

FINANCIAL HIGHLIGHTS

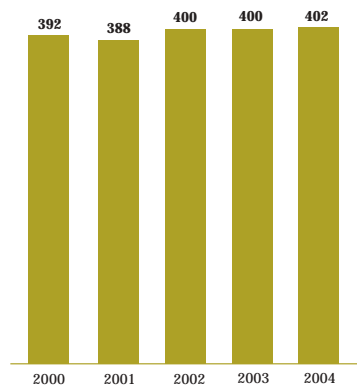
For the Years Ended March 31, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	Percentage change (2004/2003)	2004
Net Sales	¥401,718	¥400,448	0.3%	\$3,800,915
Operating Income	21,073	23,184	(9.1)	199,394
Income before Income Taxes	16,931	18,778	(9.8)	160,198
Net Income	10,331	10,144	1.8	97,757
			Change (2004-2003)	
Total Assets	¥429,350	¥412,626	¥16,724	\$4,062,355
Total Shareholders' Equity	127,833	112,243	15,590	1,209,505
		Yen		U.S. Dollars
	2004	2003		2004
Per Share:				
Net Income: Basic	¥ 29.95	¥ 29.38		\$ 0.28
Cash Dividends	8.00	8.00		0.08

Note: Throughout this report, U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥105.69=U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2004.

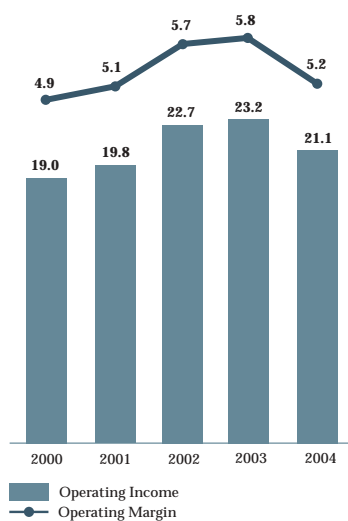
NET SALES

(Billions of Yen)



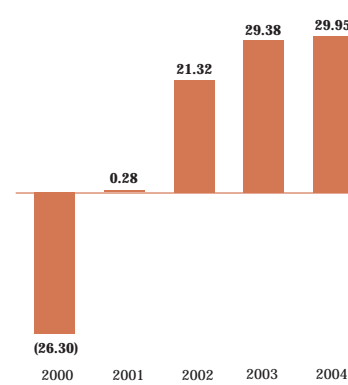
OPERATING INCOME AND OPERATING MARGIN

(Billions of Yen, Percentage)



NET INCOME (LOSS) PER SHARE

(Yen)



TO OUR SHAREHOLDERS



*Yasuo Tominaga (right) and
Tadanobu Nagumo*

PROFIT DAMPENED BY STRONG YEN AND RISING MATERIALS COSTS

We are pleased to report on the business performance of Yokohama Rubber and its consolidated subsidiaries in fiscal 2004, ended March 31, 2004.

The Japanese economy failed to achieve a full-scale recovery, despite a turnaround in the United States and expansion in Asia. The yen's appreciation and rising raw materials prices combined with sluggish domestic demand to create a challenging year for the tire industry.

Despite the strong yen, consolidated net sales in fiscal 2004 edged up 0.3%, to ¥401.7 billion, boosted by favorable overseas sales. Operating income declined 9.1%, however, to ¥21.1 billion, reflecting higher prices of natural rubber and increasing distribution costs associated with growing exports and freight costs. Net income rose 1.8%, to ¥10.3 billion.

ACTIVE INVESTMENTS TO EXPAND PRODUCTION

Fiscal 2004 marked the first full year of Yokohama's Grand Design, a series of strategies to be implemented through fiscal 2006 based on our business vision over the next decade. Under the plan, we are upgrading production capacity in our core tire business. Our initial goal was to raise annual capacity from 38 million units in March 2003, to

43 million units by March 2006. We have since raised this target to at least 44 million units in line with accelerated expansion at our facilities in China and construction of a new plant for truck and bus tires in Thailand. We aim to increase capacity for high-performance and large-diameter (Inch-Up) tires, for which worldwide demand continues to grow.

In the MB (Multiple Business) Group, we have enjoyed very strong overseas demand for automotive sealants and hoses. In January 2005, we will commence full-scale production at a new automotive sealants plant in China and will boost capacity at facilities in Thailand and the United States. To broaden our hose-related operations under an integrated command chain, we decided to absorb subsidiary YOKOHAMA HYDEX COMPANY, in October 2004.

FISCAL 2005 OUTLOOK

We expect business conditions to remain difficult in fiscal 2005, mainly because of rising materials prices and the strong yen. We therefore forecast consolidated net sales of ¥410 billion, an increase of 2.1%, operating income of ¥20 billion, down 5.1%, and net income of ¥9 billion, a decrease of 12.9%.

It is difficult to fully compensate for rising

materials costs through internal efforts alone. We accordingly raised the prices of replacement tires overseas and in Japan.

In fiscal 2004, we decided to introduce a corporate officership system to reinforce corporate governance. In addition to strengthening supervision, the new system will speed up decision-making and implementation.

Grand Design seeks to provide leading products and services based on proprietary technologies to customers around the world. With this in mind, everyone in the Yokohama Rubber Group is determined to maximize customer satisfaction and build a powerful brand.

We look forward to your cooperation and understanding as we embrace new challenges.

June 2004



Yasuo Tominaga
Chairman and Representative Director



Tadanobu Nagumo
President and Representative Director

EXPANDING OUR PRESENCE IN ASIA

Yokohama has successively upgraded its tire production facilities in Asia. We are now focusing on the booming Chinese market while reinforcing export operations.



GROWING CHINESE MARKET

China's Rapid Motorization

In coming years, we forecast massive tire demand in China, where an estimated 4.4 million new automobiles were sold in 2003. In the near future, China is expected to become the world's second-largest automobile market, replacing Japan, where 5.8 million units were sold in 2003. Nomura Securities Financial & Economic Research Center forecasts that annual vehicle sales in China will reach 12.8 million units in 2010.

Production Commences in China

Anticipating solid demand, we established Hangzhou Yokohama Tire Co., Ltd., to manufacture and sell passenger car tires. Located in the city of Hangzhou, next to the major demand center of Shanghai, the new company commenced production in May 2003 with an annual capacity of 700,000 units. To respond swiftly to demand trends, we employ small-scale processing methods that can be put into operation more quickly than conventional large-scale tire plants. For the second construction stage, we initially planned to double annual production by 2006. Unprecedented demand prompted us to bring the schedule forward to the end of 2004. We invested a total of ¥6.0 billion for both construction stages.

Growing Network of Dedicated Sales Outlets

In China, we are positioning Yokohama as a prestigious, high-performance tire brand. Hangzhou Yokohama Tire makes A.V.S V550 tires and other products for high-end passenger vehicles popular in Japan and sells them as replacement tires. After completing the second construction stage, this subsidiary will make large-diameter tires and tires for sports utility vehicles (SUVs). We will market these products to automakers for new vehicles.

In line with increased supply capacity, we are expanding our nationwide sales network in China, centering on dedicated outlets. Around 1,000 stores nationwide sell Yokohama tires. To strengthen our up-market image, we plan to develop stores that sell our brand exclusively. As of March 31, 2004, we had opened 10 such stores.



Hangzhou Yokohama Tire Co., Ltd.

STRENGTHENING EXPORT OPERATIONS

Tire Exports Solid

In the three years through fiscal 2004, we enjoyed consecutive year-on-year gains in the volume and value of tire exports. Recently, demand has been particularly strong for high-performance and SUV models.

Upgrading High-Performance and SUV Tire Operations

In 2003, we embarked on two strategies to reinforce production capacity for high-performance and SUV tires. The first strategy focuses on Yokohama Tire Philippines, Inc., established in 1996, which began making passenger vehicle tires for export in 1998. As of April 2003, that company had an annual production capacity of two million units, which we will raise to three million by the end of 2004. Most of the increase will be for high-performance and SUV tires with inner diameters of at least 16 inches.

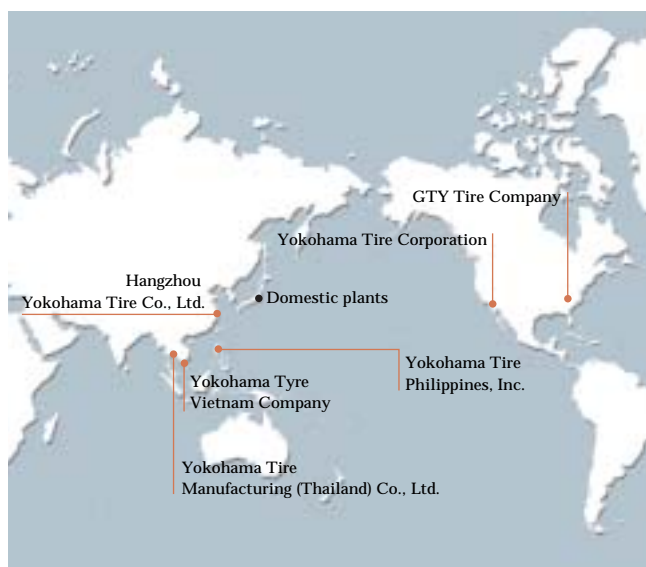
The second strategy involves constructing the Shinshiro Minami plant in Japan. The new facility will feature state-of-the-art manufacturing technologies for high-performance and SUV tires measuring at

least 18 inches. We are at the first stage of construction, with annual capacity slated to start at 300,000 units. We will raise output incrementally to 750,000 units in fiscal 2006.

Truck and Bus Tire Plant in Thailand

In addition to our plant in Mie Prefecture, Japan, we make truck and bus tires at GTY Tire Company, a U.S. joint venture between Yokohama, Continental AG and Toyo Tire & Rubber Co., Ltd. However, it is becoming difficult for these two facilities to keep up with strong demand worldwide.

To alleviate this situation, in January 2004 we set up Yokohama Tire Manufacturing (Thailand) Co., Ltd., to make truck and bus tires. This subsidiary will start production in April 2005, with an annual capacity of 300,000 units. This initial investment will cost around ¥5.5 billion. We will double output by 2007 by adopting the small-scale processing strategy used for the China plant, which reduces investments and makes it possible to start operations more quickly than conventional large-scale tire plants.



ANNUAL TIRE PRODUCTION CAPACITY (Thousands of Units)

	2004	2006	Change
Domestic plants	31,200	33,800	2,600
Yokohama Tire Corporation	5,500	5,500	-
GTY Tire Company	500	500	-
Yokohama Tire Philippines, Inc.	2,000	3,000	1,000
Hangzhou Yokohama Tire Co., Ltd.	700	1,400	700
Yokohama Tyre Vietnam Company	300	300	-
Yokohama Tire Manufacturing (Thailand) Co., Ltd.	-	300	300
Total	40,200	44,800	4,600

Note: Domestic plants are Hiratsuka Factory and Mie, Mishima, Shinshiro, Shinshiro Minami, and Onomichi plants.

INNOVATIVE RESEARCH AND DEVELOPMENT

DNA dB EURO ZPS Runflat Tire Offers Excellent Driving Comfort and Performance in Wet Conditions



In June 2004, Yokohama began domestic sales of its DNA dB EURO ZPS (Zero Pressure System) replacement tire. The new tire has been available in North America since 2000.

This runflat tire employs a reinforced sidewall and incorporates proprietary technology. As a result, even if a puncture brings tire pressure to zero, the vehicle can travel for up to 80 kilometers at a maximum of 90 kilometers an hour. Runflat tires virtually eliminate the need to change tires in dangerous places such as expressways. Spare tires also become unnecessary, which allows designers to lighten vehicles and allocate trunk space more effectively.

The DNA dB EURO ZPS sidewall employs Yokohama's Power Arch, a new rubber-reinforcing material that generates little heat. A special profile design also optimizes tire shape, allowing driving with a tire at zero pressure and enhancing overall riding comfort and performance in the wet.

Our runflat technology is for tires with low aspect ratios. So, we are working with Continental and Bridgestone Corporation to develop Support Ring runflat systems, which contain internal metal rings and can be applied in a broader range of tire sizes and vehicle models. These systems are ideal for vehicles running on tires with higher aspect ratios and heavily laden vehicles, such as SUVs.

AIR watch for Safer Driving, Better Fuel Efficiency

Yokohama has developed AIR watch, an air-pressure monitoring system for passenger car tires. We were the first tire maker to commercialize such a system for passenger cars in Japan. We plan to release the system for replacement tires by the end of 2004.

AIR watch is the passenger car version of our Hi-Technology Engineering System (HiTES) for truck and bus tires, released in July 2003. A sensor attached to each wheel measures air pressure. This system uses an easy-to-attach film-based antenna and a monitor near the driver to display data. The system has very compact components and installs easily.

In addition to enhancing safety, air-pressure management extends tire life and fuel economy. For this reason, we will promote the AIR watch system on racing circuits and for passenger cars alike.



Display with built-in receiver

Driver-Friendly Tires Based on Human Sensitivity Analysis

Yokohama has jointly developed a technique to evaluate driver-friendliness based on muscle movement while driving. Our partner is the Department of Kansei Engineering in the Faculty of Textile Science and Technology of Shinshu University.



The new technique uses an electromyogram to measure deltoid movement in the right and left forearms and the contraction and extension of cheek muscles when biting one's teeth. Under smooth driving conditions, the right and left deltoids contract reciprocally when the driver turns the steering wheel, and biting frequency declines.

To date, the industry has relied on sensory evaluations from test drivers. This is because experience is vital to evaluate tire performance—a factor that is hard to verbalize. The new technique allows sensory evaluations of ordinary drivers. We will gather data from a wide range of men and women in various age groups. Greater insight into human sensitivity should lead to even better tires.

**An electromyogram incorporates sensors on skin surfaces to measure slight changes in electrical potential in response to muscle contractions.*

New Design Technology Boosting Durability of Truck and Bus Radial Tires

We have developed the Double Inflation Pressure Method. This simulation technology for designing truck and bus radial tires more accurately predicts distortions in all parts of a tire, taking into account subtle changes in tire shape when driving.

Driving raises temperatures inside truck and bus radial tires, causing the outer diameters to expand slightly. This enlargement normally stops after driving 40,000 to 50,000 kilometers, at which point the outer diameter is roughly 0.5% (about 5 millimeters for a 1,000-millimeter tire) larger than that of a new tire. Ideally, evaluation of durability and other performance indicators should be after expansion. The norm is to predict performance using new tires, which is not entirely accurate.

This consideration prompted us to develop the Double Inflation Pressure Method, which is based on the finite element method. This new simulation technology lets us accurately analyze distortions in all parts of an expanded tire.

We also developed a new concept to quantify the tire safety margin (over the point of tire collapse) by factoring in physical changes, such as rubber material aging from driving. By simulating the safety margins of all tire parts, we can obtain accurate feedback to enhance structural design and materials development.

The Double Inflation Pressure Method and new safety margin concept have enabled us to greatly enhance durability.