS:	Tokyo, Osaka, Nagoya