



P R O F I L E

The Yokohama Rubber Co., Ltd. (Yokohama), is one of the world's leading tire makers. The Company employs its core rubber and polymer technologies in many other businesses, including hoses, sealants, adhesives, aircraft components, and golf products. Yokohama has developed globally since its establishment in 1917, harnessing its advanced technologies to cover the automotive, civil and marine engineering, construction, aerospace, and sports product fields. Yokohama will continue to anticipate social needs and maintain the trust of customers by providing products that maximize their satisfaction as it strives to extend its worldwide presence.

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Note Concerning Forward-Looking Statements

This annual report contains forward-looking estimates and forecasts based on current plans, which are subject to unforeseeable risks and uncertainties. As a result, actual business results may differ from the estimates and forecasts herein.

FINANCIAL HIGHLIGHTS

For the Years Ended March 31, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	Percentage change (2005/2004)	2005
Net Sales	¥419,789	¥401,718	4.5%	\$3,909,014
Operating Income	20,955	21,073	(0.6)	195,130
Income before Income Taxes	16,337	16,931	(3.5)	152,136
Net Income	11,322	10,331	9.6	105,435

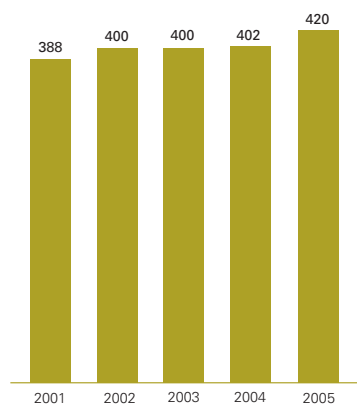
	Yen		Change (2005-2004)	U.S. Dollars
	2005	2004		2005
Total Assets	¥432,717	¥429,350	¥3,367	\$4,029,406
Total Shareholders' Equity	136,312	127,833	8,479	1,269,325

Per Share:	Yen		U.S. Dollars
	2005	2004	2005
Net Income: Basic	¥ 32.95	¥ 29.95	\$ 0.31
Cash Dividends	8.00	8.00	0.07

Note: Throughout this report, U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥107.39=U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2005.

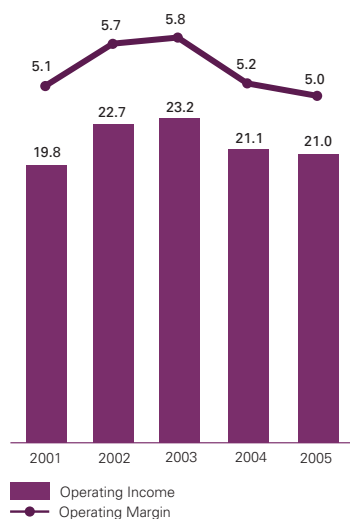
NET SALES

(Billions of Yen)



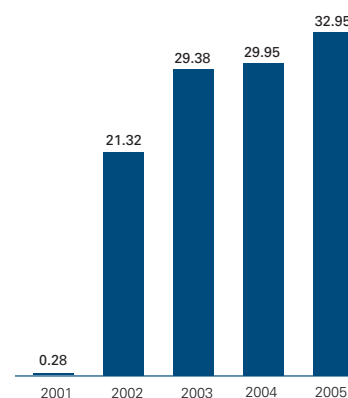
OPERATING INCOME AND OPERATING MARGIN

(Billions of Yen, Percentage)



NET INCOME PER SHARE

(Yen)



TO OUR SHAREHOLDERS



*Yasuo Tominaga (left) and
Tadanobu Nagumo*

POSTING SALES INCREASE AND RECORD NET INCOME

In fiscal 2005, ended March 31, 2005, the Japanese economy weakened from the second half despite benefiting from generally favorable economic conditions in the United States and Asia. The operating climate in the tire industry was very difficult, as higher raw materials costs and the yen's appreciation offset expanding overseas demand.

Consolidated net sales thus rose 4.5%, to ¥419.8 billion, as overseas tire sales grew steadily. Operating income slipped 0.6%, however, to ¥21.0 billion, reflecting higher raw materials costs. Lower taxes helped boost net income 9.6%, to ¥11.3 billion.

DEPLOYING ADVAN WORLDWIDE

The Tire Group continued its proactive global business development during the year under review, producing and selling its products worldwide. It also pushed ahead with a project to deploy the premium ADVAN brand globally. The first fruits of that effort were the worldwide debuts in Europe in 2004 of the high-performance ADVAN Sport and the ADVAN S.T. for sport utility vehicles (SUVs). Bentley Motors of the United Kingdom adopted the ADVAN Sport for its luxury Continental GT. We plan to release these models in 2005 in Japan and North America.

PRODUCTION LAUNCHED AT THAI PLANT

We are also increasing production capacity, particularly in Asia. For example, a Thai subsidiary started manufacturing truck and bus tires in April 2005. We plan to complete another plant in Thailand in November 2006 that will produce passenger car tires, mainly for SUVs, as well as light truck tires. Such aggressive capital investment should raise capacity from 43.3 million tires in fiscal 2005 to 50.2 million by fiscal 2007.

CHINESE SEALANT AND HOSE ASSEMBLY PLANTS OPENED

The Multiple Business Group has steadily expanded its hose operations and HAMATITE® business, under which Yokohama markets sealants and adhesives. In

June 2005, we started hose and HAMATITE® production in China, complementing plants in the United States and Thailand. But the industrial products, aircraft components and golf products businesses face tough times. We therefore set up a project to explore ways to rebuild the industrial products business. In our aircraft components business, we are focusing on securing more private-sector orders. In our golf products business, we aim to improve sales by introducing more golf clubs while boosting sales throughout Asia by setting up stores in Korea, China, and Thailand.

TARGETING HIGHER REVENUES AND EARNINGS

For fiscal 2006, management projects a 6.0% increase in net sales, to ¥445 billion, a 14.5% rise in operating income, to ¥24 billion, and a 1.6% increase in net income, to ¥11.5 billion. We anticipate such gains because higher tire sales and cost reductions should offset the ongoing impact of high raw materials costs. We plan to start paying interim cash dividends in fiscal 2006. The annual dividend per share will be ¥8.00, reflecting interim and year-end payments of ¥4.00 each.

LIKELY TO MISS GRAND DESIGN TARGETS IN FISCAL 2006

In fiscal 2004, Yokohama launched Grand Design as a strategic blueprint for the Company over the following decade. The operating objectives for fiscal 2006 under this initiative are for a total asset turnover ratio of 1.0, net sales growth of 5%, and an operating margin of 8%.

Yokohama should reach its total asset turnover ratio and net sales objectives in fiscal 2006, although operating income growth will probably be below tar-


get, at 5.4%. This is largely because of higher raw materials costs and the yen's appreciation, which management did not envisage when formulating Grand Design.

IMPROVING ENTERPRISE VALUE

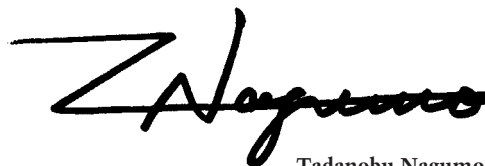
Yokohama is reviewing its business strategies while continuing to pursue Grand Design to bolster enterprise value. We will strive to become highly profitable by focusing on the manufacturing basics of providing the best products at competitive prices and on time. We will also step up efforts to maintain society's trust, as part of which we established the Corporate Compliance Department in May 2005.

All Yokohama Group employees are committed to tackling the above issues. We look forward to your continued understanding and support for these efforts.

June 2005



Yasuo Tominaga
Chairman and Representative Director



Tadanobu Nagumo
President and Representative Director

A NEW GLOBAL FLAGSHIP BRAND

In December 2004, Yokohama announced that ADVAN would become its new global flagship brand. ADVAN is now positioned around the world as the apex of our high-performance tire lineup.

UNIFIED BRAND FOR HIGH-PERFORMANCE TIRES

Yokohama has marketed its high-performance tires under various brand names to date, including ADVAN and DNA in Japan, and A.V.S. overseas. Our strategy has been to tailor brands to the diverse needs of different countries and regions. The decision to unify our high-performance tires under a single brand reflected our aim to raise Yokohama's brand profile worldwide, enhance marketing, and strengthen our competitiveness. We therefore expanded on the concept of ADVAN sports tires, our top brand in Japan, and unified our high-performance tires worldwide under the ADVAN brand. The brand will penetrate marketplaces everywhere, not only in the sports tire segment but also in the SUV and luxury car categories.

ADVAN INAUGURATED IN EUROPE

We launched ADVAN Sport and ADVAN S.T. in Europe in spring 2005 and began sales in Japan in July 2005.

ADVAN Sport is a highly balanced tire that provides excellent performance at speeds greater than 300 km/h while ensuring a comfortable and quiet ride. Sales targets for this tire include super sports cars from Porsche, tuned cars from BRABUS, and powerful models from Japanese automakers.

ADVAN S.T. raises the bar in SUV tire performance. It is the first replacement SUV tire that can run up to the "Y range" (a maximum 300 km/h). It delivers comfort and new

heights of driving stability. ADVAN S.T. is designed for SUVs from Porsche, BMW, and other automakers.



ADVAN S.T.

TECHNOLOGIES BEHIND ADVAN

In addition to strong performance at high speeds, both the ADVAN Sport and ADVAN S.T. deliver superior grip on wet surfaces owing to a new compound with low temperature dependence. The rigidity of conventional compounds changes at different temperatures. The rigidity of the new compound is significantly more stable, keeping grip strong even under high temperatures and speeds.

Yokohama's new compound uses high-grade fine-particle silica and a special compounding method to evenly distribute the silica in polymers. The bonding of the silica and polymers is better, which improves overall grip while raising abrasion resistance.



DESIGNED FOR THE WORLD'S PREMIUM AUTOMOBILES

Yokohama is emphasizing the ADVAN brand in both the replacement tire and original equipment (OE) markets. Our strategy is to position ADVAN tires as the standard for the world's best performing automobiles, thereby rapidly raising brand awareness globally. The first such appointment came in 2004 from Bentley Motors of the United Kingdom, which selected ADVAN tires for its four-passenger Continental GT coupe. A collaborative development effort with Bentley resulted in a 20-inch ADVAN Sport tire that performs at up to 318 km/h, a new record for this class.

MAKING ITS MARK IN RACING

We have deployed ADVAN in motor sports to demonstrate the brand's performance and technological edge worldwide. Although the Yokohama name is already familiar to motor sports fans, we will highlight ADVAN to raise brand appeal.

ADVAN racing tires have done well in major races. In March 2005, cars running on ADVAN tires won the GT500 and GT300 class titles in the opening race of the Japan Super GT series. In Europe, Alex Job Racing's Porsche 911 GT3R rode ADVAN tires to victory in the LMGT2 class at the 73rd 24 Hours of Le Mans in June.

FROM DUBAI TO THE WORLD

To unveil ADVAN as its global flagship brand, Yokohama held a large test-driving event for about 120 motor journalists and automobile magazine reporters in December 2004 in Dubai. Cars running on ADVAN Sports and ADVAN S.T. tires allowed attendees to experience ADVAN performance at the Dubai Autodrome, the first full-fledged motor sports facility in the Middle East.



ADVAN tires have proven their superior grip in dry and wet conditions. Yokohama held a large test-driving event at the Dubai Autodrome.



From left: Manabu Orido and Dominic Schwager, who were victorious in the GT500 Class of the Super GT series, and the ECLIPSE ADVAN Supra. Alex Job Racing's Porsche 911 GT3R won in the LMGT2 class at the 73rd 24 Hours of Le Mans.

G Sensor Detects Vehicle Side Slippage Faster and More Precisely, Opening New Era in Automotive Control

Yokohama developed the G Sensor to accurately detect road conditions and tire behavior. The new sensor is ideal for stability control systems, which prevent the side slippage that commonly occurs on slippery surfaces or during sudden turns.

The systems incorporate on-board control computers that detect side slippage while monitoring vehicle status. This triggers automatic responses, such as engine slowdown and independent brake control for each tire, resulting in stable vehicle posture. Existing detection systems incorporate various sensors attached to the chassis to constantly transmit control data to an on-board computer. But Yokohama centered its development on a sensor that would respond more rapidly to changing surface conditions and slipping through attachment to the tire itself, which is in direct contact with road surfaces. The G Sensor attaches to wheel rims to provide this enhanced performance. The sensor unit weighs only about 10 grams, yet is durable enough to function even during rapid acceleration. It can also detect more minute changes than existing sensors. In operating tests at 160 km/h, stability control systems using the G Sensor detected side slippage 0.2 seconds faster than conventional systems, allowing vehicle posture correction 17.6 meters earlier.

Y-coat Primers for Cell Phones Bring Adhesives into Electronic Materials Field

Yokohama is applying its years of adhesive expertise from developing sealing materials for architectural and automotive use to enter the electronic materials market. Our first offering is the Y-coat series of primers⁽¹⁾ for cell phones.

Coating the inside of cell phones through metallic deposition⁽²⁾ is the most popular method to shield against electromagnetic waves. But while recent development aimed at lighter and more durable mobile telephones has led to new high-performance plastics for phone bodies, lower adhesiveness to metallic materials has become an issue.

Yokohama developed its Y-coat series to resolve this problem, applying its renowned compounding technologies to raise the adhesiveness of high-performance plastics to metallic materials. The new primer coats plastic cell phone bodies, followed by metallic part attachment through deposition, ensuring adhesiveness.

Notes:

(1) Surface coatings applied to adherent materials to enhance adhesiveness.

(2) Metal is heated and vaporized inside a high vacuum and applied to the base material for a thin metallic coating.

ENVIRONMENTAL PROTECTION

Yokohama Begins Free “e-can” Sealant Container Collection to Promote Recycling

Yokohama has announced that it will begin collecting and recycling used “e-cans” free of charge in Japan (excluding Okinawa Prefecture). These are containers for Yokohama’s construction sealants. The polypropylene e-can can be pulverized and recycled as pellets. Conventional steel cans used as sealant containers have to be buried after use. Yokohama is outsourcing the recycling of its e-cans to Maeda Seisakusho Co., Ltd., which produces the e-cans.

There is already a method to turn used e-cans into pellets, but restrictions under the Waste Management and Public Cleansing Law have limited removal of the containers from construction sites. We worked with Maeda Seisakusho to establish a new collection system, and applied for official certification under Japan’s Cross Jurisdictional Certification System, which the Minister of the Environment administers in line with the above law. We earned certification in June 2005, allowing us to begin nationwide collections.



Yokohama modified the e-can’s handle and strength.

Mishima Plant Introduces Cogeneration System to Cut Carbon Dioxide Emissions

In July 2005, the Mishima Plant, which makes tires, started operating a 5,270-kW cogeneration system on liquefied natural gas. We aim to keep our carbon dioxide emissions at fiscal 1991 levels by fiscal 2011. With the new cogeneration system, we estimate that carbon dioxide emissions from the Mishima Plant will be 17% below that level. The system’s gas turbine generator uses air-intake cooling and an exhaust gas boiler with an additional burner to improve generating efficiency 29.6% and overall efficiency 84.2%. A remote monitoring system operates around the clock to ensure rapid responses to problems. We adopted the Energy Services Companies Business technique in introducing the cogeneration system.

Our Hiratsuka Factory already operates a cogeneration system. In the near future, we plan to introduce gas turbine cogeneration systems, which are particularly effective in reducing carbon dioxide emissions, at our Mie and Shinshiro plants.



Cogeneration system at the Mishima Plant.

YOKOHAMA GROUP AT A GLANCE

As of March 31, 2005, the Yokohama Group comprised 188 subsidiaries (of which 166 were consolidated) and 60 affiliates (including two equity-method companies) that operate domestically and overseas in the tire and multiple business groups. In fiscal 2005, the tire group accounted for 73.3% of net sales and 86.7% of operating income.

TIRE GROUP

MAIN PRODUCTS

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

MANUFACTURING AND SALES ORGANIZATION

In Japan, Yokohama is the manufacturer of its tires. Yokohama and 179 sales subsidiaries, including Yokohama Tire Tokyo Hanbai Co., Ltd., handle domestic tire marketing.

Five overseas subsidiaries engage in production and sales, including Yokohama Tire Corporation (YTC) in the United States, and Yokohama Tire Philippines, Inc. GTY Tire Company, a U.S. joint venture with Continental AG and Toyo Tire & Rubber Co., Ltd., handles some of our manufacturing. We also maintain 18 tire sales subsidiaries overseas, including Yokohama Tire (Canada) Inc., Yokohama Tyre Australia Pty. Ltd., and Yokohama Reifen GmbH.

MULTIPLE BUSINESS GROUP

MAIN PRODUCTS

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

MANUFACTURING AND SALES ORGANIZATION

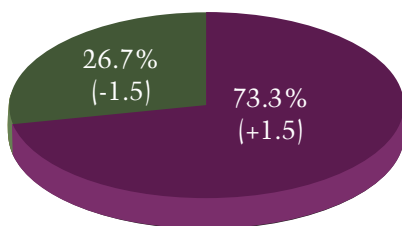
Yokohama manufactures hoses, sealants, and industrial products in Japan, and sells these products in the domestic market through Yokohamagomu Multiple Business East Co., Ltd., and eight other sales subsidiaries. Five overseas subsidiaries also make and market these products, including SAS Rubber Company in the United States, YH America, Inc., and SC Kingflex Corporation in Taiwan.

Yokohama makes golf products that PRGR Co., Ltd., sells in Japan and elsewhere in Asia.

The Company manufactures and markets aircraft components, with Yokohama Aerospace America, Inc., handling overseas sales of these offerings.

FISCAL 2005 SALES

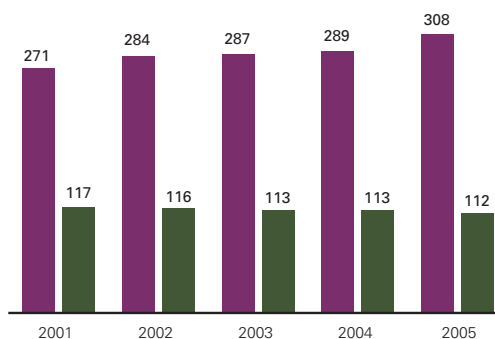
Percentage of net sales (change from fiscal 2004)



■ TIRE ■ MULTIPLE BUSINESS

SALES BY GROUP

(Billions of Yen)



TIRE GROUP

FISCAL 2005 IN REVIEW

In fiscal 2005, overseas sales of tires were favorable, particularly in North America, Europe, and Asia. Domestic replacement tire sales were up from a year earlier. As a result, the Tire Group reported sales of ¥307.9 billion, up 6.7% from fiscal 2004. Operating income was ¥18.2 billion, up 19.0%.

JAPAN

DNA SERIES POPULAR

Although domestic replacement demand was flat, volumes and sales increased during the year, with Yokohama boosting its market share. We continued to do well with our DNA series of eco-friendly tires, which offer low fuel consumption. Especially, DNA map tires rose in line with the popularity of mini-vans. DNA dB ES501 tires, which we released in February 2004, were well received for their driving comfort. In January 2005, we launched DNA S.drive, a sports tire that enhances quietness and durability. This offering attracted market attention as a next-generation tire that can handle everything from daily to sports driving. We raised prices in May 2004 without negative market reaction.

In fiscal 2006, the new DNA S. drive should do well. In July 2005, we began domestic sales of the first two models from our global ADVAN brand, which we launched overseas in spring 2005, and released new passenger car studless tires. We aim to improve our brand image and sales volumes, focusing marketing on high-value-added, high-performance products.



Yokohama harnessed nanolevel technologies to develop a new compound for the DNA S.drive, allowing this tire to deform flexibly according to road surface variations and deliver outstanding grip on dry and wet roads.

Volumes and sales of OE tires were down, although production was up for passenger car tires. This reflected intensified competition and a decline in truck production.

NORTH AMERICA

DRAMATICALLY IMPROVED PROFITS

U.S. tire demand expanded steadily in 2004. Growth was particularly solid for truck and bus and off-road tires.

YTC increased net income from \$780,000 to \$6.13 million in 2004. This reflected strong sales of high-performance tires, such as the GEOLANDAR H/T-S for light trucks and the all-season AVID H4s/V4s, as well as surging sales of truck and bus and off-road tires. Increased sales, an improved product mix, and price increases compensated for a rise in raw materials costs, leading to significantly improved profitability.

During 2005, Yokohama will roll out more ADVAN tires to reinforce its shift to high-value-added products.

ASIA

RETAIL NETWORK EXPANDED

In Asia, we export tires from Japan and Yokohama Tire Philippines and maintain manufacturing operations in China, the Philippines, and Vietnam.

Yokohama's Asian sales continued to grow in fiscal 2005. Progress was particularly strong in China, Malaysia, and Thailand. Sales of high-performance tires were solid. Particularly popular were the new C.drive, which provides a superb balance of sports and wet driving performance, and the ES501, which delivers excellent quietness and comfort. We raised prices in Asia during the year to absorb higher materials costs.

We expanded our network of retailers in China, the Philippines, and Thailand that mainly sell tires that Yokohama makes locally. We also strengthened ties with local sales agents. China was the first focus of our initiatives. There, we increased the number of



Yokohama Tire Manufacturing (Thailand) started production in April 2005.

stores that mainly handle Yokohama tires to around 150 during the year. In January this year, we established Yokohama Tire Korea Co., Ltd., a wholly owned tire sales subsidiary, to reinforce local marketing. Korea ranks third in car ownership in Asia after Japan and China.

In fiscal 2006, we will continue to expand sales on the strength of new products, including ADVAN series tires and the G051 for SUVs.

STEPPING UP LOCAL MANUFACTURING

As well as increasing marketing in the expanding Asian market, Yokohama is boosting local production capacity to harness the region as an export base. In April 2005, we started making truck and bus tires at Yokohama Tire Manufacturing (Thailand) Co., Ltd. The initial annual production capacity is 350,000 tires, but we plan to double that number by 2007. We are building a plant on the same property for SUV and other passenger car tires and for light truck tires. Once operational in November 2006, the new facility will have an annual capacity of 1.4 million tires. Depending on demand trends, we may further raise output.

Yokohama Tire Philippines is working on plans to increase the annual capacity 2.3-fold, to 7 million tires by September 2006. At the start of 2005, Hangzhou Yokohama Tire Co., Ltd., doubled its initial annual production capacity to 1.5 million tires.

EUROPE

ADVAN GLOBAL FLAGSHIP BRAND INAUGURATED

In Europe, we sell tires from Japanese and Philippines plants, marketing them through sales subsidiaries in the United Kingdom, Italy, Switzerland, Sweden, Germany, Austria, Denmark, Belgium, and Russia, and through regional retail outlets.

In the year under review, European demand for tires remained largely unchanged, but the market for replacement tires was adverse, triggering intense competition and falling prices. Nonetheless, sales of the C.drive, which we introduced in the previous year, were strong, especially in Southern Europe. Sales of snow tires rose on the back of speedy supplies in areas where snow started falling earlier than usual. As a result, Yokohama boosted exports to Europe nearly 10%.

Our regional goal is to establish a strong presence as a maker of high-performance tires and expand our market share. During the year, Europe was home to



C.drive has sold well in Asia and Europe.

the global launch of the ADVAN brand through the releases of ADVAN Sport, which offers excellent high-speed performance, and ADVAN S.T. for SUVs. We began marketing A.drive to attract a broader range of users. We are also focusing on OE tire contracts with European automakers. During the year, a British automaker, Bentley Motors, made ADVAN Sport an optional 20-inch tire for its Continental GT.

While improving our product clout, we are also endeavoring to reinforce marketing. During the year, we opened more Yokohama Club concept stores. In April 2005, we upgraded our Europe Office in Germany into a subsidiary called Yokohama Europe GmbH, to bolster regional marketing. The new company is targeting leading bulk store chains across Europe and OE products for automakers. In April 2005, we established a tire sales company in Moscow to step up marketing in Russia.

OTHER REGIONS

MIDDLE EAST

With high oil prices supporting the regional economy, tire demand grew during the year. Yokohama's export volumes to the Middle East jumped more than 40% during the term. Passenger tire demand was buoyant, complementing massive growth in sales of tires for trucks and buses on the back of higher public-sector spending.

OCEANIA

Tire demand grew amid solid economic conditions in Australia, but the market weakened owing to cheaper



During the year, a British automaker, Bentley Motors, made ADVAN Sport an optional 20-inch tire for its Continental GT.

products from China and Southeast Asia. Low-end rivals eroded sales for Yokohama, which focuses mainly on the upper end of the market. Exports to Oceania subsequently decreased.

LATIN AMERICA

The economic environment was generally strong, translating into strong tire demand. Our exports to the region rocketed more than 80%. Sales of passenger car tires were up dramatically, especially in Brazil and Argentina, reflecting the introduction of new products and stronger sales channels.

MB (MULTIPLE BUSINESS) GROUP

FISCAL 2005 IN REVIEW

Sales of the Multiple Business Group declined 1.0%, to ¥111.9 billion. This reflected lower sales of golf products, conveyor belts, and pneumatic fenders, which offset higher sales of high-pressure hoses and sealants. Segment operating income dropped 51.8%, to ¥2.8 billion, owing to hikes in materials costs, the lower profitability of aircraft components, and slow sales of golf products.

HOSES

KEY OFFERINGS PERFORMED WELL

Yokohama has the top share of the domestic market for hydraulic hoses used in construction equipment. It also has high shares in the local markets for automotive hoses used in power steering systems and air conditioners.

Sales of these core offerings increased steadily during the year under review, with hose business sales exceeding fiscal 2004 levels. Exports to North America and Europe increased for high-pressure construction hoses, while automotive sales were favorable on the strength of more vehicle models employing our products. We also enjoyed increased sales of automotive oil cooler hoses, which we began supplying in fiscal 2004, contributing significantly to segment revenues.

ASSEMBLY STARTED IN CHINA

Overseas production was solid during the term. At YH America, which assembles hoses, sales rocketed for high-pressure construction hoses. SAS Rubber did well with its automotive hoses among U.S. automakers. In Taiwan, SC Kingflex boosted exports to China to achieve record sales. Yokohama Rubber (Thailand) Co., Ltd., experienced strong demand from Japanese transplant automakers, while sales of construction equipment offerings recovered. Sales of this subsidiary thus surged more than 50%.

In June 2005, Yokohama Hoses & Coupling (Hangzhou) Co., Ltd., started local production. Chinese demand for construction equipment has risen on large projects, notably for the Beijing Olympics and the Shanghai Expo. For the foreseeable future, OE demand from Japanese transplant construction equipment makers will remain the focus, but we intend to start serving the replacement demand market as it expands.



The new CT50 hose employs an inner tube with a spiral bellows and a Teflon coating to provide excellent flexibility and heat and chemical resistance. It can be installed in narrow spaces, making transportation and pipe installation far easier.

SEALANTS AND ADHESIVES

SALES UP SIGNIFICANTLY FOR URETHANE WATERPROOFING MATERIALS

Yokohama sells sealants, adhesives, and coatings under the HAMATITE® brand. We account for the top share of the Japanese markets for construction sealants and windshield sealants, which we supply to automakers on an OE basis.

Fiscal 2005 sales of core construction sealants and windshield sealants were flat, but sales were up significantly for urethane waterproofing materials and multilayered glass sealants. As a result, revenues from the HAMATITE® business were higher than a year earlier. Sales of urethane waterproofing materials were more than 20% higher, reflecting their durability and workability. Sales of multilayered glass sealants advanced more than 10% on the strength of overall market growth.

During the term, our Ibaraki Plant installed a new line to handle small production runs of multiple products, starting operations with the new facilities in February 2005. We made this move because in recent years, we have endeavored to boost our market shares for home construction sealants and adhesives. Earlier in 2005, we raised prices of construction sealants in response to higher materials costs.

CONSTRUCTION LAUNCHED IN CHINA

With overseas production buoyant, YH America, which makes windshield sealants, started supplying U.S. automakers, helping it increase sales more than 20%. Yokohama Rubber (Thailand) raised its sales more than 20% on the strength of brisk automotive production in Southeast Asia.

In June 2005, Yokohama HAMATITE (Hangzhou) Co., Ltd., launched production of windshield sealants.

Note: YH America and Yokohama Rubber (Thailand) also assemble hoses.



Yokohama's construction sealants were used in the 54-floor Roppongi Hills Mori Tower in Tokyo.

In the first of two phases, capacity is 1,000 metric tons annually. The second phase is scheduled to double that volume in 2007. The main focus of this subsidiary for the time being will be Japanese transplant automakers.

CONVEYOR BELTS

EARNINGS-FOCUSED SALES

During the year, we raised prices in Japan and overseas and focused marketing on profitability. Demand from steel mills was brisk in Japan, although demand was otherwise lackluster. Nonetheless, we strengthened marketing with sales companies and stepped up delivery management to bolster market share.

Overseas demand was solid, reflecting buoyant mining activity. Our sales abroad declined, however, owing to our priority on orders offering sufficient profitability. These factors resulted in lower overall sales of conveyor belts.

ANTISEISMIC RUBBER BEARINGS AND JOINTS

PROJECT TEAM FORMED TO ENHANCE PROFITABILITY

Sales of antiseismic rubber bearings for bridges declined owing to a slump in public-sector spending in Japan. High steel prices exacerbated tough market conditions. Yokohama was able to increase sales, however, by responding to this situation by raising prices and launching OE supplies of its Super High Damping Rubber. We were unable to offset higher steel prices, however, causing earnings to decline. Still, we were able to increase sales of the highly durable YS II antiseismic rubber joint for bridges, which harnesses a tire pattern on the surface to minimize noise.

Earnings from such engineering-related areas as antiseismic rubber bearings and rubber joints have deteriorated in the past three years. In January 2005, we therefore launched a project team to integrate sales, technology, and production management activities. We aim to overhaul our business through more responsive management and cost-cutting.

MARINE HOSES AND PNEUMATIC FENDERS

DECLINE IN PNEUMATIC FENDERS

Yokohama accounts for roughly 60% of the global market for pneumatic fenders and has a high worldwide share in marine hoses. We raised prices in both product areas in response to surging material costs. In the year under review, sales of pneumatic fenders dropped because in fiscal 2004 we enjoyed an exceptionally large order for wharves in Pearl Harbor, Hawaii.

In marine hoses, sales were up in local currency terms on the back of brisk oilfield activity, but yen-based sales were unchanged owing to the appreciation of that currency.

AIRCRAFT COMPONENTS

DELIVERIES STARTED FOR BOEING 737 LAVATORY MODULES

Sales grew slightly, as we started full-fledged deliveries of lavatory modules for the Boeing 737. Earnings deteriorated markedly, however, reflecting surging material costs and launch costs for the new lavatory modules.

GOLF PRODUCTS

CORE DRIVER SERIES AUGMENTED

We continued to do well in the market for our innovative DUO series of composite-head drivers and new 900 series irons. We deployed various marketing initiatives, including by introducing the DUO 2 line in the second half of the term. Sales were down, however, reflecting sluggish domestic golf club demand.



We implemented a full model change for our highly popular DUO series of composite-head drivers in Japan, releasing the DUO 2 series, which enhances driving distances. The photo shows the TR-X DUO, which is designed for the average golfer.

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FINANCIAL REVIEW

OPERATING ENVIRONMENT AND RESULTS

OPERATING ENVIRONMENT

In fiscal 2005, ended March 31, 2005, the global economy was generally solid, with capital investment expanding in the United States and Asian markets enjoying growth. In contrast, the pace of Japan's recovery slowed in the second half owing to the impact of higher oil prices, offsetting rises in the first half of private-sector capital investment and exports, which steadied personal consumption.

For the term, the yen appreciated an average of around 5% against the dollar and depreciated about 2% against the euro.

SALES

Tire sales increased, particularly overseas, despite the yen's rise. Net sales thus gained ¥18.1 billion, or 4.5%, to ¥419.8 billion. After excluding the impact of foreign exchange changes, net sales would have gained about ¥5.8 billion.

COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The cost of sales was up ¥15.3 billion, or 5.7%, to ¥284.4 billion. This was mainly because of higher sales and increased costs of such key raw materials as synthetic and natural rubber, which offset the impact of cost-cutting by improving productivity and rationalizing domestic tire sales companies. The hike in raw materials expenses added about ¥9.0 billion to the cost of sales.

Selling, general and administrative expenses rose ¥2.9 billion, or 2.6%, to ¥114.5 billion. This was principally because logistics costs increased in line with tire export growth, while the Company boosted spending to support aggressive marketing.

R&D expenses, which are part of the cost of sales and selling, general and administrative expenses, were up ¥447 million, or 3.2%, to ¥14.3 billion.

OPERATING INCOME

As a result of the above factors, operating income declined ¥118 million, or 0.6%, to ¥21.0 billion.

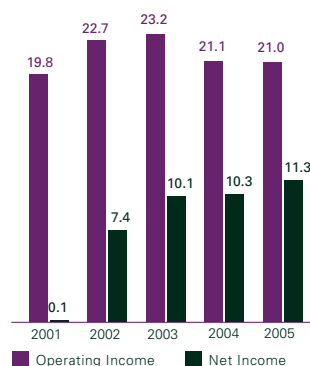
OTHER INCOME AND EXPENSES

Net other expenses increased ¥476 million, or 11.5%, to ¥4.6 billion. This was despite lower foreign exchange losses and interest expense, and reflected losses on disposal of inventories and losses on evaluation of inventories, mainly in the aircraft components business.

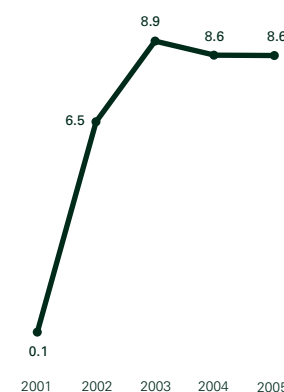
NET INCOME

Income before income taxes was down ¥594 million, or ¥3.5%, to ¥16.3 billion. After a decline in income taxes, however, net income gained ¥991 million, or 9.6%, to ¥11.3 billion.

OPERATING INCOME AND NET INCOME
(Billions of Yen)



RETURN ON SHAREHOLDERS' EQUITY
(Percentage)



SEGMENT INFORMATION

BY BUSINESS GROUP

In fiscal 2005, overseas sales of tires grew, particularly in North America, Europe, and Asia. Domestic replacement tire sales were up from a year earlier. As a result, the Tire Group reported sales of ¥307.9 billion, up ¥19.2 billion, or 6.7%, from fiscal 2004. Operating income advanced ¥2.9 billion, or 19.0%, to ¥18.2 billion.

Sales of the Multiple Business Group declined ¥1.2 billion, or 1.0%, to ¥111.9 billion. This reflected lower sales of golf products, conveyor belts, and pneumatic fenders, which offset higher sales of high-pressure hoses and sealants. Segment operating income dropped ¥3.0 billion, or 51.8%, to ¥2.8 billion, owing to hikes in materials costs, the lower profitability of aircraft components, and slow sales of golf products.

BY REGION

Sales in Japan increased ¥10.1 billion, or 3.2%, to ¥329.3 billion, on the strength of overseas and domestic gains in replacement tire sales. Operating income dropped ¥1.6 billion, or 8.6%, however, to ¥17.3 billion. This reflected higher raw materials prices and the deteriorating profitability of the Multiple Business Group.

In North America, U.S. tire sales subsidiary Yokohama Tire Corporation greatly increased revenues. Sales for this region thus increased ¥5.0 billion, or 7.5%, to ¥72.1 billion. Operating income improved ¥973 million, or 86.0%, to ¥2.1 billion, on the strength of efforts to boost profitability.

In other regions, sales rose ¥2.9 billion, or 18.9%, to ¥18.4 billion. Operating income was up ¥281 million, or 35.2%, to ¥1.1 billion. The main contributors to this performance were Asian tire production subsidiaries Hangzhou Yokohama Tire and Yokohama Tire Philippines.

CAPITAL EXPENDITURES AND DEPRECIATION

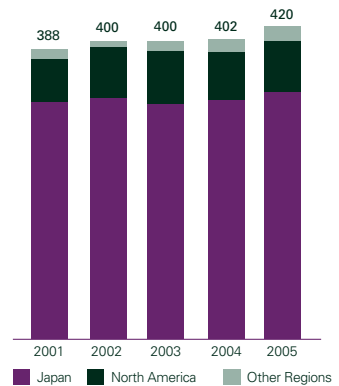
Capital expenditures for the term climbed ¥3.8 billion, or 16.0%, to ¥27.5 billion. Yokohama spent ¥9.9 billion to beef up production facilities for new and high-performance tires. Approximately ¥4.0 billion was invested to build new manufacturing facilities for truck and bus tires at Yokohama Tire Manufacturing (Thailand). Investments of ¥2.4 billion and ¥2.0 billion were made to set up facilities for new radial tires for passenger cars at Yokohama Tire Philippines and Hangzhou Yokohama Tire, respectively. Total Tire Group investments were thus ¥22.7 billion.

The Multiple Business Group's capital expenditures were ¥4.5 billion. They were largely to boost capacity in Yokohama's sealant and other production and in sealant and hose assembly facility expansions in China. Yokohama's capital expenditures were funded from internal sources and loans.

Depreciation rose ¥417 million, or 2.2%, to ¥19.6 billion.

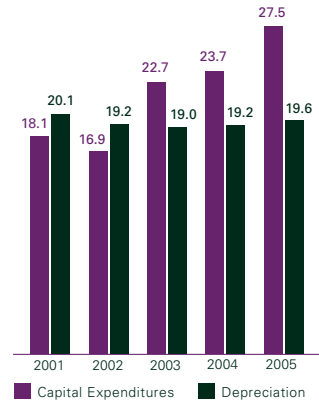
SALES BY REGION

(Billions of Yen)



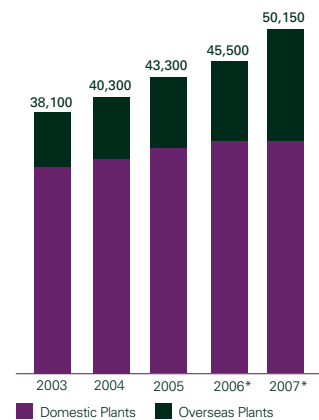
CAPITAL EXPENDITURES AND DEPRECIATION

(Billions of Yen)



TIRE PRODUCTION CAPACITY

(Thousands of Units)



*Forecasts

SOURCES OF FUNDS AND LIQUIDITY

FINANCIAL POSITION

At the close of the term, total assets were up ¥3.4 billion, or 0.8%, to ¥432.7 billion. This was due mainly to a ¥6.2 billion increase in net property, plant and equipment following additions to production facilities overseas. Interest-bearing debt was down ¥7.9 billion, or 5.0%, to ¥151.8 billion. Total shareholders' equity increased ¥8.5 billion, or 6.6%, to ¥136.3 billion, mainly because of higher net income.

The equity ratio improved 1.7 percentage point, to 31.5%. Shareholders' equity per share gained ¥25.01, to ¥398.24. The interest-bearing debt to shareholders' equity ratio was 1.1, down from 1.7 four years earlier.

CASH FLOWS

Net cash provided by operating activities totaled ¥33.6 billion, up ¥7.7 billion, or 29.8%. The main contributors were a ¥4.0 billion decline in inventories and a ¥2.7 billion drop in income taxes paid.

Net cash used in investing activities rose ¥3.0 billion, or 14.1%, to ¥24.2 billion. This was due mainly to a ¥3.0 billion increase in purchases of property, plant and equipment, largely for plant expansions overseas.

As a result of these factors, free cash flow totaled ¥9.4 billion. Management allocated this amount mainly to pay cash dividends and repay loans.

At year-end, therefore, cash and cash equivalents were ¥13.8 billion, down ¥2.6 billion, or 16.0% from 12 months earlier.

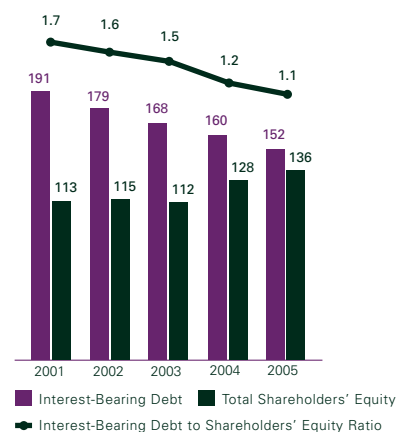
OUTLOOK

For fiscal 2006, Yokohama projects net sales of ¥445 billion, up 6.0%, operating income of ¥24 billion, up 14.5%, and net income of ¥11.5 billion, up 1.6%.

Management is confident of achieving these goals by overcoming pressures from higher raw materials costs with expanded tire sales and cost-cutting.

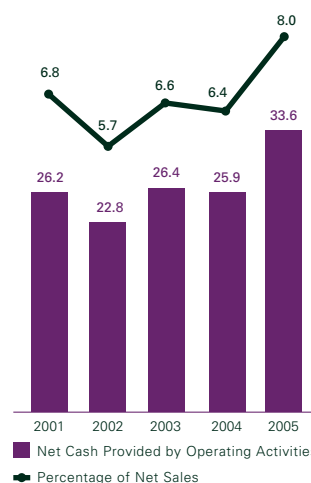
INTEREST-BEARING DEBT, TOTAL SHAREHOLDERS' EQUITY, AND INTEREST-BEARING DEBT TO SHAREHOLDERS' EQUITY RATIO

(Billions of Yen, Times)



NET CASH PROVIDED BY OPERATING ACTIVITIES AND PERCENTAGE OF NET SALES

(Billions of yen, Percentage)



PERFORMANCE RISKS

The following describes risks that could affect the Company's operating performance, share price, and financial position. Forward-looking statements are based on assessments at the end of the fiscal year.

ECONOMIC CONDITIONS

Vehicle tires represent a major portion of the Yokohama Group's worldwide revenues. Demand for such tires reflects economic conditions in nations and regions where the Company sells its products. Therefore, economic difficulties in our main markets—including Japan, North America, Europe, and Asia—can lower demand, hampering the Company's performance and financial position. Other potential influences include the loss of market share and falling prices from intensifying competition.

EXCHANGE RATES

The Yokohama Group deals mainly in yen for general commercial transactions and investments, but also uses the dollar and other currencies. Consistent with the Company's basic policy of operating globally, the proportion of overseas business should grow in line with expansion in the sales network and production outside Japan. As a result, the use of foreign currencies in commercial transactions and investments should increase, and exchange rate fluctuations may significantly affect performance and financial position. Exchange contracts and other instruments should minimize risks from such fluctuations, but it is impossible to completely avoid risks.

SEASONAL FACTORS

The Group traditionally performs better in the second half of each fiscal year. This is because sales of studless tires in cold regions where snow accumulates and of replacement tires in the lead-up to summer generally concentrate in that half. Therefore, delays in the onset of winter and lighter snowfalls could affect the Company's performance and financial position.

RAW MATERIALS PRICES

Our principal raw materials are natural rubber and petrochemical products. Surges in natural rubber prices or international crude oil prices could affect manufacturing costs. We have taken steps to minimize the potential impact but also recognize that such measures cannot fully mitigate the impact of major increases in raw materials on our performance and financial position.

FUND-RAISING ABILITY AND COSTS

Group financial management policies emphasize stability, safety, and liquidity in fund-raising. We recognize, however, that volatility in Japanese and other major world financial markets could hamper fund-raising. Moreover, our latitude could shrink, with related costs increasing, if credit rating agencies significantly lower their ratings on the Company. Such events could adversely affect our performance and financial position.

INTEREST-BEARING DEBT

As of March 31, 2004, interest-bearing debt was equivalent to 37.2% of total assets. Through groupwide financial management, we are working to improve our financial position by maximizing capital efficiency. Nevertheless, management recognizes that interest rate movements may affect performance and financial position.

SECURITIES HOLDINGS

Japanese equities account for a large share of the Company's holdings of marketable securities available for sale or investment. Significant changes or declines in Japanese stock prices could cause increases in unrealized holding losses on securities, which would affect our performance and financial position.

INVESTMENT-RELATED FACTORS

To meet growing worldwide demand for automobile tires, the Company is investing heavily to expand its production network and manufacturing facilities, especially in Asia. These investments aim to improve quality and meet rising demand and thus enhance the Company's reputation and market share. Management recognizes, however, that local laws and customs may lead to unpredictable events that prevent the Company from achieving its targets. Such events could affect performance and financial position.

RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit obligations and retirement benefit expenses are calculated according to predetermined criteria related to discount rates, expected returns on pension assets, and other factors. If actual discount rates and expected returns differ from these set criteria, the differential must be recognized and carried forward. Therefore, future retirement benefit expenses could increase, and unrecognized prior services costs could be incurred as a result of declines in interest rates, pension asset market prices, or investment returns, or following changes to the Company's retirement and pension plans. Such events could influence performance and financial position.

NATURAL DISASTERS

As a contingency for earthquakes and other natural disasters, the Company constantly studies, plans, and implements countermeasures. Management recognizes, however, that unprecedented disasters could affect production facilities or the operations of main raw materials suppliers. This could hamper the Company's performance and financial position.

SIX-YEAR SUMMARY

Fiscal Years Ended March 31

Millions of Yen

	2005	2004	2003	2002	2001	2000
Net Sales	¥419,789	¥401,718	¥400,448	¥399,824	¥387,855	¥392,193
Operating Income	20,955	21,073	23,184	22,701	19,845	19,043
Income (Loss) before Income Taxes	16,337	16,931	18,778	16,076	7,052	(13,692)
Net Income (Loss)	11,322	10,331	10,144	7,363	96	(9,009)
Depreciation	19,616	19,199	19,040	19,247	20,083	21,922
Capital Expenditures	27,533	23,735	22,708	16,940	18,118	19,470
R&D Expenditures	14,265	13,818	12,520	12,298	11,827	11,626
Interest-Bearing Debt	151,758	159,700	167,832	179,098	191,289	198,931
Total Shareholders' Equity	136,312	127,833	112,243	114,502	112,651	85,951
Total Assets	432,717	429,350	412,626	437,771	448,130	416,702
Per Share (Yen):						
Net Income (Loss): Basic	¥ 32.95	¥ 29.95	¥ 29.38	¥ 21.32	¥ 0.28	¥ (26.30)
Shareholders' Equity	398.24	373.23	327.61	334.24	328.81	250.88
Cash Dividends	8.00	8.00	8.00	6.00	—	6.00
Key Financial Ratios:						
Operating Margin (%)	5.0	5.2	5.8	5.7	5.1	4.9
Return on Shareholders' Equity (%)	8.6	8.6	8.9	6.5	0.1	(9.7)
Interest-Bearing Debt to Shareholders' Equity Ratio (times)	1.1	1.2	1.5	1.6	1.7	2.3
Number of Employees	13,464	13,264	12,979	13,130	13,362	13,764

CONSOLIDATED BALANCE SHEETS

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Current Assets:			
Cash and cash equivalents	¥ 13,836	¥ 16,473	\$ 128,839
Time deposits	23	43	218
Trade receivables:			
Notes and accounts (Notes 4 and 6)	104,436	102,577	972,492
Inventories (Note 3)	62,450	63,916	581,526
Deferred income taxes (Note 13)	7,261	7,385	67,610
Other current assets	6,151	7,024	57,279
Allowance for doubtful receivables	(2,277)	(3,289)	(21,204)
Total current assets	191,880	194,129	1,786,760
Property, Plant and Equipment, at Cost (Notes 4 and 5):			
Land	32,954	32,913	306,865
Buildings and structures	114,122	113,742	1,062,686
Machinery and equipment	336,369	331,807	3,132,223
Construction in progress	11,004	6,248	102,471
	494,449	484,710	4,604,245
Less accumulated depreciation	(335,445)	(331,942)	(3,123,620)
Total property, plant and equipment, net	159,004	152,768	1,480,625
Investments and Other Assets:			
Investment securities (Note 10)	59,751	59,293	556,392
Long-term loans receivable	1,135	1,409	10,567
Deferred income taxes (Note 13)	2,672	2,838	24,878
Other investments and other assets	20,111	20,942	187,285
Allowance for doubtful receivables	(1,836)	(2,029)	(17,101)
Total investments and other assets	81,833	82,453	762,021
Total assets	¥432,717	¥429,350	\$4,029,406

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Current Liabilities:			
Bank loans	¥ 71,001	¥ 89,651	\$ 661,155
Current maturities of long-term debt (Note 4)	9,305	5,593	86,650
Commercial paper	—	9,000	—
Trade notes and accounts payable	66,357	63,219	617,904
Accrued income taxes	2,347	4,123	21,858
Accrued expenses	22,847	21,241	212,751
Other current liabilities	14,000	14,810	130,359
Total current liabilities	185,857	207,637	1,730,677
Long-Term Liabilities:			
Long-term debt (Note 4)	71,452	55,456	665,350
Deferred income taxes (Note 13)	7,818	7,340	72,798
Reserve for pension and severance payments (Note 12)	20,685	20,843	192,621
Other long-term liabilities	7,371	7,452	68,638
Total long-term liabilities	107,326	91,091	999,407
Minority Interests	3,221	2,789	29,997
Contingent liabilities (Note 6)			
Shareholders' Equity:			
Common stock:			
Authorized: 480,000,000 shares			
Issued: 342,598,162 shares	38,909	38,909	362,316
Capital surplus	31,952	31,893	297,541
Retained earnings (Note 8)	51,934	43,866	483,604
Accumulated other comprehensive income			
Unrealized gains on securities	23,598	22,815	219,742
Foreign currency translation adjustments	(9,943)	(9,561)	(92,584)
	136,450	127,922	1,270,619
Treasury stock, at cost: 425,525 shares in 2005 and 304,357 shares in 2004	(138)	(89)	(1,294)
Total shareholders' equity	136,312	127,833	1,269,325
Total liabilities, minority interests and shareholders' equity	¥432,717	¥429,350	\$4,029,406

CONSOLIDATED STATEMENTS OF INCOME

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2004	2003	2005
Net sales	¥419,789	¥401,718	¥400,448	\$3,909,014
Cost of sales	284,369	269,030	267,070	2,647,999
Gross profit	135,420	132,688	133,378	1,261,015
Selling, general and administrative expenses	114,465	111,615	110,194	1,065,885
Operating income	20,955	21,073	23,184	195,130
Other income (expenses)				
Interest and dividend income	930	852	756	8,658
Interest expense	(1,948)	(2,384)	(3,044)	(18,141)
Other—net	(3,600)	(2,610)	(2,118)	(33,511)
	(4,618)	(4,142)	(4,406)	(42,994)
Income before income taxes	16,337	16,931	18,778	152,136
Income taxes (Note 2):				
Current	4,390	7,481	9,141	40,883
Deferred	215	(1,095)	(766)	2,004
	4,605	6,386	8,375	42,887
Minority interests in net income of consolidated subsidiaries	410	(214)	(259)	3,814
Net income	¥ 11,322	¥ 10,331	¥ 10,144	\$ 105,435
Per Share Amounts:	Yen			U.S. Dollars (Note 1)
Net income: Basic	¥ 32.95	¥ 29.95	¥ 29.38	\$ 0.31
Net income: Diluted	—	—	—	—
Cash dividends	¥ 8.00	¥ 8.00	¥ 8.00	\$ 0.07

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, 2005, 2004 and 2003

	Millions of Yen						
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at March 31, 2002	342,598,162	¥38,909	¥31,893	¥29,983	¥13,724	¥ (7)	¥114,502
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(152)	—	—	(152)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(1,298)	—	—	(1,298)
Net income	—	—	—	10,144	—	—	10,144
Cash dividends paid	—	—	—	(2,055)	—	—	(2,055)
Bonuses to directors and corporate auditors	—	—	—	(60)	—	—	(60)
Purchase of treasury stock	—	—	—	—	—	(60)	(60)
Other comprehensive income							
Unrealized losses on securities	—	—	—	—	(7,237)	—	(7,237)
Foreign currency translation adjustments	—	—	—	—	(1,541)	—	(1,541)
Balance at March 31, 2003	342,598,162	38,909	31,893	36,562	4,946	(67)	112,243
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(45)	—	—	(45)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(168)	—	—	(168)
Net income	—	—	—	10,331	—	—	10,331
Cash dividends paid	—	—	—	(2,738)	—	—	(2,738)
Bonuses to directors and corporate auditors	—	—	—	(76)	—	—	(76)
Purchase of treasury stock	—	—	—	—	—	(22)	(22)
Other comprehensive income							
Unrealized gains on securities	—	—	—	—	10,019	—	10,019
Foreign currency translation adjustments	—	—	—	—	(1,711)	—	(1,711)
Balance at March 31, 2004	342,598,162	38,909	31,893	43,866	13,254	(89)	127,833
Increase in capital surplus due to merger	—	—	60	—	—	—	60
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(1)	—	—	(1)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(256)	—	—	(256)
Net income	—	—	—	11,322	—	—	11,322
Cash dividends paid	—	—	—	(2,738)	—	—	(2,738)
Bonuses to directors and corporate auditors	—	—	—	(77)	—	—	(77)
Decrease in retained earnings due to merger	—	—	—	(60)	—	—	(60)
Decrease in retained earnings due to change in accounting standards of a consolidated subsidiary	—	—	—	(122)	—	—	(122)
Purchase of treasury stock	—	—	—	—	—	(50)	(50)
Other comprehensive income							
Unrealized gains on securities	—	—	—	—	783	—	783
Foreign currency translation adjustments	—	—	—	—	(382)	—	(382)
Balance at March 31, 2005	342,598,162	¥38,909	¥31,952	¥51,934	¥13,655	¥(138)	¥136,312

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at March 31, 2004	\$362,316	\$296,982	\$408,477	\$123,423	\$ (828)	\$1,190,371
Increase in capital surplus due to merger	—	559	—	—	—	559
Decrease in retained earnings due to change in scope of consolidation	—	—	(9)	—	—	(9)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	(2,383)	—	—	(2,383)
Net income	—	—	105,435	—	—	105,435
Cash dividends paid	—	—	(25,503)	—	—	(25,503)
Bonuses to directors and corporate auditors	—	—	(718)	—	—	(718)
Decrease in retained earnings due to merger	—	—	(559)	—	—	(559)
Decrease in retained earnings due to change in accounting standards of a consolidated subsidiary	—	—	(1,136)	—	—	(1,136)
Purchase of treasury stock	—	—	—	—	(466)	(466)
Other comprehensive income						
Unrealized gains on securities	—	—	—	7,291	—	7,291
Foreign currency translation adjustments	—	—	—	(3,557)	—	(3,557)
Balance at March 31, 2005	\$362,316	\$297,541	\$483,604	\$127,158	\$(1,294)	\$1,269,325

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, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2004	2003	2005
Operating Activities:				
Income before income taxes	¥ 16,337	¥ 16,931	¥ 18,778	\$ 152,136
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation (Note 5)	19,616	19,199	19,040	182,666
Reserve for pension and severance payments	(832)	(236)	(1,188)	(7,746)
Other, net	656	2,673	3,316	6,110
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	(1,596)	(2,286)	3,847	(14,865)
Inventories	1,165	(2,815)	(3,095)	10,852
Notes and accounts payable	3,089	2,757	(5,256)	28,764
Other, net	2,290	89	1,722	21,309
Interest and dividends received	1,002	786	726	9,333
Interest paid	(1,951)	(2,362)	(3,065)	(18,166)
Income taxes paid	(6,167)	(8,844)	(8,403)	(57,427)
Net cash provided by operating activities	33,609	25,892	26,421	312,966
Investing Activities:				
Purchases of property, plant and equipment	(26,493)	(23,496)	(19,732)	(246,703)
Purchases of marketable securities and investment securities	(411)	(1,211)	(3,619)	(3,824)
Proceeds from sales of marketable securities, investment securities and property	3,278	4,345	5,209	30,525
Other, net	(611)	(872)	(830)	(5,690)
Net cash used in investing activities	(24,237)	(21,234)	(18,972)	(225,692)
Financing Activities:				
Decrease in short-term bank loans and current maturities of long-term debt	(18,281)	(3,122)	(18,502)	(170,226)
(Decrease) increase in commercial paper	(9,000)	(5,000)	12,000	(83,807)
Proceeds from long-term debt	26,026	8,512	16,473	242,350
Decrease in long-term debt	(5,977)	(6,388)	(18,104)	(55,657)
Payment of cash dividends	(2,733)	(2,733)	(2,054)	(25,446)
Other, net	(2,042)	3,982	(60)	(19,024)
Net cash used in financing activities	(12,007)	(4,749)	(10,247)	(111,810)
Effect of exchange rate changes on cash and cash equivalents	(8)	(202)	(153)	(78)
Decrease in cash and cash equivalents	(2,643)	(293)	(2,951)	(24,614)
Cash and cash equivalents at beginning of year	16,473	15,769	18,332	153,399
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	6	997	388	54
Cash and cash equivalents at end of year	¥ 13,836	¥ 16,473	¥ 15,769	\$ 128,839

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") and domestic consolidated subsidiaries are 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 Securities and Exchange Law of Japan. The Company's subsidiaries in the United States of America (the "USA") prepare 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 ¥107.39=U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2005.

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 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.

(2) 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.

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.

(4) 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 shareholders' equity, 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.

(5) Derivative Instruments

Derivative instruments, whose fair value is 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) 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 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.

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 upon shipments to customers.

(12) Research and Development Costs

Research and development costs are charged to income as incurred.

(13) 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 for the years ended March 31, 2005, 2004 and 2003.

(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.

(15) New Accounting Standards

A new Japanese accounting standard, "Impairment of Fixed Assets," was issued in August 2002, and is effective for fiscal years beginning on or after April 1, 2005. Early adoption is allowed from fiscal years beginning on or after April 1, 2004 and an application from fiscal years ending March 31, 2004 to March 30, 2005 is also permitted. The new standard requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The company would be required to recognize an impairment loss in its statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The Company is currently assessing the impact of this new accounting standard on its financial position and operating results.

3. INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Finished products	¥42,175	¥42,500	\$392,730
Work-in-process	10,704	11,882	99,677
Raw materials and supplies	9,571	9,534	89,119
	¥62,450	¥63,916	\$581,526

4. LONG-TERM DEBT

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
1.3425% straight bonds due 2007	¥10,000	¥10,000	\$ 93,119
0.62% straight bonds due 2008	10,000	10,000	93,119
0.84% straight bonds due 2010	10,000	10,000	93,119
Loans, principally from banks and insurance companies	50,757	31,049	472,643
	80,757	61,049	752,000
Less current maturities	9,305	5,593	86,650
	¥71,452	¥55,456	\$665,350

Assets pledged to secure bank loans and long-term debt at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Notes receivable	¥ 541	¥ 693	\$ 5,040
Property, plant and equipment	73,688	76,888	686,171
	¥74,229	¥77,581	\$691,211

5. DEPRECIATION

Depreciation charges were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	2005
Selling, general and administrative expenses	¥ 2,819	¥ 2,856	¥ 2,913	\$ 26,250
Manufacturing costs	¥16,797	¥16,343	¥16,127	\$156,416

6. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Notes discounted and endorsed	¥481	¥841	\$4,477
Guarantees	¥112	¥395	\$1,039

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, 2005 and 2004 were ¥14,265 million (\$132,833 thousand) and ¥13,818 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.

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
	2005	2004	2005
Acquisition costs	¥6,065	¥6,963	\$56,476
Accumulated depreciation	2,823	3,209	26,285
Net book value	¥3,242	¥3,754	\$30,191

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Within one year	¥ 906	¥1,088	\$ 8,440
After one year	2,336	2,666	21,751
	¥3,242	¥3,754	\$30,191

Lease expenses under finance leases, which are accounted for as operating leases, for the years ended March 31, 2005 and 2004 aggregated approximately ¥1,182 million (\$11,006 thousand) and ¥1,331 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Within one year	¥1,188	¥1,611	\$11,059
After one year	4,171	4,117	38,840
	¥5,359	¥5,728	\$49,899

10. SECURITIES

Cost, carrying amounts and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen							
	2005				2004			
	Cost	Carrying amount	Unrealized gains	Unrealized losses	Cost	Carrying amount	Unrealized gains	Unrealized losses
Securities classified as:								
Available-for-sale:								
Stocks	¥14,427	¥54,003	¥39,583	¥(7)	¥15,381	¥53,650	¥38,433	¥(164)

	Thousands of U.S. Dollars			
	2005			
	Cost	Carrying amount	Unrealized gains	Unrealized losses
Securities classified as:				
Available-for-sale:				
Stocks	\$134,344	\$502,868	\$368,591	\$(67)

Sales of securities classified as available-for-sale securities amounted to ¥2,334 million (\$21,736 thousand), with an aggregate gain of ¥1,636 million (\$15,236 thousand) and an aggregate loss of ¥16 million (\$157 thousand) for the year ended March 31, 2005. The corresponding amounts for the year ended March 31, 2004 were ¥3,365 million, ¥1,394 million and ¥39 million.

Investment securities in the consolidated balance sheets at March 31, 2005 included securities lent to others of ¥2,430 million (\$22,632 thousand) and deposits received as collateral of ¥2,010 million (\$18,724 thousand), which are included in other current liabilities.

11. DERIVATIVE INSTRUMENTS

Fair value information of derivative instruments at March 31, 2005 and 2004 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2005			2004			2005		
	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized losses
Forward exchange contracts:									
Euro	¥3,660	¥3,731	¥ (72)	¥3,924	¥3,775	¥149	\$34,078	\$34,747	\$ (673)
U.S. dollar	2,228	2,278	(50)	2,542	2,443	99	20,751	21,213	(462)
Others	1,466	1,518	(50)	1,197	1,203	(6)	13,659	14,137	(475)
	¥7,354	¥7,527	¥(172)	¥7,663	¥7,421	¥242	\$68,488	\$70,097	\$(1,610)

	Millions of Yen						Thousands of U.S. Dollars		
	2005			2004			2005		
	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses	Contract amount	Fair value	Unrealized losses
Interest rate swap agreements									
	¥73	¥(2)	¥(2)	¥15	¥(0)	¥(0)	\$680	\$(22)	\$(22)
	¥—	¥(2)	¥(2)	¥—	¥(0)	¥(0)	\$ —	\$(22)	\$(22)

12. PENSION AND SEVERANCE PLANS

1. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligations	¥(46,437)	¥(47,491)	\$(432,419)
Fair value of plan assets	25,096	23,958	233,687
Funded status	(21,341)	(23,533)	(198,732)
Unrecognized transition obligation	—	509	—
Unrecognized actuarial losses	237	2,181	2,204
Unrecognized prior service cost	419	—	3,907
Net amount recognized	¥(20,685)	¥(20,843)	\$(192,621)

2. The components of net pension and severance costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥2,465	¥2,482	\$22,957
Interest cost	1,033	1,075	9,621
Expected return on plan assets	(39)	(32)	(362)
Amortization of transition obligation	510	514	4,745
Recognized actuarial losses	432	1,140	4,022
Recognized prior service cost	22	—	205
Net periodic benefit cost	¥4,423	¥5,179	\$41,188

3. Assumptions used as of March 31, 2005 and 2004 were as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected return rate on plan assets	0.75%	0.75%

13. DEFERRED INCOME TAXES

1. Significant components of the deferred income tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Liabilities for pension and severance payments	¥14,721	¥14,440	\$137,081
Net operating loss carryforwards	8,304	8,548	77,326
Unrealized profits	3,950	3,972	36,780
Accrued expenses	2,300	2,177	21,415
Other	2,841	3,701	26,461
Gross deferred tax assets	32,116	32,838	299,063
Less valuation allowance	(8,163)	(8,476)	(76,014)
Total deferred tax assets	23,953	24,362	223,049
Deferred tax liabilities:			
Unrealized gains on securities	(15,931)	(15,402)	(148,348)
Liabilities for pension and severance payments	(3,455)	(3,454)	(32,169)
Property, plant and equipment	(2,175)	(2,324)	(20,251)
Other	(320)	(361)	(2,987)
Total deferred tax liabilities	(21,881)	(21,541)	203,755
Net deferred tax assets	¥ 2,071	¥ 2,821	\$ 19,294

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

	Years ended March 31	
	2005	2004
Statutory income tax rate in Japan	40.3%	41.6%
Valuation allowance recognized on current losses of subsidiaries	(2.0)	1.1
Permanently nondeductible expenses	3.0	3.1
Permanently nontaxable income	(1.1)	(1.0)
Tax credits	(1.8)	(4.7)
Current tax deductible of writing-off subsidiary securities	(10.9)	—
Other	0.7	(2.4)
Effective income tax rate	28.2%	37.7%

14. SEGMENT INFORMATION

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2005, 2004 and 2003 are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2005					
Sales to third parties	¥307,861	¥111,928	¥419,789	¥ —	¥419,789
Intergroup sales and transfers	30	17,606	17,636	(17,636)	—
Total sales	307,891	129,534	437,425	(17,636)	419,789
Operating expenses	289,714	126,757	416,471	(17,637)	398,834
Operating income	¥ 18,177	¥ 2,777	¥ 20,954	¥ 1	¥ 20,955
Total assets at end of year	¥297,900	¥140,147	¥438,048	¥ (5,330)	¥432,717
Depreciation	¥ 15,323	¥ 3,940	¥ 19,263	¥ 354	¥ 19,616
Capital expenditures	¥ 22,659	¥ 4,456	¥ 27,115	¥ 418	¥ 27,533
Year ended March 31, 2004					
Sales to third parties	¥288,629	¥113,089	¥401,718	¥ —	¥401,718
Intergroup sales and transfers	75	15,224	15,299	(15,299)	—
Total sales	288,704	128,313	417,017	(15,299)	401,718
Operating expenses	273,424	122,554	395,978	(15,333)	380,645
Operating income	¥ 15,280	¥ 5,759	¥ 21,039	¥ 34	¥ 21,073
Total assets at end of year	¥289,696	¥147,742	¥437,438	¥ (8,088)	¥429,350
Depreciation	¥ 15,040	¥ 3,839	¥ 18,879	¥ 320	¥ 19,199
Capital expenditures	¥ 19,607	¥ 3,776	¥ 23,383	¥ 352	¥ 23,735
Year ended March 31, 2003					
Sales to third parties	¥286,987	¥113,461	¥400,448	¥ —	¥400,448
Intergroup sales and transfers	98	14,354	14,452	(14,452)	—
Total sales	287,085	127,815	414,900	(14,452)	400,448
Operating expenses	269,821	121,486	391,307	(14,043)	377,264
Operating income	¥ 17,264	¥ 6,329	¥ 23,593	¥ (409)	¥ 23,184
Total assets at end of year	¥277,539	¥146,411	¥423,950	¥(11,324)	¥412,626
Depreciation	¥ 15,183	¥ 3,824	¥ 19,007	¥ 33	¥ 19,040
Capital expenditures	¥ 17,289	¥ 5,156	¥ 22,445	¥ 263	¥ 22,708
Thousands of U.S. Dollars					
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2005					
Sales to third parties	\$2,866,754	\$1,042,260	\$3,909,014	\$ —	\$3,909,014
Intergroup sales and transfers	278	163,944	164,222	(164,222)	—
Total sales	2,867,032	1,206,204	4,073,236	(164,222)	3,909,014
Operating expenses	2,697,767	1,180,345	3,878,112	(164,229)	3,713,884
Operating income	\$ 169,265	\$ 25,859	\$ 195,124	\$ 7	\$ 195,130
Total assets at end of year	\$2,774,006	\$1,305,033	\$4,079,039	\$ (49,632)	\$4,029,406
Depreciation	\$ 142,688	\$ 36,686	\$ 179,374	\$ 3,292	\$ 182,666
Capital expenditures	\$ 210,999	\$ 41,492	\$ 252,491	\$ 3,896	\$ 256,387

Geographical Areas

Millions of Yen

	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2005						
Sales to third parties	¥329,282	¥72,086	¥18,421	¥419,789	¥ —	¥419,789
Interarea sales and transfers	30,644	1,529	3,953	36,126	(36,126)	—
Total sales	359,926	73,615	22,374	455,915	(36,126)	419,789
Operating expenses	342,590	71,510	21,294	435,394	(36,560)	398,834
Operating income	¥ 17,336	¥ 2,105	¥ 1,080	¥ 20,521	¥ 434	¥ 20,955
Total assets at end of year	¥379,330	¥50,496	¥26,325	¥456,151	¥(23,434)	¥432,717

Year ended March 31, 2004

Sales to third parties	¥319,152	¥67,078	¥15,488	¥401,718	¥ —	¥401,718
Interarea sales and transfers	28,182	1,986	3,535	33,703	(33,703)	—
Total sales	347,334	69,064	19,023	435,421	(33,703)	401,718
Operating expenses	328,368	67,932	18,224	414,524	(33,879)	380,645
Operating income	¥ 18,966	¥ 1,132	¥ 799	¥ 20,897	¥ 176	¥ 21,073
Total assets at end of year	¥380,392	¥50,472	¥19,434	¥450,298	¥(20,948)	¥429,350

Year ended March 31, 2003

Sales to third parties	¥315,893	¥70,621	¥13,934	¥400,448	¥ —	¥400,448
Interarea sales and transfers	22,524	2,636	3,335	28,495	(28,495)	—
Total sales	338,417	73,257	17,269	428,943	(28,495)	400,448
Operating expenses	319,110	70,742	16,099	405,951	(28,687)	377,264
Operating income	¥ 19,307	¥ 2,515	¥ 1,170	¥ 22,992	¥ 192	¥ 23,184
Total assets at end of year	¥363,052	¥55,191	¥14,753	¥432,996	¥(20,370)	¥412,626

Thousands of U.S. Dollars

	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
Year ended March 31, 2005						
Sales to third parties	\$3,066,228	\$671,251	\$171,535	\$3,909,014	\$ —	\$3,909,014
Interarea sales and transfers	285,353	14,241	36,804	336,398	(336,398)	—
Total sales	3,351,581	685,492	208,339	4,245,412	(336,398)	3,909,014
Operating expenses	3,190,150	665,890	198,284	4,054,324	(340,440)	3,713,884
Operating income	\$ 161,431	\$ 19,602	\$ 10,055	\$ 191,088	\$ 4,042	\$ 195,130
Total assets at end of year	\$3,532,270	\$470,210	\$245,137	\$4,247,617	\$(218,211)	\$4,029,406

Overseas Sales

Millions of Yen

	North America	Other	Total
Year ended March 31, 2005			
(A) Overseas sales	¥75,651	¥64,919	¥140,570
(B) Consolidated net sales			¥419,789
(C) (A)/(B) × 100	18.0%	15.5%	33.5%

Year ended March 31, 2004

(A) Overseas sales	¥69,259	¥53,825	¥123,084
(B) Consolidated net sales			¥401,718
(C) (A)/(B) × 100	17.2%	13.4%	30.6%

Year ended March 31, 2003

(A) Overseas sales	¥72,984	¥45,878	¥118,863
(B) Consolidated net sales			¥400,448
(C) (A)/(B) × 100	18.2%	11.5%	29.7%

Thousands of U.S. Dollars

	North America	Other	Total
Year ended March 31, 2005			
(A) Overseas sales	\$704,455	\$604,515	\$1,308,970
(B) Consolidated net sales			\$3,909,014
(C) (A)/(B) × 100	18.0%	15.5%	33.5%

REPORT OF INDEPENDENT AUDITORS



Certified Public Accountants

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Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03-3503-1100

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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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, 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 financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, 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, 2005 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.

Ernst & Young ShinNihon

June 29, 2005

DIRECTORS, CORPORATE AUDITORS, AND CORPORATE OFFICERS

As of June 29, 2005

BOARD OF DIRECTORS

YASUO TOMINAGA

Chairman and Representative Director

TADANOBU NAGUMO

President and Representative Director

KEIGO UEDA

Director and Senior Managing Corporate Officer

President of Sports Group, in charge of Corporate Personnel Dept., Corporate General Affairs Dept., Corporate Purchasing Dept., General Manager of Corporate Compliance Dept., General Manager of Hiratsuka Factory

TAKASHI SUGIMOTO

Director and Senior Managing Corporate Officer

President of Tire Group, in charge of Off-the-road Tire & Aircraft Tire Div.

TETSUYA MIZOGUCHI

Director and Managing Corporate Officer

President of Multiple Business Group, General Manager of Industrial Products Div.

TAKASHI YAMASHITA

Director and Managing Corporate Officer

In charge of Tire Technology and Tire Production, General Manager of Original Equipment Tire Sales Div.

TATSUNARI KOJIMA

Director and Managing Corporate Officer

In charge of Secretariat, Corporate Planning Dept., Corporate Communications Dept., Corporate Finance & Accounting Dept., MIS Dept., Internal Audit Dept., President of Yokohama Corporation of North America

CORPORATE AUDITORS

MASAAKI KUSHIDA

SEIICHI SUZUKI

JUNNOSUKE FURUKAWA

YUZURU FUJITA

CORPORATE OFFICERS (NOT ON THE BOARD OF DIRECTORS)

TOSHIHIKO SHIRAKI

Managing Corporate Officer

General Manager of Tire Domestic Sales & Marketing Div.

MASAMICHI DANJO

Managing Corporate Officer

In charge of Quality Assurance, Environmental Conservation Dept., General Manager of R&D Center

AKIHISA TAKAYAMA

Corporate Officer

General Manager of Tire Production Technology Div.

MICHIO YUGE

Corporate Officer

General Manager of Hoses and Coupling Div.

TOSHIO IZAWA

Corporate Officer

In charge of Multiple Business Production

YASUHIRO MIZUMOTO

Corporate Officer

General Manager of Tire Production Div.

SHINICHI SUZUKI

Corporate Officer

Vice President of Yokohama Tire Corporation

KOICHI TANAKA

Corporate Officer

Deputy General Manager of Tire Domestic Sales & Marketing Div.

TAKASHI FUKUI

Corporate Officer

General Manager of Tire Overseas Sales & Marketing Div.

TOORU KOBAYASHI

Corporate Officer

General Manager of Tire Planning Div., Chairman of Yokohama Tire Philippines, Inc.

TOSHIHIKO SUZUKI

Corporate Officer

General Manager of Tire Technical Div.

NORIO KARASHIMA

Corporate Officer

President of Yokohama Tire Corporation, President of Yokohama Corporation of America

HIDEO FUJIWARA

Corporate Officer

General Manager of Corporate Finance & Accounting Dept.

ICHIRO KONDO

Corporate Officer

Chairman of Hangzhou Yokohama Tire Co., Ltd.

HAJIME YAMAZAKI

Corporate Officer

In charge of MB Technical, General Manager of Hamatite Div., General Manager of MB Business Development Center

GLOBAL NETWORK



Yokohama Aerospace America, Inc.

Yokohama Tire (Canada) Inc.



SAS Rubber Company

Yokohama Corporation of North America

GTY Tire Company

YH America, Inc.

Panama Office

Yokohama Corporation of America

Yokohama Tire Corporation

OVERSEAS SUBSIDIARIES AND AFFILIATES

PRODUCTION AND SALES OF TIRES AND RELATED PRODUCTS

Yokohama Tire Corporation
Hangzhou Yokohama Tire Co., Ltd.
Yokohama Tire Philippines, Inc.
Yokohama Tyre Vietnam Company
Yokohama Tire Manufacturing (Thailand) Co., Ltd.
GTY Tire Company

SALES OF TIRES AND RELATED PRODUCTS

Yokohama Tire (Canada) Inc.
Yokohama Corporation of America
Yokohama Tyre Australia Pty. Ltd.
Yokohama HPT Ltd.
Yokohama Italia SPA
Yokohama (Suisse) SA
Yokohama Scandinavia AB
Yokohama Reifen GmbH
Yokohama Austria GmbH
Yokohama Danmark A/S
Yokohama Russia L.L.C.
N.V. Yokohama Belgium S.A.
Yokohama Tire Sales Philippines, Inc.
Yokohama Tire Taiwan Co., Ltd.
Yokohama Tire Korea Co., Ltd.

HOLDING COMPANY FOR SHARES OF YTC AND OTHER COMPANIES

Yokohama Corporation of North America

MARKETING SUPPORT AND SERVICES FOR EUROPEAN SALES COMPANIES

Yokohama Europe GmbH

PRODUCTION AND SALES OF WINDSHIELD SEALANTS AND HOSES

YH America, Inc.
Yokohama Rubber (Thailand) Co., Ltd.

PRODUCTION AND SALES OF WINDSHIELD SEALANTS

Yokohama HAMATITE (Hangzhou) Co., Ltd.

PRODUCTION AND SALES OF HOSES

SAS Rubber Company
SC Kingflex Corporation
Yokohama Hoses & Coupling (Hangzhou) Co., Ltd.

SALES OF AIRCRAFT COMPONENTS

Yokohama Aerospace America, Inc.

OVERSEAS REPRESENTATIVE OFFICES

Jeddah Office
Riyadh Office
Dubai Office
Panama Office
Singapore Office
Asia Representative Office (Bangkok)

CORPORATE GOVERNANCE

One of management's top priorities is to reinforce corporate governance to ensure transparency and fairness. The basic concepts and key initiatives are as follows.

1. Amid a dramatically changing business environment, since 1988 we have gradually shrunk our board of directors to streamline discussions and decision-making. In 2003, we halved director terms to one year to clarify responsibilities. After the shareholder gathering for fiscal 2004, we introduced an executive officer system to enhance management decision-making and accelerate implementation.
2. We reinforced the strategic roles of top management by establishing the Management Council, whose members include the chairman, president, and directors. The Council discusses business plan strategies and implementation.
3. To handle directors and corporate officers more transparently and fairly, we set up the Directors and Corporate Officers Personnel and Compensation Committee, with the board discussing and deciding on its recommendations.
4. We maintain a four-member Board of Corporate Auditors, which includes two external members, to enhance oversight through fair auditing. The members are Junnosuke Furukawa, member of the board and senior advisor of The Furukawa Electric Co., Ltd., and Yuzuru Fujita, president and chief executive officer of ASAHI MUTUAL LIFE INSURANCE COMPANY. Full-time auditors must participate in Management Council and other important meetings. We also conduct internal audits of all operations based on annual plans. We have appointed one person to assist the auditors. In addition to exchanging information and opinions with accounting auditors, full-time auditors conduct interviews on the results of accounting and operational audits made by five internal auditing officials in line with annual plans. Furukawa Electric and ASAHI MUTUAL LIFE INSURANCE are major shareholders of Yokohama Rubber. We do business with ASAHI MUTUAL LIFE INSURANCE. We do no transactions with the external auditors.
5. Yokohama Rubber selected Ernst & Young ShinNihon as its independent auditor based on the Commercial Code to audit accounts based on the Securities and Exchange Law. There are no conflicts of interest between Yokohama Rubber and Ernst & Young ShinNihon or its officials who audit the Company.

In addition to reinforcing corporate governance, we strengthened our compliance system to satisfy community expectations. We set up the following committees to meet our corporate social responsibilities and increase employee understanding of issues related to corporate ethics, compliance, information security, personal information protection, and environmental protection.

COMPLIANCE COMMITTEE

We established the Compliance Committee in April 2003 to inform employees about Group compliance and corporate ethics. In May 2005, we established the Compliance Office to reinforce the Group compliance system, which extends to overseas subsidiaries.

RISK MANAGEMENT COMMITTEE

This committee fortifies our defense against various Group risks. It conducts educational forums and regularly assesses risks. We also maintain the Central Disaster Prevention Committee, the Environmental Preservation Promotion Committee, and other entities for more focused risk management.

PERSONAL INFORMATION PROTECTION COMMITTEE

We inaugurated this body in April 2005 to underscore the importance of private information and ensure that the Company properly handles such data. The committee formulates rules and educates employees.

INVESTOR INFORMATION

As of March 31, 2005

COMPANY NAME:

The Yokohama Rubber Co., Ltd.

HEAD OFFICE:

36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan

ESTABLISHED:

October 13, 1917

PAID-IN CAPITAL:

¥38,909 million

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

STOCK EXCHANGE LISTINGS:

Tokyo, Osaka, Nagoya

INVESTOR CONTACT:

PR/IR Section, Corporate Communications Dept.
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
Phone: 81-3-5400-4531 Facsimile: 81-3-5400-4570

INVESTOR RELATIONS WEBSITE:

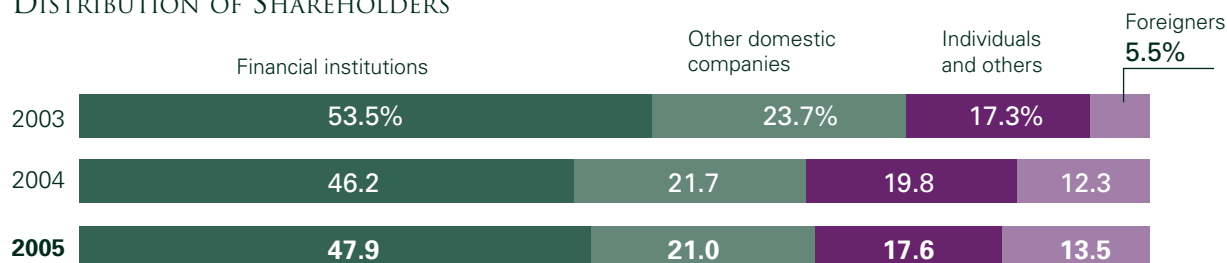
http://www.yrc-pressroom.jp/ir_en/

STOCK INFORMATION

As of March 31, 2005

Authorized Number of Shares:	480,000,000
Issued Number of Shares:	342,598,162 (unchanged from fiscal 2004 year-end)
Number of Shareholders:	20,914 (down 1,184 from fiscal 2004 year-end)

DISTRIBUTION OF SHAREHOLDERS



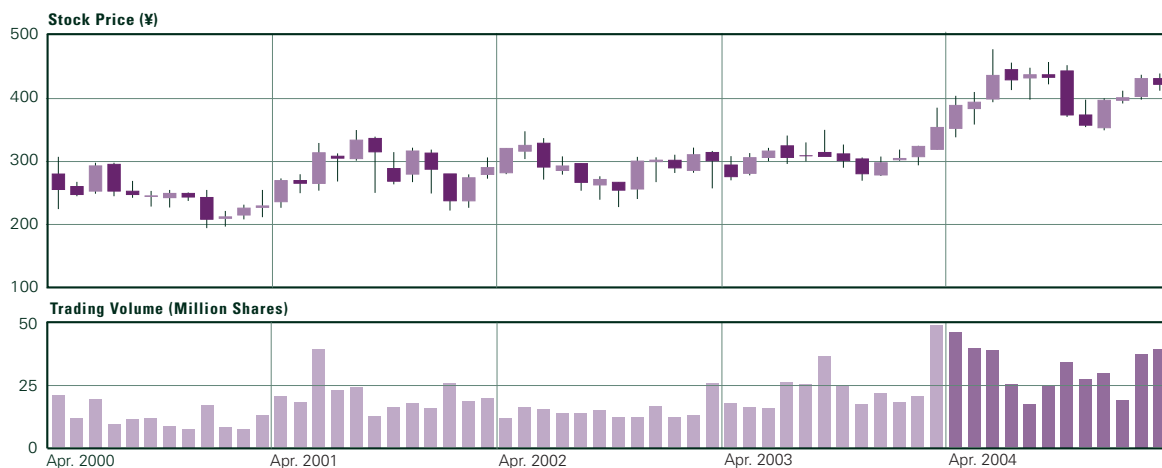
MAJOR SHAREHOLDERS

Name	Percentage of Voting Rights
Master Trust Bank of Japan, Ltd. (trust account)	7.9%
Japan Trustee Service Bank, Ltd. (trust account)	7.9
The Furukawa Electric Co., Ltd.	5.9
ZEON CORPORATION	5.1
ASAHI MUTUAL LIFE INSURANCE COMPANY	3.8

COMMON STOCK PRICE TRENDS

	2005	2004	2003	2002	2001
Share Price (Yen):					
High	480	387	350	352	312
Low	342	272	235	228	200
Fiscal Year-End	425	357	304	296	235
Common Stock Issued	342,598,162	342,598,162	342,598,162	342,598,162	342,598,162

STOCK PRICE RANGE AND TRADING VOLUME ON THE TOKYO STOCK EXCHANGE



Note: Monthly stock prices and trading volume are based on Tokyo Stock Exchange trading.

THE YOKOHAMA RUBBER CO., LTD. 36-11, SHIMBASHI 5-CHOME, MINATO-KU, TOKYO 105-8685, JAPAN PHONE: 81-3-5400-4531