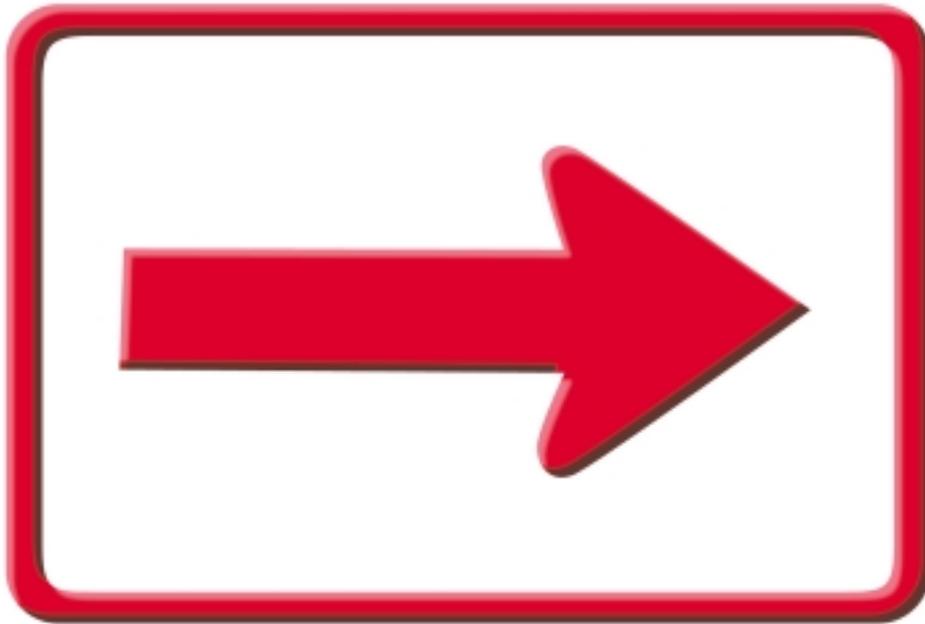


Annual Report 2000

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



ACTION 21 | STAYING ON COURSE INTO THE NEW CENTURY

PROFILE

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

C O N T E N T S

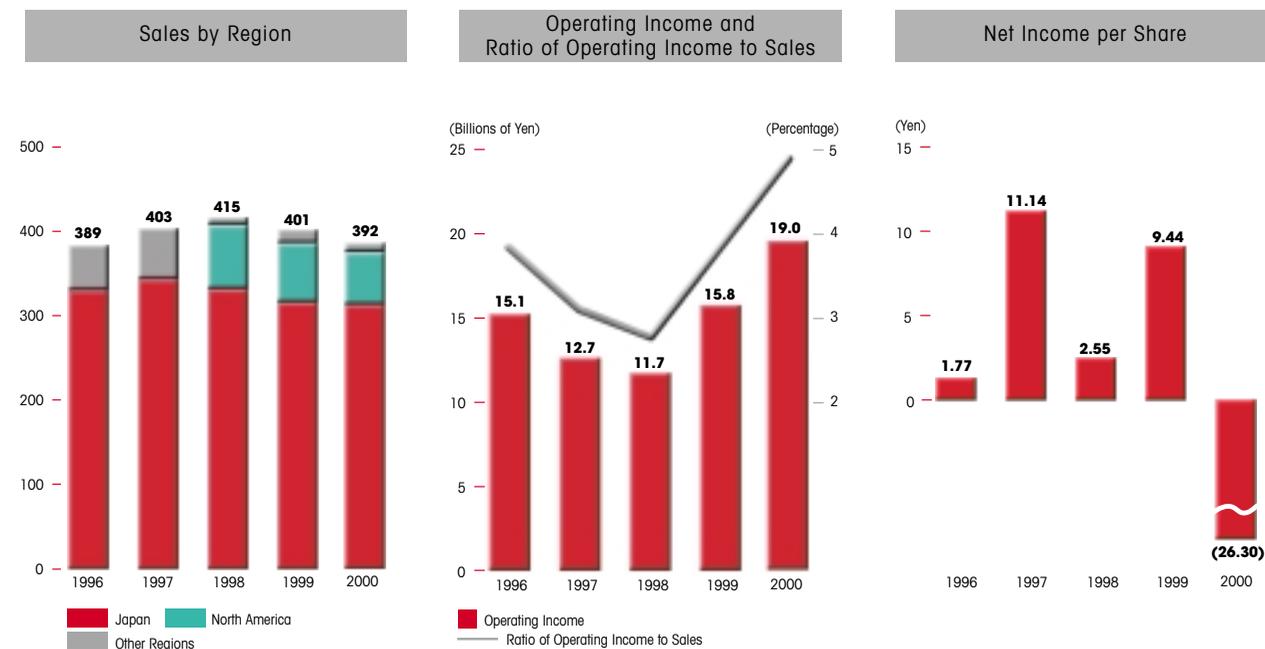
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FINANCIAL HIGHLIGHTS

For the Years Ended March 31, 2000 and 1999

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

Note: Throughout this report, the United States dollar amounts have been translated from Japanese yen solely for the convenience of readers at the rate of ¥106.15=U.S.\$1, the mean of the telegraphic transfer selling exchange rate and the telegraphic transfer buying exchange rate prevailing on the Tokyo foreign exchange market on March 31, 2000.



Results for Other Regions include North America until 1997.

TO OUR SHAREHOLDERS

Looking Back on the Previous Year

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

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

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

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

MB Group.

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



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

Enhancing Corporate Foundations through

Action 21

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

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

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

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

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

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

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

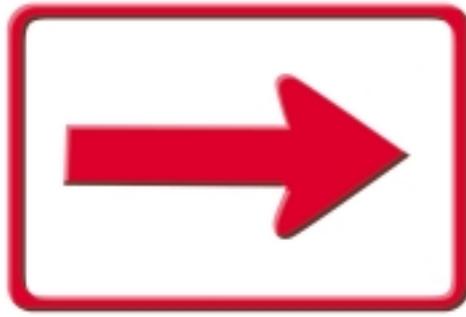
We will work hard to become a truly global group with strong profitability and high growth potential in preparation for the 21st century.

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

June 2000



Yasuo Tominaga, President



YOKOHAMA IS CHANGING THANKS TO ACTION 21

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

Outline of Action 21 and Results for Fiscal 2000

Tire Group

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

MB Group

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

TOTAL ASSETS

Objective: ¥30 billion reduction

Result: ¥19.2 billion reduction

Ratio of achievement: 64%

INTEREST-BEARING DEBT

Objective: ¥20 billion reduction

Result: ¥16.3 billion reduction

Ratio of achievement: 82%

PERSONNEL

Objective: 1,100-person reduction

Result: 720-person reduction

Ratio of achievement: 65%

Operational Reform from Fiscal 2001

Tire Group

<Japan>

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

<Asia>

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

<United States>

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

<Europe>

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

MB Group

<Hoses>

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

<Adhesive Products>

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

<Antiseismic Rubber Bearings>

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

<Aircraft Components>

- Develop new products with an emphasis on the private sector

Directives of Action 21

Tire Group

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

MB Group

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

R & D — Boosting Our Power

Distinctive Technologies

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

Development Targets

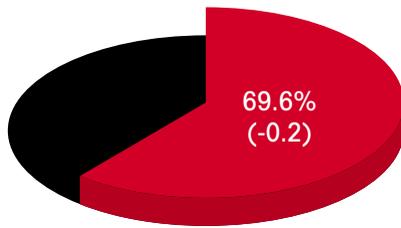
- Continue to develop products using the most advanced materials technologies
- Develop high-value-added products with an emphasis on environmental preservation
- Use information technologies (IT) to substantially speed up new product development

New Tire Production System

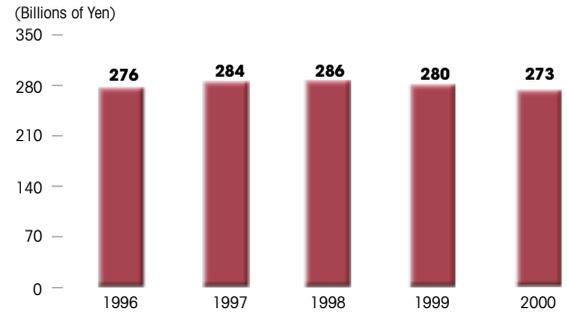
- Promote NMS (New Manufacturing System), a new system to improve the efficiency of multiple-product, small-lot production

GROUP AT A GLANCE

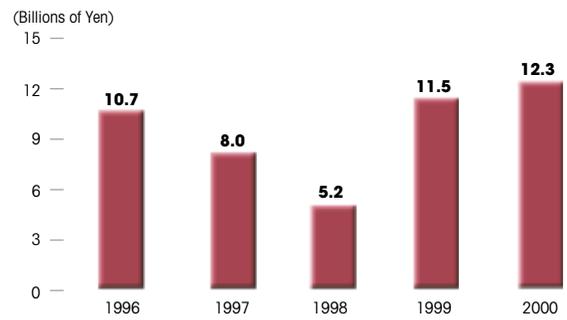
TIRE GROUP :



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

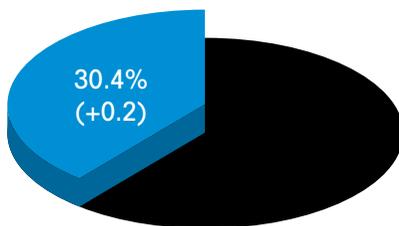


Sales by the Tire Group

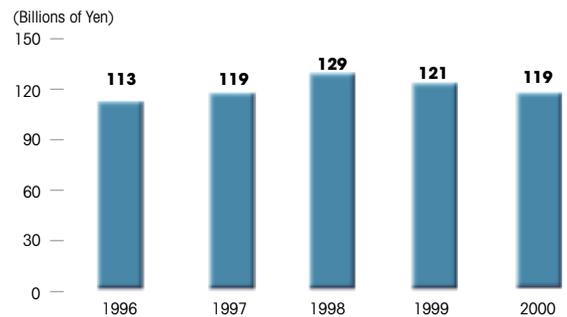


Operating Income by the Tire Group

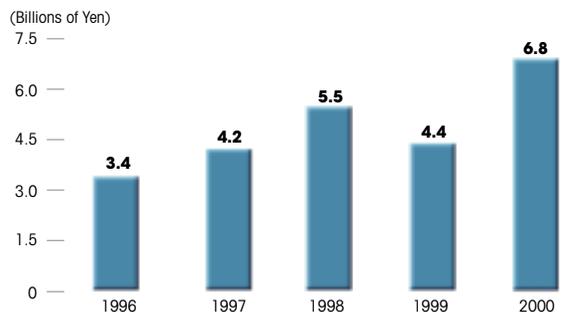
MB GROUP :



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



Sales by the MB Group



Operating Income by the MB Group

Main Products

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

Manufacturing and Sales Organization

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

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

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

Main Products

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

Manufacturing and Sales Organization

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

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

Tire Group

THE YEAR AT A GLANCE

Although sales volumes expanded in Asian countries (excluding Japan) and the Middle East, demand was stagnant in Japan and other areas. As a result, sales of the Tire Group fell 2.4% from the previous year, to ¥273,088 million.

RESULTS IN JAPAN

Stagnant OE Tire Sales

Sales of tires on an original equipment (OE) basis fell in Japan from a year earlier. Yokohama strove to expand these sales by reducing tire weight and unifying specifications under its value analysis and value engineering promotion program. However, the number of new cars manufactured in Japan declined 0.4% year-on-year, to 9.3 million units. In addition, consumer spending remained weak and prices fell.

In the replacement tires market, we actively released new products adopting our distinctive technologies. For example, we introduced a new-generation sports tire—the DNA GRANDPRIX—which features superior driving performance and fuel efficiency, as well as the GUARDEX K2 F720 studless tire with enhanced braking capabilities on icy-surface roads. These and other new products emphasize Yokohama Rubber's unique features, and have been highly evaluated in the marketplace. We also enhanced management rationalization at our sales companies by integrating directly controlled tire sales companies, in order to reduce the number of such companies from 29 to 26. As a result, sales of replacement tires expanded despite stagnant consumer spending, and we were able to increase our market share.



We pursued environmental performance in the DNA GRANDPRIX, a low-noise sports tire that also helps improve fuel consumption.



At trials for the A539 at D-PARC, a tire test course in Japan, 29 motor journalists attended from nine European countries.

Enhancing the Tire Business

As part of the Action 21 management plan, Yokohama implemented a variety of measures to reinforce its tire business during the fiscal year. In the autumn of 1999, we started operation of our integrated logistics system. Our plan is to create on-line links between three tire plants in Japan, seven distribution centers, and some 370 dealerships to improve distribution efficiency and shorten delivery times, and thereby improve customer satisfaction levels while reducing inventories. Currently, this system is in use at the Mishima and Shinshiro plants, and we plan to implement the system at the Mie Plant by the autumn of 2000. When fully implemented, we intend to utilize the system to reduce inventories at sales companies to 60% of previous levels by the end of fiscal 2001.

In addition, we will suspend production of bias tires for trucks and buses at our Hiratsuka Factory in March 2001, as these products have proven unprofitable. To improve production efficiency, we decided instead to concentrate production of radial tires for trucks and buses at the Mie Plant by May 2002.

We are currently developing the NMS (New Manufacturing System), a new tire production method designed to accelerate our multiple-product, small-lot production.



In the period under review, YTC greatly expanded its sales volume to independent dealers in the United States and achieved profitability. Pictured is the head office of YTC.

RESULTS IN NORTH AMERICA

YTC Returns to Profitability

In fiscal 2000, Yokohama Tire Corporation (YTC) concentrated on expanding sales to independent dealers. We also expanded production of tires for sports-utility vehicles (SUVs) and other full-size vehicles that are popular in the United States to promote a high-value-added product mix. In addition, we were successful in reducing production costs and improving distribution efficiency. As a result, YTC exceeded expectations by recording a net profit of U.S.\$1.4 million despite a slight fall in sales volume. In the coming year, we will release a number of new products, including tires for passenger cars and light trucks, and further enhance sales to independent dealers.



the Philippines. The company also began full-scale production of 5,200 units per day. These achievements helped the company turn a profit only one year after it began production in January 1998.

Yokohama Tyre Vietnam started production of motorcycle tires in 1998, and the company enhanced its product line by expanding the number of sizes it handles, and by introducing new tread patterns. The company has established a firm position as a high-value-added brand in the Vietnamese market. In September 1999, Yokohama Tyre Vietnam began delivering tires to Japanese motorcycle makers. In addition, in December 1999 it initiated the production and sales of bias tires for light trucks.

RESULTS IN ASIA



Yokohama Tire Philippines recorded favorable business results during the year.

Production Activities in the Philippines and Vietnam

Both unit- and value-based sales expanded substantially in Asia (excluding Japan), thanks to a recovery in demand.

Yokohama Tire Philippines, which serves as an export base for passenger car tires, expanded shipments to Europe, the Middle East and Asia while enhancing sales in the Philippines. The number of OE customers rose, mainly owing to an increase in orders from Japanese automakers in



Yokohama has been the official tire supplier for the Macau F3 Grand Prix for 17 consecutive years. In fiscal 2000, our tires were selected for the first F3 Korea Grand Prix.

Operations Expand in East Asia

In Taiwan, we established a sales company in 1996 to begin expanding our presence in the marketplace. In the year under review, we also worked to expand sales in the Republic of Korea (ROK), following that country's liberalization of passenger car tire imports in July 1999. We supplied one-make tires at the Korea Grand Prix in November 1999 and began selling passenger car tires in April 2000.

RESULTS IN EUROPE AND OTHER REGIONS

Our operations in Europe center on exports, mainly of high-performance and other passenger car tires from Japan and the Philippines. Sales to this region were down in fiscal 2000. We released two new high-performance tires—the AVS SPORTS and A539—to actively promote the superior driving performance of Yokohama tires in the European market, where performance requirements are stringent. We aim to sell a total of 900,000 units per year of our two new products and obtain a 5% market share in the high-performance tire market. In the future, we plan to implement our integrated logistics system to link

sales subsidiaries in Europe, global distribution bases and operations in Japan in order to manage these sales companies more efficiently. We are also building a system to provide products in a timely manner and in accordance with customer needs.

Our sales in the Middle East are also covered by exports from Japan, and our primary products for this market are passenger car tires and tires for trucks and buses. During fiscal 2000, unit-based sales expanded significantly, but decreased in value terms owing to intense price competition.



Our A038 LTS was chosen by Lotus of the United Kingdom as the standard tire for the Lotus Elise 340R, a high-performance sports car.



The A539, developed in consideration of stringent customer demands, is a high-performance tire with enhanced wet grip and reduced running noise.

REVIEW OF OPERATIONS

MB Group

THE YEAR AT A GLANCE

In Japan, although stagnant private-sector capital investment and slow consumer spending adversely affected Yokohama's multiple business (MB) operations, the Company managed to increase sales of hydraulic hoses, antiseismic rubber bearings and golf products. However, our sales of sealants, conveyor belts, marine hoses and fenders declined from the previous year. As a result, sales fell 1.7%, to ¥119,105 million.

HAMATITE® PRODUCTS

Our HAMATITE® sealants for buildings maintained their top share of the Japanese market in fiscal 2000. In addition, we maintained about half of the domestic market for windshield sealants, which we deliver on an OE basis to automakers. In fiscal 2000, we released a variety of new products, including MILEX-Z, a highly durable sealant for construction use. Nevertheless, sales slipped from the previous year.

HOSES

Yokohama holds the top domestic market share for hydraulic hoses. Low-displacement cars sold well in Japan during the year, allowing us to expand sales of car steering and air conditioning hoses. In addition, we continued to integrate our operations with Yokohama Hydrex, which assembles hoses with couplings before their sale. These efforts contributed to improved profitability.



Yokohama hydraulic hoses keep construction machinery running.

Many of Japan's best-known buildings incorporate Yokohama's sealants for construction use. Some examples are the Yokohama Grand Intercontinental Hotel (right), Queen's Square Yokohama (center) and the Landmark Tower Plaza (left).

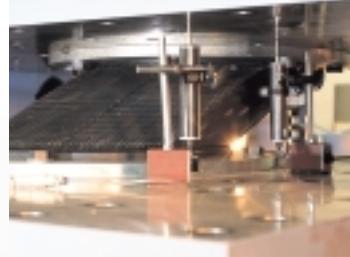
MARINE HOSES AND FENDERS

Marine hoses and fenders, which Yokohama primarily exports, make use of the Company's distinctive technologies and enjoy a high market share worldwide. During the year under review, we strove to expand our market share by releasing new products. However, due to weakened purchasing power in the oil industry, the result of lower crude oil prices in the first half of the year, as well as the appreciation of the yen, sales of these two products fell year on year.

ANTISEISMIC RUBBER BEARINGS

In fiscal 2000, to enhance our lineup of antiseismic products we developed a viscoelastic damper for high-rise buildings utilizing high-attenuation rubber for antiseismic rubber materials. Thanks in

part to an increase in public expenditure, sales of antiseismic rubber bearings for bridges rose. However, sales of antiseismic rubber bearings for buildings fell year-on-year, owing to lower prices and a decrease in the number of construction projects utilizing this product.



Our antiseismic rubber bearings provide excellent antiseismic performance to rapidly counter the effects of earthquakes.



GOLF PRODUCTS

Although the golf market continued to contract during the year, the Titan Wood H/S Series and Iron 800 Series, released under the PRGR brand name, sold well, and Yokohama's overall sales of golf products rose.



Our ZOOM.c, a utility club categorized between a wood and an iron, makes it easier for golfers at any skill level to achieve good shots in the 200-yard range.

AIRCRAFT COMPONENTS

Sales of metal components, and lavatory modules and drinking water tanks delivered to The Boeing Company of the United States were steady. As a result, sales in this category were the same level as in fiscal 1999.



Yokohama's lavatory modules for Boeing are made with our Advanced Composite Material to achieve high strength at a low weight.



Following its winning of hose orders from Ford, SAS Rubber of the United States has begun accepting orders from DaimlerChrysler.

OVERSEAS PRODUCTION

In fiscal 2000, U.S.-based SAS Rubber Company began delivering automobile hoses to DaimlerChrysler via an assembly company, following the same practice we use to supply hoses to Ford Motor Company. In addition to assembling automobile hose and couplings, YH America started handling windshield sealants last year. These operations got off on the right track, as the company expanded production, mainly for Japanese automakers.

Yokohama Rubber (Thailand) Co., Ltd. produces windshield sealants, and also assembles automobile hose and couplings. Sales rose steadily in line with the recovery in automobile production volumes in Thailand. In addition, this company began to deliver hydraulic hoses to Japanese construction equipment makers. In order to prepare for future expansion of its windshield sealants production capabilities, Yokohama Rubber (Thailand) is constructing a new building scheduled for completion by autumn 2000.

INNOVATIVE RESEARCH AND DEVELOPMENT



In its continuing development of new technologies, Yokohama's goals are enhancing product performance, ensuring low costs, conserving energy and preserving the environment. In particular, we have striven to develop new and composite materials. Following is an outline of our recent activities in these fields.

SILICA SURFACE-TREATED CARBON BLACK IMPROVES FUEL CONSUMPTION

In conventional tires, it is difficult to provide both efficient fuel consumption and a strong grip. However, tires containing silica provide a solution to this trade-off. Combining silica with rubber is difficult, as processing is complex and costly. In 1998, Yokohama announced its successful development of silica surface-treated carbon black, a production method that makes it possible to chemically combine silica on carbon surfaces before compounding with rubber. This technology substantially improves the compounding process, requiring less silica than conventional methods while delivering high performance, which in turn helps keep down production costs. Furthermore, tires made with this compounded rubber help lower vehicle fuel consumption while improving grip. Because the relative strength of the compound is higher than that of conventional rubber, anti-abrasion features are also improved. In fiscal 2000, Yokohama employed this technology in its new DNA GRANDPRIX high-performance sports tires, which offer enhanced fuel consumption efficiency.

MICRO BALLOON-CONTAINED RUBBER TO ENHANCE DRIVING PERFORMANCE ON ICY-SURFACE ROADS

In 1998, Yokohama developed micro-balloon-contained rubber, a new compound that substantially improves studless tire grip on icy-surface roads. This new compound contains bubbles covered by resin shells of about 100 μ m in diameter. When the material comes into contact with icy-surface roads, the bubbles break, forming cavities that absorb the film of water that often causes slippage. This water is expelled via the rotation of the tire. We applied this material in our new GUARDEX K2 F720 studless tire to achieve an improvement in braking performance of approximately 15% from conventional products.

YOKOHAMA ADVANCED LINER REDUCES TIRE WEIGHT

A rubber sheet of about 1mm in thickness is attached to the inside of passenger car tires to prevent air leakage. This inner liner accounts for about 10% of the weight of standard tires. The Yokohama Advanced Liner (YAL), which is currently under development, features approximately 10 times the air impermeability of conventional liners and is superior in terms of strength, flexibility and heat proofing. Because the same effects are available at one-tenth the standard thickness, the YAL will make it possible to reduce tire weight by approximately 9%. Reducing tire weight helps improve driving performance and lower fuel consumption.

RUN-FLAT TIRES ENHANCE DRIVING SAFETY

The run-flat tire has proven popular as a next-generation tire that can continue to roll for a certain distance even when flat. Yokohama is developing a run-flat tire that remains attached to the wheel when the tire goes flat by reinforcing the sidewalls of the tire. Because thick rubber supports the sides of the tire, finding a way to reduce the weight of this portion is crucial. Yokohama Rubber uses a special rubber that reinforces the sidewalls but has only about half the thickness of conventional rubber. Utilizing compounding technologies developed over many years, we developed a new technology that enables us to adhere this special rubber to tire rubber. In addition, we are developing a new device that can sense air leakage and warn the driver about losses of tire air pressure.

ENVIRONMENTAL PROTECTION

ISO 14001 CERTIFICATION AT DOMESTIC PLANTS

During fiscal 2000, Yokohama's Shinshiro, Ibaraki and Onomichi plants, and its Hiratsuka Factory obtained certification under the ISO 14001 international environmental management standard. Following in the footsteps of the Mishima Plant, which obtained this certification in July 1998, all five domestic plants and the Hiratsuka Factory have obtained certification in approximately one year.

IMPLEMENTATION OF COGENERATION

In June 1999, a cogeneration power system commenced operation at the Hiratsuka Factory as part of Yokohama's environmental action plan. This highly efficient power generation system reuses waste heat from the facility, making it possible to double energy efficiency. We plan to reduce our annual CO₂ emissions by 3% using this system.

ONE-MAKE TIRES SUPPLIED FOR U.S. ELECTRIC VEHICLE RACE

The Americas Electric Challenge is a series of races sponsored by Electric Vehicle Technology Competitions, Ltd., of the United States. To show its support of the spirit of these events in terms of promoting the joy of driving and enhancing environmental preservation, Yokohama once again became the exclusive provider of tires for the ABB University Spec Series, which is held as part of the Americas Electric Challenge series.

FINANCIAL SECTION

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Financial Review

OPERATING RESULTS

Sales

Although new revenue sources were added to the Yokohama Group following an increase in the number of consolidated subsidiaries, consolidated net sales fell 2.2% from fiscal 1999, to ¥392,193 million. The primary factors in this result were the stagnant Japanese economy and a drop in foreign currency-denominated sales resulting from the appreciation of the yen.

Cost of Sales, and Selling, General and Administrative Expenses

Cost of sales declined 5.9%, to ¥264,626 million, owing to lower materials and conversion costs. Selling, general and administrative costs rose 4.2%, to ¥108,524 million, mainly because of the aforementioned increase in the number of consolidated subsidiaries.

Operating Income

Despite the decrease in sales, operating income expanded 20.5%, to ¥19,043 million, thanks to a drop in the cost of sales and a reformation of our selling and administrative expense structure.

Net Income

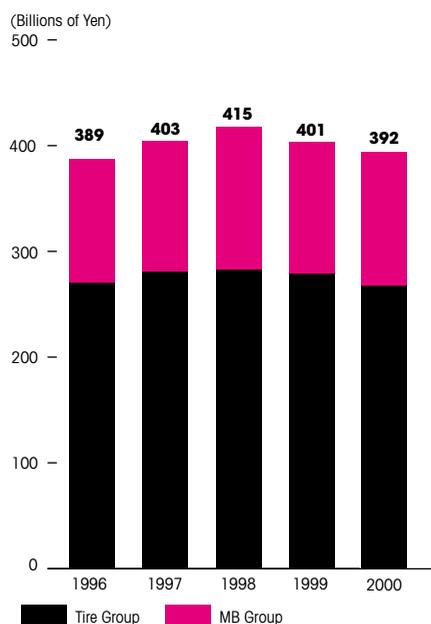
A consolidated net loss of ¥9 billion was recorded for fiscal 2000, owing to a one-time write-off of prior service costs for pension plan totaling ¥23.2 billion.

SEGMENT INFORMATION

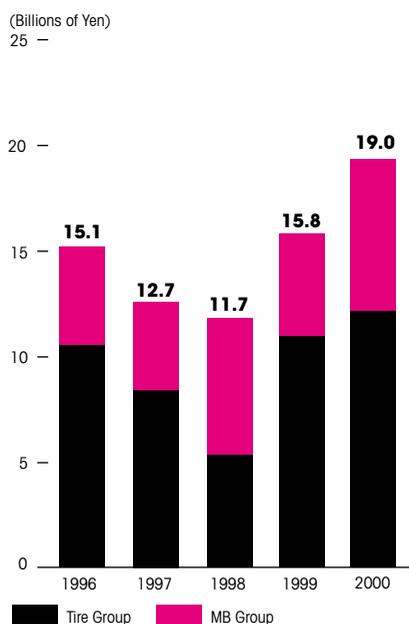
Business Groups

Sales in the Tire Group fell 2.4%, to ¥273,088 million, owing to the stagnant economy in Japan and a decrease in foreign currency-denominated sales resulting from the yen's appreciation. However, thanks to improved earnings at YTC and other overseas subsidiaries, operating income rose 6.6%, to ¥12,283 million.

Sales by Group



Operating Income by Group



Sales in the Multiple Business Group declined 1.7%, to ¥119,105 million, again mainly because of the stagnant Japanese economy. However, Yokohama and its domestic industrial product subsidiaries (Yokohama Hydrex and industrial products sales companies) implemented cost reduction plans that pushed up operating profit 55.4%, to ¥6,797 million.

Regions

Although the number of consolidated subsidiaries expanded in Japan, the negative influence of the stagnant economy was substantial, and sales slipped 0.1%, to ¥316,695 million. Nevertheless, the group's operating income improved, increasing 12.6%, to ¥15,357 million.

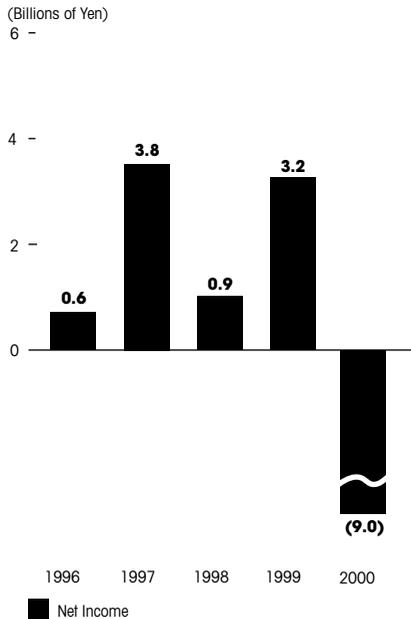
Sales in North America declined 10.6%, to ¥65,549 million, because of the appreciation of the yen. However, improved earnings at YTC sustained a 68.2% growth in operating profit, to ¥2,149 million.

Sales in other areas dropped 7.4%, to ¥9,949 million as the strong yen pushed down exports. However, Yokohama Reifen GmbH, a European subsidiary, and Yokohama Rubber Philippines saw substantially higher profits, and this contributed to a 53.5% year-on-year increase in operating income, to ¥697 million.

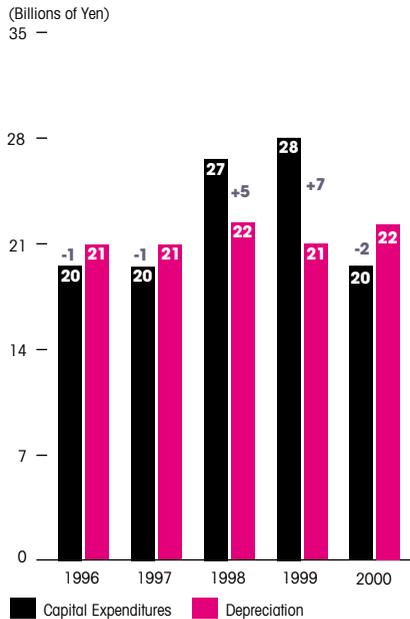
CAPITAL EXPENDITURES AND DEPRECIATION

Facility expenditures decreased 30.9%, to ¥19.5 billion, while depreciation expanded 3.8%, to ¥21.9 billion. This former expenditure included ¥15.6 billion to the Tire Group to release new products, such as passenger car radial tires, to rationalize the Yokohama facility used to produce tires for trucks and buses, and to expand production. The Multiple Business Group spent ¥3.7 billion to improve and rationalize its production facility for sealants, rubber supports for bridges and components for private aircraft. In addition, ¥200 million was spent on other facility investments. Yokohama forecasts that capital expenditures in fiscal 2001 will reach ¥20.1 billion, and that depreciation will total ¥21.8 billion.

Net Income



Capital Expenditures and Depreciation



FINANCIAL POSITION AND CASH FLOWS

Assets

Total assets contracted ¥6,530 million, to ¥425,927 million. Current assets fell ¥8,714 million, to ¥215,923 million, owing to a decrease in commercial paper, reduced inventories and a drop in trade receivables. Property, plant and equipment decreased ¥6,672 million, to ¥157,068 million. On the other hand, deferred income taxes expanded ¥10,648 million, to ¥10,742 million, owing to the use of tax effect accounting, and investments and other assets grew ¥6,841 million, to ¥43,711 million.

Liabilities and Shareholders' Equity

Total current and long-term liabilities rose ¥4,302 million, to ¥329,089 million. Whereas interest-bearing debt, such as commercial paper, fell ¥16,315 million, ¥23.2 billion in prior service costs for pension plan were written off and booked as liabilities for severance benefits. Total shareholders' equity fell ¥11,241 million, to ¥94,743 million.

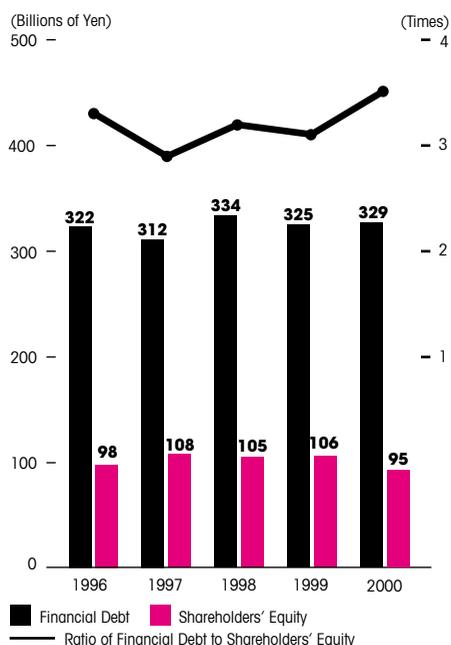
CASH FLOWS

Net cash provided by operating activities amounted to ¥32,120 million. Net cash used in investing activities totaled ¥16,524 million, while cash used for financing purposes came to ¥18,505 million. As a result, cash and cash equivalents at fiscal year-end fell ¥3,393 million, to ¥25,617 million.

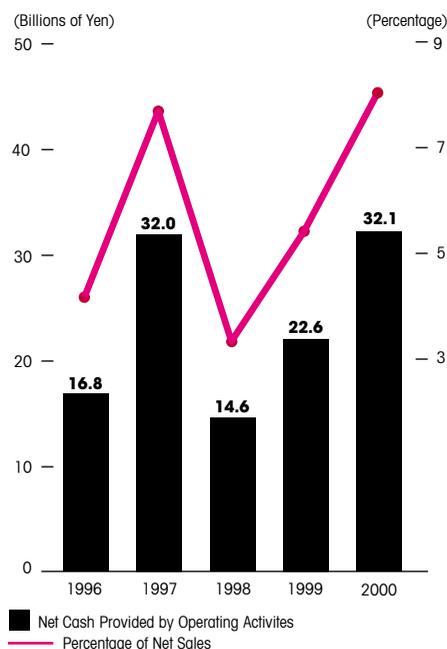
FORECAST FOR FISCAL 2001

Yokohama estimates that its sales in fiscal 2000 will slip 1.8%, to ¥385 billion, while operating profit is forecast to decline 2.9%, to ¥18.5 billion. However, the Company anticipates a ¥13 billion increase in net income, bringing it back into the black at ¥4 billion.

Financial Debt, Shareholders' Equity and Ratio of Financial Debt to Shareholders' Equity



Net Cash Provided by Operating Activities and Percentage of Net Sales



Five-Year Summary

FISCAL YEARS ENDED MARCH 31

	MILLIONS OF YEN				
	2000	1999	1998	1997	1996
Net Sales	¥392,193	¥401,183	¥415,397	¥402,652	¥389,304
Operating Income	19,043	15,809	11,668	12,681	15,136
Income (Loss) before Income Taxes	(13,692)	7,731	5,685	13,808	6,054
Net Income (Loss)	(9,009)	3,233	873	3,753	563
Depreciation	21,922	21,141	21,566	21,167	21,146
Capital Expenditures	19,470	28,216	27,229	20,316	20,038
R&D Expenditures	11,626	13,300	13,800	13,900	—
Interest-Bearing Debt	198,930	215,245	209,132	188,428	203,120
Shareholders' Equity	94,743	105,984	105,478	108,306	97,907
Total Assets	425,927	432,457	440,420	420,939	423,749
Per Share (Yen):					
Net Income (Loss): Basic	¥ (26.30)	¥ 9.44	¥ 2.55	¥ 11.44	¥ 1.77
Cash Dividends	6.00	6.00	8.00	8.00	8.00
Share Price (Yen):					
High	¥ 363	¥ 351	¥ 563	¥ 707	¥ 678
Low	197	255	290	475	439
Fiscal Year-End	287	314	319	504	665
Common Stock Issued	342,598,162	342,598,162	342,598,162	342,598,162	323,642,673
Number of Employees	13,764	12,107	12,325	12,267	12,743

Note: R&D Expenditures of 2000 are calculated based on new accounting standards. Please refer to note 1 for changes in the accounting standards.

Consolidated Balance Sheets

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
AS OF MARCH 31, 2000 AND 1999

ASSETS	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2000	1999	2000
Current Assets:			
Cash and cash equivalents	¥ 25,617	¥ 26,463	\$ 241,328
Time deposits	707	1,597	6,660
Marketable securities (Notes 4 and 11)	24,909	24,712	234,659
Trade receivables:			
Notes and accounts (Notes 4 and 6)	99,563	106,426	937,946
Allowance for doubtful receivables	(2,550)	(5,480)	(24,023)
Inventories (Note 3)	56,657	58,483	533,745
Deferred income taxes	5,745	4,009	54,122
Other current assets	5,275	8,427	49,694
Total current assets	215,923	224,637	2,034,131
Property, Plant and Equipment, at Cost (Notes 4 and 5):			
Land	30,814	30,399	290,287
Buildings and structures	107,075	105,929	1,008,714
Machinery and equipment	314,052	316,159	2,958,568
Construction in progress	6,907	8,379	65,068
	458,848	460,866	4,322,637
Less accumulated depreciation	(301,780)	(297,126)	(2,842,958)
Total property, plant and equipment, net	157,068	163,740	1,479,679
Investments and Other Assets:			
Investment securities (Note 11)	5,398	6,987	50,853
Long-term loans receivable	2,060	3,617	19,407
Deferred income taxes (Note 13)	10,742	94	101,196
Other investments and other assets	25,992	26,687	244,861
Allowance for doubtful receivables	(481)	(515)	(4,531)
Total investments and other assets	43,711	36,870	411,786
Foreign currency translation adjustments	9,225	7,210	86,905
Total assets	¥ 425,927	¥ 432,457	\$ 4,012,501

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2000	1999	2000
Current Liabilities:			
Bank loans	¥118,438	¥115,734	\$1,115,761
Current maturities of long-term debt (Note 4)	10,076	7,705	94,922
Commercial paper	8,000	23,000	75,365
Trade notes and accounts payable	60,195	62,152	567,074
Accrued income taxes	2,886	1,580	27,188
Accrued expenses	18,007	17,706	169,637
Other current liabilities	10,609	13,125	99,944
Total current liabilities	228,211	241,002	2,149,891
Long-Term Liabilities:			
Long-term debt (Note 4)	62,417	68,808	588,007
Other long-term liabilities	5,562	4,846	52,398
Liabilities for severance benefits	32,899	10,131	309,929
Total long-term liabilities	100,878	83,785	950,334
Minority Interests	2,095	1,686	19,737
Contingent liabilities (Note 6)			
Shareholders' Equity:			
Common stock:			
Authorized: 480,000,000 shares			
Issued: 342,598,162 shares	38,909	38,909	366,548
Capital surplus	31,893	31,893	300,452
Retained earnings (Note 8)	23,941	35,182	225,539
	94,743	105,984	892,539
Treasury stock, at cost	(0)	(0)	(0)
Total shareholders' equity	94,743	105,984	892,539
Total liabilities, minority interests and shareholders' equity	¥425,927	¥432,457	\$4,012,501

Consolidated Statements of Operations

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2000, 1999, AND 1998

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2000	1999	1998	2000
Net sales	¥ 392,193	¥401,183	¥415,397	\$3,694,705
Cost of sales	264,626	281,245	298,551	2,492,944
	127,567	119,938	116,846	1,201,761
Selling, general and administrative expenses	108,524	104,129	105,178	1,022,364
Operating income	19,043	15,809	11,668	179,397
Other income (expenses)				
Interest and dividends income	915	1,156	1,145	8,620
Interest expense	(5,444)	(6,260)	(5,533)	(51,286)
Amortization of prior service cost for pension plan	(23,168)	—	—	(218,257)
Other—net	(5,038)	(2,974)	(1,595)	(47,461)
	(32,735)	(8,078)	(5,983)	(308,384)
Income (loss) before income taxes	(13,692)	7,731	5,685	(128,987)
Income taxes (Note 2):				
Current	4,655	3,954	5,945	43,853
Deferred	(9,434)	504	(1,111)	(88,874)
	(4,779)	4,458	4,834	(45,021)
Minority interests in net income of consolidated subsidiaries	(96)	(40)	22	(904)
Net income (loss)	¥ (9,009)	¥ 3,233	¥ 873	\$ (84,870)
Per share amounts:		YEN		U.S. DOLLARS (NOTE 1)
Net income (loss): Basic	¥ (26.30)	¥ 9.44	¥ 2.55	\$ (0.25)
Net income: Diluted	—	—	—	—
Cash dividends	¥ 6.00	¥ 6.00	¥ 8.00	\$ 0.06

Consolidated Statements of Shareholders' Equity

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2000, 1999, 1998 AND 1997

	SHARES OF COMMON STOCK	MILLIONS OF YEN		
		COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS
Balance at March 31, 1997	342,598,162	¥38,909	¥31,893	¥37,504
Decrease resulting from changes in equity in consolidated subsidiaries	—	—	—	(885)
Net income	—	—	—	873
Cash dividends paid	—	—	—	(2,741)
Directors' and statutory auditors' bonuses	—	—	—	(75)
Balance at March 31, 1998	342,598,162	38,909	31,893	34,676
Increase in retained earnings due to addition of consolidated subsidiaries	—	—	—	73
Net income	—	—	—	3,233
Cash dividends paid	—	—	—	(2,740)
Directors' and statutory auditors' bonuses	—	—	—	(60)
Balance at March 31, 1999	342,598,162	38,909	31,893	35,182
Prior year's adjustment for deferred taxes				1,262
Decrease in retained earnings due to addition to consolidated subsidiaries	—	—	—	(1,439)
Net loss	—	—	—	(9,009)
Cash dividends paid	—	—	—	(2,055)
Balance at March 31, 2000	342,598,162	¥38,909	¥31,893	¥23,941

	THOUSANDS OF U.S. DOLLARS (NOTE 1)		
	COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS
Balance at March 31, 1999	\$366,547	\$300,452	\$331,437
Prior year's adjustment for deferred taxes			11,888
Decrease in retained earnings due to addition to consolidated subsidiaries	—	—	(13,556)
Net loss	—	—	(84,870)
Cash dividends paid	—	—	(19,360)
Balance at March 31, 2000	\$366,547	\$300,452	\$225,539

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, 2000, 1999, AND 1998

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2000	1999	1998	2000
Operating Activities:				
Income (loss) before income taxes	¥ (13,692)	¥ 7,730	¥ 4,693	\$ (128,987)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation	21,922	21,141	21,566	206,519
Provision for severance benefits, less payments	(463)	(1,587)	(328)	(4,362)
Amortization of prior service cost for pension plan	23,168	—	—	218,257
Other, net	7,318	8,281	4,225	68,940
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	4,265	6,702	2,507	40,179
Inventories	559	5,430	(3,898)	5,266
Notes and accounts payable	(4,101)	(9,578)	3,491	(38,634)
Other, net	1,168	(5,413)	(3,817)	11,003
Interest and dividends received	918	1,156	1,103	8,648
Interest paid	(5,458)	(6,260)	(5,533)	(51,417)
Income taxes paid	(3,484)	(5,039)	(9,384)	(32,821)
Net cash provided by operating activities	32,120	22,563	14,625	302,591
Investing Activities:				
Additions to property, plant and equipment	(20,243)	(28,199)	(27,060)	(190,702)
Increase in marketable securities and investments	(705)	(1,391)	(553)	(6,6429)
Proceeds from sales of marketable securities, investment securities and properties	4,688	4,425	2,052	44,164
Other, net	(264)	2,240	(4,294)	(2,487)
Net cash used in investing activities	(16,524)	(22,925)	(29,855)	(155,667)
Financing Activities:				
Increase (decrease) in short-term bank loans and current maturities of long-term debt	3,788	(22,042)	(10,893)	35,685
Increase (decrease) in commercial paper	(15,000)	12,500	7,500	(141,309)
Proceeds from long-term debt	3,576	20,121	33,644	33,688
Decrease in long-term debt	(8,861)	(9,097)	(10,205)	(83,476)
Payment of cash dividends	(2,054)	(2,740)	(2,741)	(19,350)
Net cash provided by (used in) financing activities	(18,551)	(1,258)	17,305	(170,762)
Effect of exchange rate change on cash and cash equivalents	(438)	—	—	(4,126)
Increase (decrease) in cash and cash equivalents	(3,393)	(1,620)	2,075	(31,964)
Cash and cash equivalents at beginning of year (Note 9)	26,463	23,462	21,387	249,298
Increase in cash and cash equivalents due to addition to consolidated subsidiaries	2,547	—	—	23,994
Cash and cash equivalents at end of year (Note 9)	¥ 25,617	¥ 21,842	¥ 23,462	\$ 241,328

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

THE YOKOHAMA RUBBER CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

The Yokohama Rubber Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation and research and development costs in the preparation of their consolidated financial statements for the year ended March 31, 2000.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in order to present these statements in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include additional information which is not required under accounting principles and practices generally accepted in Japan.

Certain reclassifications have been made in 1999 and 1998 consolidated financial statements to conform to the classifications used in 2000.

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 ¥106.15=U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2000.

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”). Investments in unconsolidated subsidiaries and associated companies (companies owned 20% to 50%) are accounted for by the equity method of accounting.

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

(2) Foreign Currency Translation

Current foreign currency receivables and payables are translated at the year-end rates, and non-current receivables and payables at historical rates.

(3) Cash Equivalents

For purposes of the consolidated statements of cash flow, highly liquid investments with a maturity of three months or less are considered cash equivalents in 2000, and time deposits were considered cash equivalents in both 1999 and 1998.

(4) Marketable Securities and Investment Securities

Marketable securities are carried at the lower of cost or market and investment securities are carried at cost. Costs are determined by the moving average method.

(5) 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.

(6) The Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided at an estimated amount of probable bad debts plus the maximum amount which is deductible under the Japanese income tax law.

(7) 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.

(8) Liabilities 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 Companies generally provide for this liability at 40% of the amount which would be required to be paid if all employees voluntarily terminated their service at the balance sheet date.

The Company and certain consolidated subsidiaries have non-contributory pension plans for their termination caused by age limit.

For the year ended March 31, 2000, the Company changed its method of accounting for a pension plan from the method under which contribution to the plan assets are expensed on a cash basis to the method under which prior service cost is recognized on an accrual basis in order to allocate the pension costs more appropriately and reflect the financial conditions more appropriately.

As a result of this change, loss before income taxes for the year ended March 31, 2000 increased by ¥23,168 million (\$218,257 thousand) .

The liabilities for severance benefits also include provisions for retirement payments for directors and statutory auditors determined according to the Company's internal rules.

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."

(9) 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.

(10) Revenue Recognition

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

(11) Research and Development Costs

Research and development costs are charged to income as incurred.

(12) Earnings per Share

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

(13) Leases

Finance leases, other than those lease agreements which stipulate the transfer of ownership of the leased property, are accounted for as operating leases.

3. INVENTORIES

Inventories at March 31, 2000 and 1999 consisted of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
Finished products	¥ 43,789	¥ 43,351	\$ 412,520
Work-in-process	5,876	7,453	55,356
Raw materials and supplies	6,992	7,679	65,869
	¥ 56,657	¥ 58,483	\$ 533,745

4. LONG-TERM DEBT

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
2.65% straight bonds due 2004	¥ 10,000	¥ 10,000	\$ 94,206
2.175% straight bonds due 2002	10,000	10,000	94,206
2.2% straight bonds due 2003	10,000	10,000	94,206
Loans, principally from banks and insurance companies	42,493	46,513	400,311
	72,493	76,513	682,929
Less current maturities	10,076	7,705	94,922
	¥ 62,417	¥ 68,808	\$ 588,007

Assets pledged to secure bank loans and long-term debt at March 31, 2000 and 1999 were as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
Marketable securities	¥ 331	¥ 6,816	\$ 3,118
Notes receivable	1,464	458	13,792
Property, plant and equipment	93,886	92,638	884,465
	¥ 95,681	¥ 99,912	\$ 901,375

5. DEPRECIATION

Depreciation charges were as follows:

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS
	2000	1999	1998	2000
Selling, general and administrative expenses	¥ 2,716	¥ 1,945	¥ 2,342	\$ 25,586
Manufacturing costs	¥ 19,206	¥ 19,196	¥ 19,224	\$ 180,933

6. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2000 and 1999 were as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
Notes discounted and endorsed	¥ 2,517	¥ 2,099	\$ 23,712
Guarantees	¥ 1,799	¥ 1,693	\$ 16,948

7. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to manufacturing costs and selling, general and administrative expenses for the year ended March 31, 2000 were ¥11,626 million (U.S.\$109,524 thousand).

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, a semiannual interim dividends may be made by resolution of the Board of Directors, subject to the limitations imposed by the Commercial Code.

On June 29, 2000, the shareholders approved payment of a cash dividend to shareholders of record on March 31, 2000 of ¥3.00 (U.S.\$0.03) per share, or a total of ¥1,027 million (U.S.\$9,675 thousand).

9. CASH EQUIVALENTS

Reconciliations of cash and cash equivalents at end of year 1999 to cash and cash equivalents at beginning of year 2000 were as follows:

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
Cash and cash equivalents at end of year 1999	¥21,842	\$ 205,765
Time deposits with a maturity of over three months	(1,598)	(15,054)
Investments in short-term, highly liquid securities	721	6,792
Commercial paper	5,498	51,795
Cash and cash equivalents at beginning of year 2000	¥26,463	\$249,198

10. LEASES

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

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
Acquisition costs	¥6,419	¥6,002	\$ 60,471
Accumulated depreciation	3,587	2,998	33,792
Net book value	¥2,832	¥3,004	\$ 26,679

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

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
Within one year	¥1,255	¥1,205	\$ 11,823
After one year	1,577	1,799	14,856
	¥2,832	¥3,004	\$ 26,679

Lease expenses under finance leases for the years ended March 31, 2000 and 1999 aggregated approximately ¥1,386 million (U.S.\$13,057 thousand) and ¥1,263 million, respectively.

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

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2000	1999	2000
Within one year	¥1,423	¥1,281	\$13,406
After one year	5,625	6,467	52,991
	¥7,048	¥7,748	\$66,397

11. MARKET VALUE INFORMATION OF SECURITIES

Market value information of certain securities at March 31, 2000 was as follows:

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS		
	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS
Current assets:						
Stocks	¥ 24,909	¥ 80,670	¥ 55,761	\$234,658	\$759,962	\$525,304
Non-current assets:						
Stocks	619	7,054	6,435	5,831	66,453	60,622
	¥ 25,528	¥ 87,724	¥ 62,196	\$240,489	\$826,415	\$585,926

12. FAIR VALUE INFORMATION OF DERIVATIVE INSTRUMENTS

Fair value information of derivative instruments at March 31, 2000 was as follows:

	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS		
	CONTRACT AMOUNTS	FAIR VALUE	UNREALIZED GAINS (LOSSES)	CONTRACT AMOUNTS	FAIR VALUE	UNREALIZED GAINS (LOSSES)
Forward exchange contracts:						
U.S. dollar	¥ 68	¥ 68	¥ 0	\$ 640	\$ 640	\$ 0
Singapore dollar	61	61	0	575	575	0
	¥ 129	¥ 129	¥ 0	\$ 1,215	\$ 1,215	\$ 0
	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS		
	NATIONAL AMOUNT	FAIR VALUE	UNREALIZED GAINS (LOSSES)	NATIONAL AMOUNT	FAIR VALUE	UNREALIZED GAINS (LOSSES)
Interest rate swap agreements	¥ 7,529	¥(7)	¥(7)	\$ 70,928	\$(66)	\$(66)
Interest rate option (cap) contracts written	2,144	4	4	20,198	38	38
	—	¥(3)	¥(3)	—	\$(28)	\$(28)

13. DEFERRED INCOME TAXES

1. Significant components of the deferred income tax assets and liabilities at March 31, 2000 were as follows:

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
Deferred tax assets:		
Amortization of prior service cost for pension plan	¥ 9,643	\$ 90,843
Net operating loss carryforwards	6,741	63,504
Unrealized profits	4,819	45,398
Liabilities for severance benefits	1,217	11,465
Accrued expenses	748	7,047
Other	1,331	12,539
Total deferred tax assets	24,499	230,796
Less valuation allowance	(6,747)	(63,561)
Net deferred tax assets	17,752	167,235
Deferred tax liabilities:		
Property, plant and equipment	1,336	12,586
Other	1,115	10,504
Total deferred tax liabilities	2,451	23,090
Net deferred tax assets	¥ 15,301	\$ 144,145

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

Normal income tax rate in Japan	41.6%
Permanently nondeductible expenses	4.9
Permanently nontaxable income	(1.2)
Other	3.0
Effective income tax rate	34.9%

14. SEGMENT INFORMATION

The business and geographical segment information for the Companies for the years ended March 31, 2000, 1999 and 1998 is outlined as follows:

Business Segments

	MILLIONS OF YEN				
	TIRES	MULTIPLE BUSINESS	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
Year ended March 31, 2000					
Sales to third parties	¥ 273,088	¥ 119,105	¥ 392,193	¥ —	¥ 392,193
Intergroup sales and transfers	120	8,060	8,180	¥ (8,180)	—
Total sales	273,208	127,165	400,373	(8,180)	392,193
Operating expenses	260,925	120,368	381,293	(8,143)	373,150
Operating income	¥ 12,283	¥ 6,797	¥ 19,080	¥ (37)	¥ 19,043
Total assets at end of year	¥ 277,223	¥ 103,919	¥ 381,142	¥ 44,785	¥ 425,927
Depreciation	¥ 17,592	¥ 4,124	¥ 21,716	¥ 206	¥ 21,922
Capital expenditures	¥ 15,573	¥ 3,660	¥ 19,233	¥ 237	¥ 19,470

MILLIONS OF YEN

	TIRES	MULTIPLE BUSINESS	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
Year ended March 31, 1999					
Sales to third parties	¥ 280,007	¥ 121,176	¥ 401,183	¥ —	¥ 401,183
Intergroup sales and transfers	117	7,916	8,033	(8,033)	—
Total sales	280,124	129,092	409,216	(8,033)	401,183
Operating expenses	268,598	124,717	393,315	(7,941)	385,374
Operating income	¥ 11,526	¥ 4,375	¥ 15,901	¥ (92)	¥ 15,809
Total assets at end of year	¥ 286,952	¥ 107,383	¥ 394,335	¥ 38,122	¥ 432,457
Depreciation	¥ 16,867	¥ 4,046	¥ 20,913	¥ 228	¥ 21,141
Capital expenditures	¥ 22,601	¥ 4,555	¥ 27,156	¥ 1,060	¥ 28,216

Year ended March 31, 1998

Sales to third parties	¥ 286,000	¥ 129,397	¥ 415,397	¥ —	¥ 415,397
Intergroup sales and transfers	126	8,900	9,026	(9,026)	—
Total sales	286,126	138,297	424,423	(9,026)	415,397
Operating expenses	280,892	132,757	413,649	(9,920)	403,729
Operating income	¥ 5,234	¥ 5,540	¥ 10,774	¥ 894	¥ 11,668
Total assets at end of year	¥ 292,743	¥ 114,428	¥ 407,171	¥ 33,249	¥ 440,420
Depreciation	¥ 17,314	¥ 4,009	¥ 21,323	¥ 243	¥ 21,566
Capital expenditures	¥ 19,569	¥ 6,465	¥ 26,034	¥ 1,195	¥ 27,229

THOUSANDS OF U.S. DOLLARS

	TIRES	MULTIPLE BUSINESS	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
Year ended March 31, 2000					
Sales to third parties	\$ 2,572,661	\$ 1,122,044	\$ 3,694,705	\$ —	\$ 3,694,705
Intergroup sales and transfers	1,130	75,930	77,060	(77,060)	—
Total sales	2,573,791	1,197,974	3,771,765	(77,060)	3,694,705
Operating expenses	2,458,078	1,133,942	3,592,020	(76,712)	3,515,308
Operating income	\$ 115,713	\$ 64,032	\$ 179,745	\$ (348)	\$ 179,397
Total assets at end of year	\$ 2,611,616	\$ 978,982	\$ 3,590,598	\$ 421,903	\$ 4,012,501
Depreciation	\$ 165,728	\$ 38,851	\$ 204,579	\$ 1,940	\$ 206,519
Capital expenditures	\$ 146,707	\$ 34,480	\$ 181,187	\$ 2,233	\$ 183,420

Geographical Areas	MILLIONS OF YEN					
	JAPAN	NORTH AMERICA	OTHER	TOTAL	ELIMINATIONS AND CORPORATE	CONSOLIDATED
	Year ended March 31, 2000					
Sales to third parties	¥316,695	¥ 65,549	¥ 9,949	¥392,193	¥ —	¥392,193
Intergroup sales and transfers	23,967	673	3,175	27,815	(27,815)	—
Total sales	340,662	66,222	13,124	420,008	(27,815)	392,193
Operating expenses	325,304	64,072	12,427	401,803	(28,653)	373,150
Operating income	¥ 15,358	¥ 2,150	¥ 697	¥ 18,205	¥ 838	¥ 19,043
Total assets at end of year	¥358,850	¥ 57,709	¥ 12,611	¥429,170	¥ (3,243)	¥425,927
	Year ended March 31, 1999					
Sales to third parties	¥317,115	¥ 73,322	¥ 10,746	¥401,183	—	¥401,183
Intergroup sales and transfers	25,878	3,225	2,480	31,583	¥ (31,583)	—
Total sales	342,993	76,547	13,226	432,766	(31,583)	401,183
Operating expenses	329,350	75,269	12,772	417,391	(32,017)	385,374
Operating income	¥ 13,643	¥ 1,278	¥ 454	¥ 15,375	¥ 434	¥ 15,809
Total assets at end of year	¥365,836	¥ 62,665	¥ 15,595	¥444,096	¥ (11,639)	¥432,457
	Year ended March 31, 1998					
Sales to third parties	¥339,882	¥ 64,966	¥ 10,549	¥415,397	—	¥415,397
Intergroup sales and transfers	22,436	2,818	—	25,254	¥(25,254)	—
Total sales	362,318	67,784	10,549	440,651	(25,254)	415,397
Operating expenses	350,448	68,189	10,416	429,053	(25,324)	403,729
Operating income (loss)	¥ 11,870	¥ (405)	¥ 133	¥ 11,598	¥ 70	¥ 11,668
Total assets at end of year	¥372,874	¥ 68,628	¥ 7,808	¥449,310	¥ (8,890)	¥440,420

Geographical Areas	THOUSANDS OF U.S. DOLLARS					
	JAPAN	NORTH AMERICA	OTHER	TOTAL	ELIMINATIONS	CONSOLIDATED
	Year ended March 31, 2000					
Sales to third parties	\$2,983,467	\$ 617,513	\$ 93,725	\$3,694,705	—	\$3,694,705
Intergroup sales and transfers	225,784	6,340	29,911	262,035	\$(262,035)	—
Total sales	3,209,251	623,853	123,636	3,956,740	(262,035)	3,694,705
Operating expenses	3,064,569	603,599	117,070	3,785,238	(269,930)	3,515,308
Operating income	\$ 144,682	\$ 20,254	\$ 6,566	\$ 171,502	\$ 7,895	\$ 179,397
Total assets at end of year	\$3,380,593	\$ 543,655	\$ 118,804	\$4,043,052	\$ (30,551)	\$4,012,501

Overseas Sales

MILLIONS OF YEN

	NORTH AMERICA	OTHER	TOTAL
Year ended March 31, 2000			
(A) Overseas sales	¥66,673	¥36,228	¥102,901
(B) Net sales			¥392,193
(C) (A)/(B) × 100	17.0%	9.2%	26.2%

Year ended March 31, 1999			
(A) Overseas sales	¥78,604	¥45,657	¥124,261
(B) Net sales			¥401,183
(C) (A)/(B) × 100	19.6%	11.4%	31.0%

Year ended March 31, 1998			
(A) Overseas sales	¥68,101	¥51,253	¥119,354
(B) Net sales			¥415,397
(C) (A)/(B) × 100	16.4%	12.3%	28.7%

THOUSANDS OF U.S. DOLLARS

	NORTH AMERICA	OTHER	TOTAL
Year ended March 31, 2000			
(A) Overseas sales	\$628,102	\$341,291	\$ 969,393
(B) Net sales			\$3,694,705
(C) (A)/(B) × 100	17.0%	9.2%	26.2%

Report of Independent Certified Public Accountants

Century Ota Showa & Co.

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

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

The Board of Directors
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, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2000, expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, expressed in Japanese yen, present fairly the financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis except for the change, with which we concur, in the method of accounting for a pension plan as described in Note 2(8) to the consolidated financial statements.

As described in Note 1 to the consolidated financial statements, The Yokohama Rubber Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation and research and development costs in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 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.

Tokyo, Japan
June 29, 2000

Century Ota Showa & Co.

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

Board of Directors and Corporate Auditors

(AS OF JUNE 29, 2000)

PRESIDENT

Yasuo Tominaga

EXECUTIVE DIRECTORS

Hisao Suzuki

Yoshiro Naitoh

MANAGING DIRECTORS

Kenzo Nakanishi

Kohji Ikawa

Keimei Kiyoura

Seiji Miyashita

DIRECTORS

Kazuo Okamoto

Koji Amano

Takashi Yamashita

Hiroyuki Narukawa

Tadanobu Nagumo

Yuzo Kikuchi

Tetsuya Mizoguchi

Keigo Ueda

Takashi Sugimoto

Toshihiko Shiraki

CORPORATE AUDITORS

Masaaki Kushida

Hajime Iioka

Junnosuke Furukawa

Yuzuru Fujita

Investor Information

(AS OF MARCH 31, 2000)

COMPANY NAME:	The Yokohama Rubber Co., Ltd.
ESTABLISHED:	October 13, 1917
PAID-IN CAPITAL:	¥38,909 million
HEAD OFFICE:	36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
PRODUCTION FACILITIES:	Hiratsuka Factory and Mie, Mishima, Shinshiro, Ibaraki and Onomichi plants
INTERNET ADDRESS:	http://www.yrc.co.jp/
AUTHORIZED NUMBER OF SHARES:	480,000,000
ISSUED NUMBER OF SHARES:	342,598,162 (unchanged from fiscal 1999 year-end)
NUMBER OF SHAREHOLDERS:	23,688 (up 3,240 from fiscal 1999 year-end)
AVERAGE SHARES PER SHAREHOLDER:	14,463
SETTLEMENT DATE:	March 31
GENERAL MEETING OF SHAREHOLDERS:	June
TRANSFER AGENT:	The Chuo Mitsui Trust and Banking Company, Limited 7-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8345, Japan
DATE OF RECORD:	March 31
STOCK EXCHANGE LISTINGS:	Tokyo, Osaka, Nagoya