Annual Report 2002

The Yokohama Rubber Co., Ltd.

Year ended March 31, 2002

YOKOHAMA

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. Since its establishment in 1917, the Company has expanded its business on a global scale, marketing products based on advanced technologies that reflect existing and emerging customer needs in the fields of automobiles, civil engineering, construction, marine engineering, aircraft components, and sports products. The Company has earned a strong global reputation for these operations. By reinforcing its production bases in Japan, the United States, and Asia and its marketing and sales bases around the world, Yokohama is strengthening its international operations to continue earning the trust and confidence of customers around the world.

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Financial Highlights

(For the Years Ended March 31, 2002 and 2001)

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	Percentage change (2002/2001)	2002
Net Sales	¥399,824	¥387,855	3.1%	$3,000,555
Operating Income	22,701	19,845	14.4	170,363
Income before Income Taxes	16,076	7,052		120,644
Net Income	7,363	96		55,256

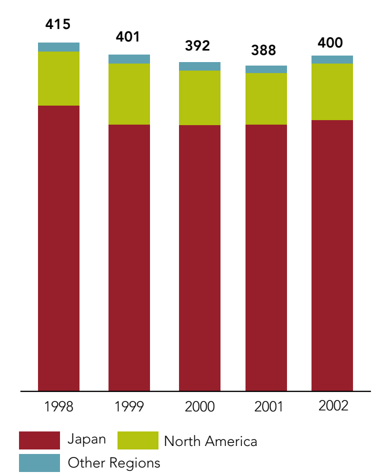
			Change (2002-2001)	
Total Assets	¥437,771	¥448,130	¥(10,359)	$3,285,334
Shareholders' Equity	114,502	112,651	1,851	859,301

	Yen		U.S. Dollars
	2002	2001	2002
Per Share:			
Net Income: Basic	¥ 21.49	¥ 0.28	$ 0.16
Cash Dividends	6.00	—	0.05

Note: Throughout this report, U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥133.25 = US$1, the approximate exchange rate prevailing on March 31, 2002.

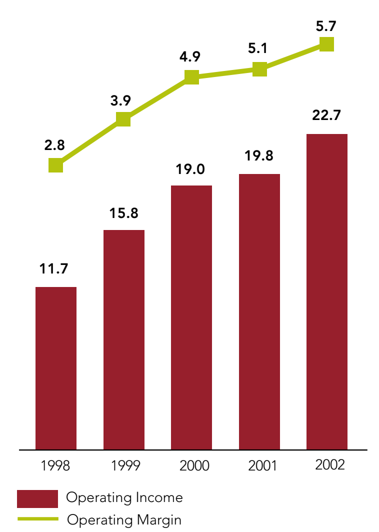
Sales by Region

(Billions of Yen)



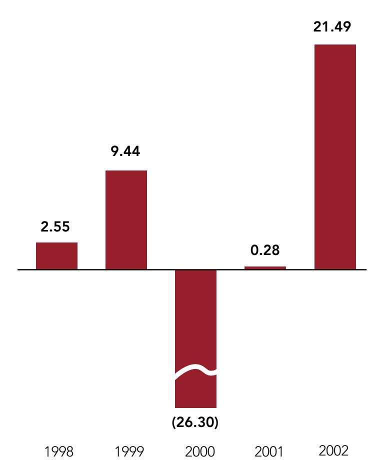
Operating Income and Operating Margin

(Billions of Yen, Percentage)



Net Income (Loss) per Share

(Yen)



TO OUR SHAREHOLDERS

Yasuo Tominaga, President

"Despite the difficulties faced during the year, Yokohama increased its net sales by 3.1% from the previous fiscal year, to ¥399.8 billion, the first advance in four years."

First Net Sales Increase in Four Years and Significant Expansion in Net Income

The time has come again to present and discuss the performance of the Yokohama Rubber Co., Ltd., and its consolidated subsidiaries (the Yokohama Group) in fiscal 2002, ended March 31, 2002. On the global economic stage, it became clear from the second half of the year that growth in the U.S. economy was slowing, while European and Asian markets became noticeably sluggish near the close of the fiscal term. In Japan, consumer spending and private sector capital investment remained weak. These factors created a harsh market environment.

Despite the difficulties faced during the year, Yokohama increased its net sales by 3.1% from the previous fiscal year, to ¥399.8 billion, the first advance in four years. Operating income jumped 14.4%, to ¥22.7 billion. Net income rocketed from ¥96 million, to ¥7.4 billion.

Reorganizing Operations and Reinforcing Corporate Vitality

The primary factors behind our favorable results in fiscal 2002 were active marketing by the Tire Group in Japan, rising exports, cost-cutting and other rationalizations, and the yen's relatively low value against major foreign currencies. We improved our operating structure and corporate foundations under the two-year Action 21 management reform program, implemented in April 1999, which also contributed significantly to our strong performance.

Activities under Action 21 included restructuring our tire operations under four specific global regions and forming marketing and product supply structures closely linked to the needs of each region. In our Multiple Business (MB) Group, we reviewed our operations and allocated resources to high-priority areas. We revitalized our organization by, for example enhancing management efficiency while reducing interest-bearing debt and labor costs. Our higher earnings in fiscal 2002 stemmed from earlier initiatives that included amortizing retirement benefit obligations and also writing off the goodwill of Yokohama Tire Corporation (YTC) in the United States.

Growth, Production Innovations and Globalization

Fiscal 2002 was a transitional period between the Action 21 program and future management plans. We now seek to achieve new levels of prosperity from the financial improvements achieved in the year under review. Three key concepts underline our objectives. They are "Growth," "Production Innovations," and "Globalization."

Growth entails increasing sales by offering the products and services our clients demand. Production innovations go beyond revolutionizing plant processes, also focusing on raising customer satisfaction in everything from technology development and shorter lead times to logistics improvement—thereby strengthening competitiveness. Globalization does not mean following in the footsteps of other Japanese companies with overseas operations. Our approach to the global market is to optimize locations for procurement, production, logistics, and sales.

Laying Diverse Foundations in the Tire and MB Groups

The Yokohama Group has laid diverse foundations under the three key concepts to achieve continuing progress.

Yokohama and Continental AG of Germany concluded a business alliance, and in April 2002 established a joint venture company to support new-car tire marketing to Japanese automakers worldwide. We solidified plans to enter China's high-potential market, where we are constructing a passenger car tire plant, scheduled to open in May 2003. In technology development, we improved our special silica-rubber compound, for which we hold global patents, to bolster our lineup of tires that help reduce fuel consumption. We also stepped up development of a car tire for installation on the world's leading models as part of our efforts to strengthen the Yokohama brand.

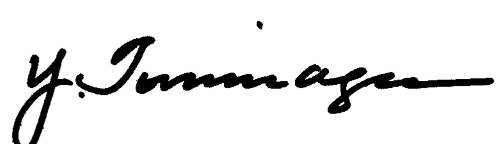
The MB Group established a more clearly defined operating structure focused on the hoses, sealing materials, industrial materials, aircraft components, and golf products businesses. Based on this structure, we are developing new technologies, entering new markets, and globalizing our activities.

Providing World-Class Technologies and Services

Yokohama is formulating a long-term plan in consideration of possible changes in its operating environment over the next decade. The basic aim is to build a strong international presence, providing world-class technologies and services to people everywhere. We will reach that objective in the time allocated, whatever happens to our operating environment. To succeed, we must develop technologies that are the first and best in the world. These technologies must be superior and provide services that are unrivalled for speed and precision. By pursuing distinctive businesses in this fashion, we will increase sales and improve profitability while reducing excess assets, thereby enhancing the Group's capital efficiency.

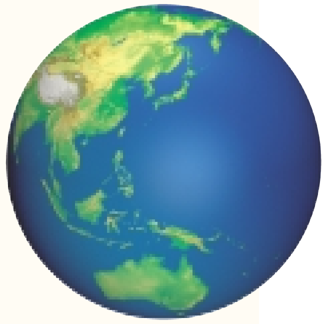
As we strive to meet our targets, I ask for the ongoing understanding and encouragement of our shareholders around the world.

June 2002



Yasuo Tominaga, President

Accelerating

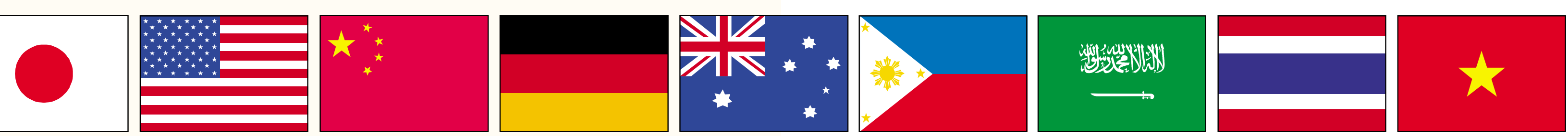
GLBAL

In fiscal 2002, the Yokohama Group formulated and deployed various plans to achieve long-term growth. In addition to starting construction of a tire plant in China, we entered a global alliance with Continental to supply tires to Japanese automakers.

Building New Tire Plant in China

In 2001, Yokohama received approval from the Chinese government to establish a company in Hangzhou, Zhejiang Province, to manufacture and sell radial tires for passenger cars. As a result, we opened Hangzhou Yokohama Tire Co., Ltd., in January 2002. This operation should have an annual production capacity of 750,000 radial tires by May 2003, rising to 1.5 million units by 2006 if demand permits.

The new company's plant will adopt a small-lot production system, and operations will concentrate on high-performance tires. We plan to ensure that quality matches that of tires we make in Japan, but with a lower investment than that required for large facilities. The Yokohama brand enjoys high recognition in China, with the top position in the market for imported radial tires for passenger cars. Hangzhou Yokohama Tire will initially focus on the replacement tire market, but is also eying original equipment (OE) supplies to automakers.



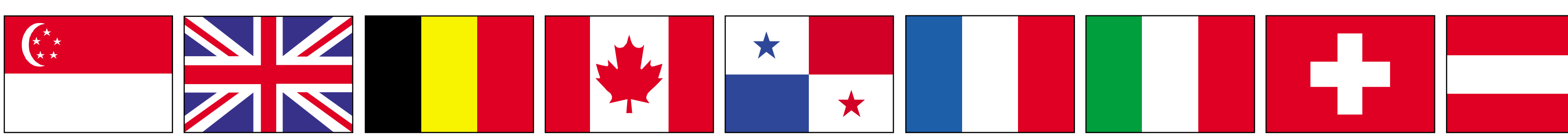
IZATION

Tieup with Continental

In February 2002, we concluded an international alliance with Continental of Germany to realize a global product supply network. The first step in this agreement was in April 2002, with the establishment of Yokohama Continental Tire Co., Ltd. This joint venture supports OE tire marketing to Japanese automakers, and is steadily receiving tire development orders from its clients. In addition, we agreed to support Continental's sales in Japan and exchange technologies to further strengthen the activities of both companies. Yokohama and Continental are now discussing cooperation in North America, where they are considering such issues as uniform specifications, production exchanges, and technological and logistical cooperation.

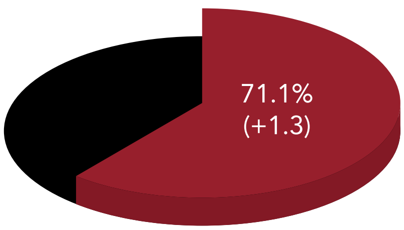
Yokohama Hydex Enters Agreement with Italian Hose Maker

In December 2001, subsidiary Yokohama Hydex Company reached an agreement with Manuli Automotive International S.A. of Italy to develop automobile hoses and metallic fittings under unified specifications. Manuli Automotive International manufactures and markets automobile hoses and metallic fittings for the European market, where it holds the top share. In beginning a partnership with this company, we aim to respond to the trend among automakers to globalize parts procurement.



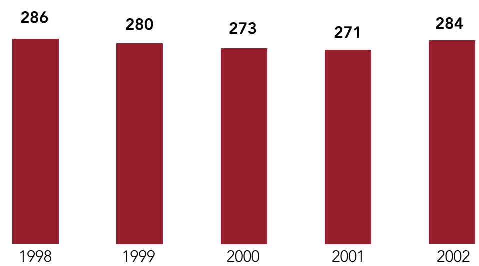
YOKOHAMA GROUP AT A GLANCE

TIRE GROUP



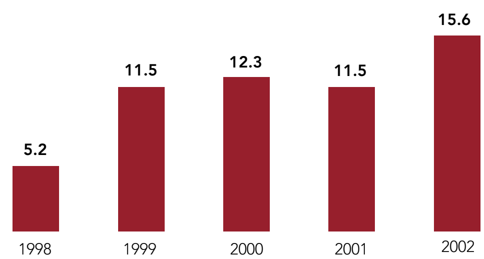
Fiscal 2002 Sales

Percentage of net sales (change from fiscal 2001)



Sales

(Billions of Yen)



Operating Income

(Billions of Yen)

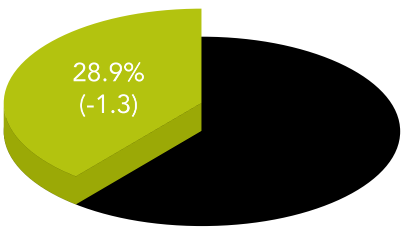
Main Products

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

Manufacturing and Sales Organization

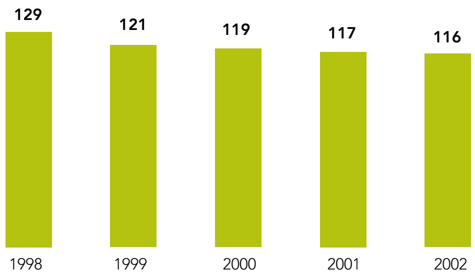
Yokohama manufactures and markets tires in Japan through 175 sales subsidiaries, including Yokohama Tire Tokyo Hanbai Co., Ltd. Overseas, our tires are made and sold in America by YTC, and in Asia by Yokohama Tire Philippines, Inc., and Yokohama Tyre Vietnam Company. In addition, GTY Tire Company, a joint venture with Continental and Toyo Tire & Rubber Co., Ltd., handles a portion of our U.S. manufacturing. In Europe, we maintain two sales subsidiaries and five dealerships, including Yokohama Reifen GmbH in Germany.

M B   G R O U P



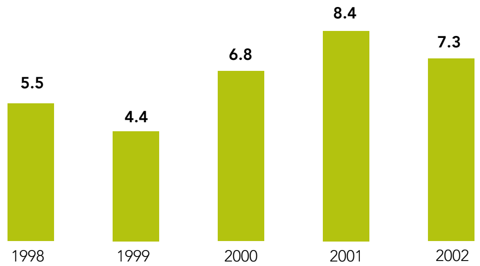
Fiscal 2002 Sales

Percentage of net sales (change from fiscal 2001)



Sales

(Billions of Yen)



Operating Income

(Billions of Yen)

Main Products

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

Manufacturing and Sales Organization

In Japan, we manufacture industrial-use products at Yokohama and Yokohama Hydex. Yokohamagomu Multiple Business East Co., Ltd., Yokohama Hydex and seven other sales subsidiaries market these products. In America, SAS Rubber Company and YH America, Inc., engage in both manufacturing and sales. We make golf products that PRGR Co., Ltd., sells in Japan. We also manufacture aircraft components in Japan for marketing through Yokohama Aerospace America, Inc.

TIRE GROUP

REVIEW OF OPERATIONS

Fiscal 2002 in Review

Tire Group sales rose 5.0%, to ¥284.3 billion, on increased sales of tires, primarily in Japan, North America, and Europe, supported by a weak yen.

RESULTS IN JAPAN

Favorable Sales of Replacement Tires

In Japan, Yokohama increased sales in unit and value terms.

Although automobile production in Japan slipped for the first time in two years, we increased our share of the OE market. However, unrelenting discounting pressure from manufacturers and an increased ratio of small cars in total automobile production led to a drop in OE tire sales in both unit and value terms.

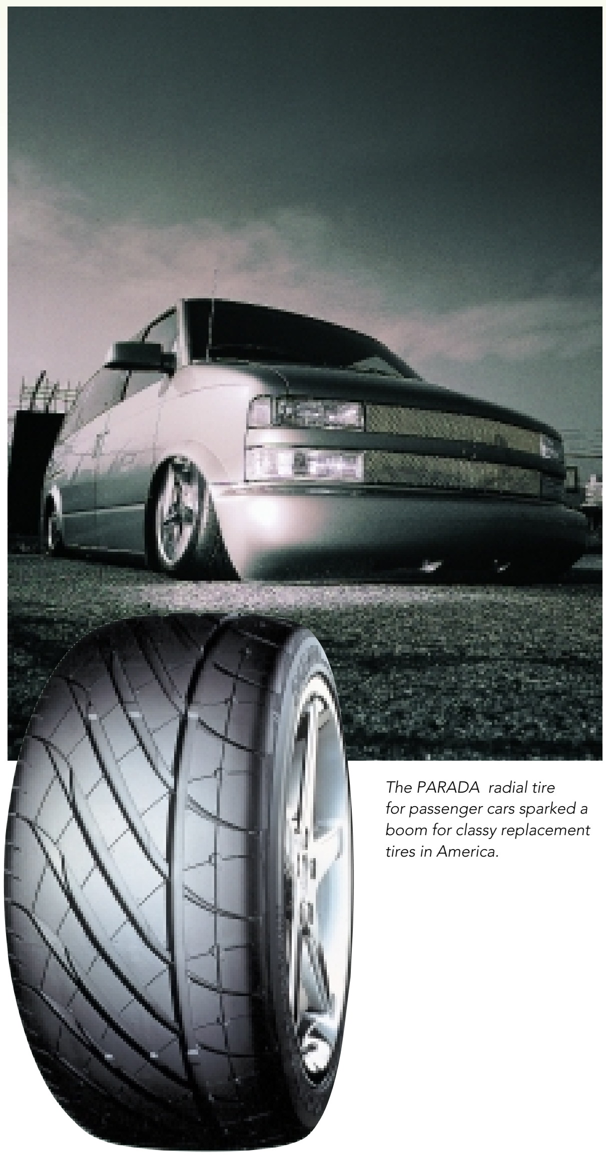
In the replacement tire market, we introduced products based on innovative technologies. We also reinforced our DNA series of environmentally friendly, low-fuel-consumption tires with the DNA map-RV and DNA map-i for minivans and one-box cars. In studless tire marketing, we promoted new products, expanded the range of tire sizes in our lineup, and continued a campaign under which we insure purchasers of our studless tires to cover a significant portion of vehicle damage from accidents caused by slipping on snowy or icy roads. These and other activities increased sales of studless tires. Our insurance-support program has been very popular, as no rivals offer similar promotions.

Yokohama's DNA series radial tires help lower fuel consumption and provide excellent wet grip.

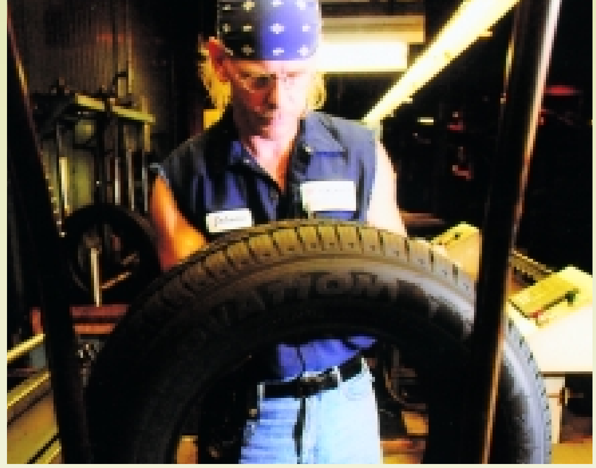
Successful new products and marketing activities boosted overall unit- and value-based sales of replacement tires.

Rationalization of Truck and Bus Tire Production

During fiscal 2002, Yokohama centralized production of radial tires for trucks and buses at the Mie Plant after suspending related operations at the Hiratsuka Tire Plant. We aim to improve efficiency through such concentration. We decided to gradually halt all production and sales of bias tires for trucks and buses for the Japanese market, where demand has steadily declined in recent years.



The PARADA radial tire for passenger cars sparked a boom for classy replacement tires in America.



The Salem Plant of YTC, located in Virginia, works to raise production efficiency and enhance product quality.

RESULTS IN NORTH AMERICA

Progress in Improving Operations at YTC

Yokohama's North American operations center on production by YTC, especially of tires for passenger cars, trucks, and buses.

YTC expanded sales of high-performance tires and steadily reduced production costs. This subsidiary thus pared its loss from US$79.8 million in 2000, to US$19.1 million in 2001. In continuing comprehensive reforms, YTC plans to break even in 2003. After reevaluating its product structure, in March 2002 YTC changed its sales mix to increase production levels for high-value-added and high-performance tires and reduce production of unprofitable models. This move raised the average per-unit price of its tires, contributing to enhanced profitability. YTC intends to launch high-performance tires for passenger cars and light trucks, further increasing its sales of high-value-added products. It also aims to add to its bottom line by lowering interest-bearing debt and logistics and fixed costs. In this environment, the company plans to decrease its loss to US$9.0 million in 2002.

TIRE GROUP

REVIEW OF OPERATIONS

RESULTS IN ASIA AND OCEANIA

Numerous High-Performance Tires Marketed

Yokohama's activities in Asia center on sales of tires for passenger cars, trucks and buses, with production in Japan and the Philippines covering much of demand. In fiscal 2002, sales advanced in Taiwan, Singapore, and the Philippines, helping increase our tire sales in the region.

Demand for the A539 high-performance tire, which we released regionally in fiscal 2001, propelled overall sales. We plan to raise the ratio of high-performance products in our offerings for Asian markets, and in the spring of 2002 introduced the AVS ES100 sports tire, which contributes to reduced fuel consumption and excellent handling. In spring 2003, we plan to launch tires that provide a highly comfortable, low-noise ride.

In January 2002, we opened Hangzhou Yokohama Tire, a joint venture for radial tire production and sales in Zhejiang Province. That company is building a plant that should have an annual production capacity of 750,000 tires by May 2003. To boost awareness of the Yokohama name, we have mounted a publicity campaign, centered on large billboards in such major metropolises as Shanghai and Beijing.

To take advantage of business potential in the Asian region, in March 2002 we set up a new office in Bangkok, Thailand, to function as an information center for our regional activities in this region.

Strong Performance by Yokohama Tire Philippines

Yokohama Tire Philippines, a production base for passenger car tires, mainly exports to Europe, the Middle East, and other Asian countries. It sells some of its offerings locally. In fiscal 2002, this company expanded its sales channels to Europe, thereby boosting exports. Domestic demand was also strong. We established a sales company in the Philippines in February 2001, thereby significantly raising sales of replacement tires and OE tires to the local plants of Japanese automakers. Anticipating further increases in demand, we expanded capacity at Yokohama Tire Philippines to 5,900 tires daily.

Record Sales in Australia

Yokohama's sales in Australia rose significantly, owing to favorable demand for A539 passenger car tires, as well as for new tires for trucks and buses. We timed new product launches with promotional campaigns and other targeted marketing activities.

At the 2001 24 Hours of Le Mans, Siekel Motorsport's Porsche 911GT3-RS captured the Grand Touring "LM" GT class title, marking the second year that cars with Yokohama tires won that class at Le Mans.

RESULTS IN EUROPE AND OTHER REGIONS

High-Performance Tires Lead the Way to Increased Sales

In Europe, we meet demand through exports from Japan and the Philippines, as well as through sales subsidiaries and dealerships in Germany, Italy, the United Kingdom, Austria, Switzerland, Sweden, and Denmark. Regional sales center on tires for passenger cars, trucks, and buses.

In fiscal 2002, we reinforced our product lineup, emphasizing high-performance tires, and actively promoted our products. Sales in Europe thus skyrocketed. Demand was particularly strong for recently introduced products, such as our high-performance AVS Sport and A539 tires. To strengthen regional promotions, we aired television commercials on the Euro Sports channel, which is broadcast around Europe. We also supplied one-make tires to the F3 German Championship and implemented other plans to raise awareness of the Yokohama brand.

Major automakers selected Yokohama tires for their new models. Aston Martin Lagonda Limited adopted our AVS Sport as the standard tire for its V12 Vanquish and the 19-inch optional tire for the 2002 DB7 Vantage.

Introducing a More Comfortable Tire Based on New Concept

In the spring of 2002, we launched the AVS dB tire for passenger cars. This model offers a highly comfortable and quiet ride. In Europe, where the emphasis is on comprehensive performance, no other tires have emphasized comfort. Our new concept is pioneering new customer niches, and we plan to sell 200,000 units per year. In fiscal 2003, we plan to further expand sales in Europe. We will inaugurate full-scale marketing of our AVS WINTER tire, launched in fiscal 2002, thus expanding the range of tire sizes in our lineup. We will also commercialize new tires for vans, trucks, and buses.

Sales Up in the Middle East

Japanese automobiles remain popular in the Middle East. Yokohama is fast becoming synonymous with excellent quality, as many new Japanese cars come equipped with our tires. In fiscal 2002, sales were strong for a new tire offering superb comfort, introduced in May 2001. This product helped us increase regional sales.

Aston Martin Lagonda adopted the high-performance AVS Sport for installation on its V12 Vanquish model, with a 450-horsepower engine delivering a maximum speed of more than 300 kph.

MB GROUP

REVIEW OF OPERATIONS

Fiscal 2002 in Review

During the year, Yokohama advanced its sales of antiseismic rubber bearings for bridges, sealants for buildings, conveyor belts, and aircraft components. However, sluggish private-sector capital investment and consumer spending in Japan lowered sales of hoses and golf products. In this situation, sales of the MB Group declined 1.4%, to ¥115.6 billion.

SEALANTS AND ADHESIVES

Yokohama markets sealants for buildings and homes, as well as industrial and automotive adhesives, under its HAMATITE® brand name. We are the top in the Japanese market for building sealants. In addition, we are the No. 1 supplier of windshield sealants, which we market to automakers. In fiscal 2002, sales of sealants for buildings increased, but demand was down for our windshield sealants.

We released several environmentally friendly products during the term. ECU-193, our elastic adhesive for flooring materials, combats sick house syndrome by slashing concentrations of volatile organic compounds in new homes. HOTMELT M-155, our sealant for multiple-layer glass, is a hotmelt formed from a single material. It eliminates the need to create compound hotmelt mixes and therefore reduces industrial waste. We also developed “e-can,” a recyclable polypropylene container for liquids that reduces waste volumes. We plan to steadily replace tinplate cans with this container for our products.

HOSES

Yokohama holds about 40% of the domestic market for hoses used in construction equipment and machine tools. We also boast major shares of the markets for power-steering and air-conditioner hoses used in automobiles. In fiscal 2002, we commercialized the AX Hose, which is coated with ultra-high molecular weight polyethylene. This product won top marks from users for its abrasion-resistance and durability. On the other hand, production in Japan was off at construction machinery and machine tools manufacturers, thus cutting our sales of hydraulic hoses. In addition, falling prices and a decrease in the production volume of new automobiles in Japan brought down our sales of automotive hoses.

Yokohama is steadily adopting materials with low environmental impact in its production of hoses. In the year under review, we made a full-scale shift to chlorine-free rubber in our hydraulic hoses, greatly raising the ratio of chlorine-free products in our hoses lineup.

CONVEYOR BELTS, MARINE HOSES, AND FENDERS

Sales of our conveyor belts, marine hoses, and fenders increased in fiscal 2002, primarily in markets outside Japan. The weak yen contributed to this result, but we also won large orders through new products and aggressive marketing.

Sales of conveyor belts were strong overseas.

Yokohama's sealants for buildings were used in constructing the Nagoya Dome. Although the dome is sealed, the roof center lets in natural light through glass plating. With a capacity of more than 40,000, the dome hosts pro baseball games, concerts, and even imported automobile shows.

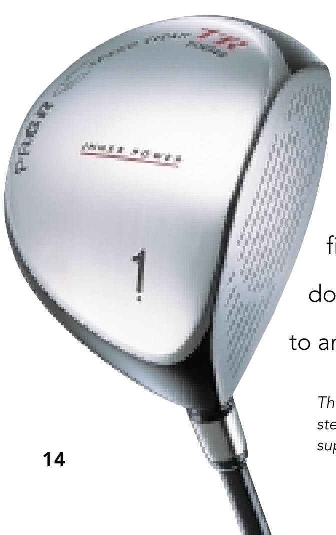
ANTISEISMIC RUBBER BEARINGS AND JOINTS

In May 2001, Yokohama began marketing its SHDR ultrahigh-attenuation rubber bearings, which offer more than 20% better attenuation performance than earlier models. These bearings significantly reduce the effects of earthquake vibrations on bridge supports, making enabling the design of more compact bridges with smaller supports, at lower cost. We shipped our first SHDR bearings to Japan's Ministry of Land, Infrastructure and Transport in October 2001. New products, combined with our winning of large contracts, such as for the Second Tomei Expressway project, significantly raised sales of antiseismic bearings for bridges.

Active marketing activities drove strong sales of antiseismic rubber bearings for bridges.

We also achieved favorable sales for highway-expansion joints, which are fitted between girders to compensate for contraction and expansion caused by temperature changes and earthquakes. Orders soared for our Big Joints, designed with up to 30cm of elasticity for spaces surpassing 60cm.

GOLF PRODUCTS



Our Speed Titanium TR and Speed Titanium TR-X drivers, which can send balls incredible distances, became hit products in fiscal 2002. However, generally weak domestic demand for golf products led to an overall decrease in category sales.

The Speed Titanium TR driver's excellent performance stems from a highly repellant, ultrathin face that provides superb initial acceleration when the golf ball is hit.

AIRCRAFT COMPONENTS

Sales were robust for lavatory modules and drinking water tanks to The Boeing Company of the United States, and we also increased sales of metallic components for aircraft engines. As a result, category sales were up from the previous fiscal year. We received our first metallic engine component orders for the growing market for regional jet aircraft, with deliveries commencing in May 2002. We will eventually supply Boeing with lavatory modules not only for existing 757 models, but also for next-generation 737 jet aircraft.

Yokohama Rubber (Thailand) posted favorable sales of windshield sealants to the local production facilities of Japanese automakers.

OVERSEAS PRODUCTION

In the United States, SAS Rubber delivers automotive hoses to the Ford Motor Company and also to DaimlerChrysler via an assembly maker. In fiscal 2002, sales to the U.S. Big Three automakers and demand for exports to Japan helped increase SAS Rubber's sales of automotive hoses. Sales were down at subsidiary YH America, which manufactures metallic fittings for hoses, assembles hoses, and produces windshield sealants. The reduction reflected weak auto production in North America.

Yokohama Rubber (Thailand) Co., Ltd., produces windshield sealants and supplies hose assemblies. A recovery in unit-based automobile production in Thailand and other Southeast Asian countries boosted sales of this company's windshield sealants. In contrast, demand was flat for hydraulic hoses for construction machinery, causing a sales decline.

INNOVATIVE RESEARCH AND DEVELOPMENT

The aims of Yokohama's technological development are to enhance product performance, ensure low costs, conserve energy, and preserve the environment. We emphasize the development of new and composite materials. Following is a summary of significant achievements in fiscal 2002.

Advancements in Silica Surface-Treated Carbon Black Technologies further Improve Fuel Savings

In 1998, Yokohama established a revolutionary production technology to create Silica Surface-Treated Carbon Black. Using this chemical technique, we bond silica with carbon before compounding with rubber. In fiscal 2002, we took this production technology to new heights, developing techniques to granularize silica and carbon, and to create even stronger silica–carbon bonds during compounding. Owing to this new method, the surface area of silica–carbon expands, thereby enhancing tire grip and fuel savings. The stronger bonding between silica and carbon additionally improves abrasion resistance. In fiscal 2002, we used this technology in our DNA map-RV and DNA map-i tires for minivans and one-box cars.

First Tire Manufacturer to Apply SPH Analysis in Tire Development

The smoothed particle hydrodynamics (SPH) analysis method, which is at the cutting edge of computational mechanics, was first developed in the 1970s as an astronomical tool to measure the movements of galaxies and nebulas. Yokohama has become the world's first tire manufacturer to apply this technique in product development, specifically to create wet simulation technologies that precisely analyze the water displacement of tires. With the conventional finite element method, it is impossible to track water flows, which change constantly with tire rotation. The SPH approach allows analysis of water flows within tire grooves and of the direction of water sprayed from the grooves during tire rotation. This enables more precise forecasts of water displacement, thus simplifying prototype testing. Yokohama will eventually be able to slash development costs and lead times with the SPH methodology.

Functional Elastic Road Paver (FERP) Effectively Counters Noise

Yokohama applied used tires to develop the Functional Elastic Road Paver, or FERP, which provides an effective countermeasure to road noise. This material, formed by applying urethane resin to rubber chips produced from used tires and borax, is distinctive for its high porosity and excellent elasticity. The numerous gaps in the material absorb the sounds created by air compression when tires are in contact with the road, and the elasticity of the rubber reduces tire impact. Both of these qualities help reduce overall road noise. For example, conventional low-noise materials lower noise by only around 3 decibels, but FERP cuts noise by more than 10 decibels. The viability of the new material has attracted great industry attention. We are testing the durability and practicality of FERP with an eye to commercialization.

ENVIRONMENTAL PROTECTION

To deal with specific environmental issues, we established the Environmental Preservation Promotion Department in 1992 and the Environmental Preservation Promotion Committee, which is chaired by the president of the Company, in1993. These organizations supervise environmental preservation activities throughout the Yokohama Group.

"e-can" Sealant Container Helps Reduce Industrial Waste

Yokohama has developed "e-can"sealant containers. Made of polypropylene, they significantly reduce industrial waste. These containers are strong, yet easily crack from top to bottom, facilitating scrapping after usage and reducing container volume to one-eighth that of tinplate cans. Our initial goal is to use "e-can" technology to reduce industrial waste from product scrapping, but we also plan to establish a collection and recycling network for used "e-can" containers.

Sponsoring Electric Car Tour of Japan

Yokohama was a primary sponsor of 2001 Challenge & Charge, a tour of Japan held by the Japan Electric Vehicle Club. During the tour, an electric vehicle traveled throughout Japan. Drivers stopped the car at people's homes for recharges. Yokohama's sponsorship included supplying tires for the car. The tour was designed to raise public understanding of electric vehicles, which do not emit carbon dioxide and run more quietly than conventional cars, and promote greater environmental awareness. The tour was from April to October 2001. The vehicle traveled 12,300 km and made 619 charging stops, which the cooperation of 1,171 people made possible.

Announcement of Environmental Accounting Results

Yokohama began disclosing environmental accounting information in fiscal 2002. Our costs from and investments in environmental preservation measures in fiscal 2001 totaled ¥1.9 billion, and the economic effects of revenues from energy-saving and recycling activities amounted to ¥522 million. Environmental preservation benefits (quantity of materials) included reductions of 1.5% in carbon dioxide emissions, 3% in water used, and 13% in industrial waste generation.

Rubber Waste Recycled into Tire Materials

Toyota Central R&D Labs., Inc., Toyota Motor Corporation, and Toyoda Gosei Co., Ltd., collaborated in the development of the shear flow stage reaction control technology for rubber recycling. We applied this advance to innovate a materials-recycling technology that lets us transform used rubber materials and treads from truck and bus tires into high-quality rubber. We aim to raise the volume of recycled rubber in new tires, thereby conserving resources and reducing production costs.

FINANCIAL SECTION

Financial Review

OPERATING RESULTS

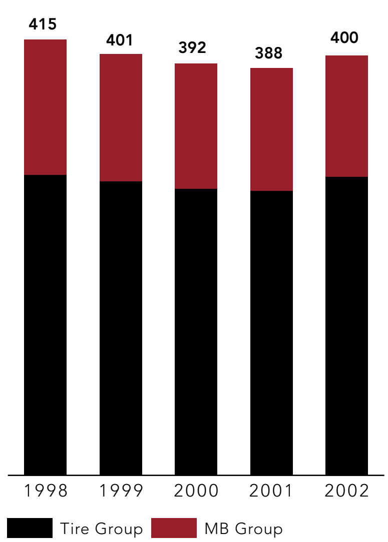
Sales
In fiscal 2002, ended March 31, 2002, consolidated net sales of the Yokohama Group increased 3.1%, to ¥399.8 billion, primarily owing to increased sales in Japan, America and Europe, as well as the effects of the weak yen.

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

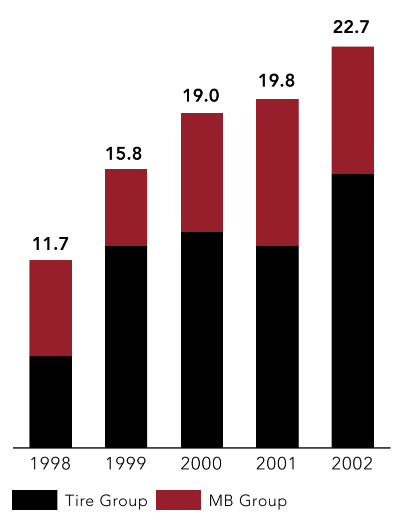
Operating Income
The increase in net sales and improvements in the profitability of U.S. tire operations raised operating income 14.4%, to ¥22.7 billion. The operating margin increased 0.6 percentage point, to 5.7%.

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

Sales by Group
(Billions of Yen)



Operating Income by Group
(Billions of Yen)



SEGMENT INFORMATION

Business Groups

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

Regions

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

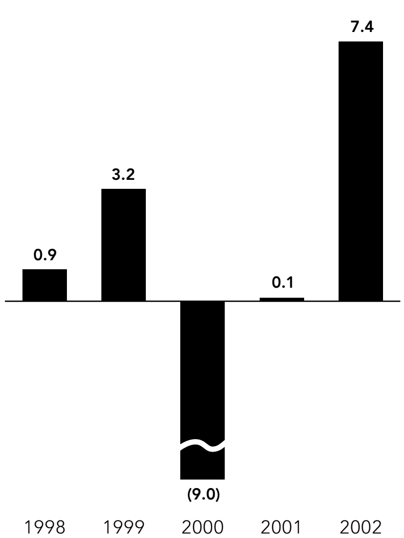
In North America, increased sales and improved profitability at YTC led to a 9.5% increase in regional sales, to ¥67.5 billion. Operating income in that market amounted to ¥544 million, following a ¥1.5 billion loss in fiscal 2001.

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

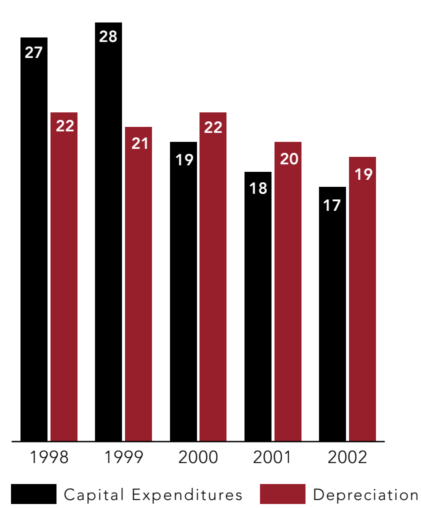
Capital Expenditures and Depreciation

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

Net Income (Loss)
(Billions of Yen)



Capital Expenditures and Depreciation
(Billions of Yen)



FINANCIAL POSITION AND CASH FLOWS

Assets

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

Liabilities and Shareholders' Equity

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

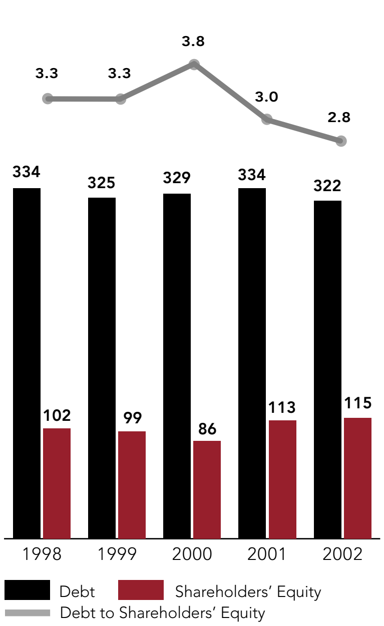
Cash Flows

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

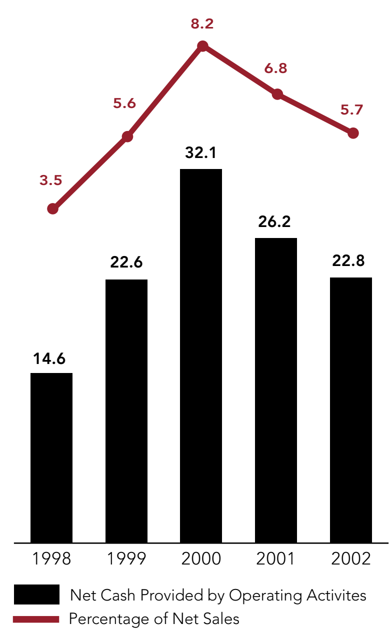
FORECAST FOR FISCAL 2003

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

Debt, Shareholders' Equity and Debt to Shareholders' Equity
(Billions of Yen, Times)



Net Cash Provided by Operating Activities and Percentage of Net Sales
(Billions of Yen, Percentage)



Five-Year Summary

FISCAL YEARS ENDED MARCH 31

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

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

Consolidated Balance Sheets

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

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

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statements of Operations

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

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

Per share amounts:	Yen			U.S. Dollars (Note 1)
Net income (loss): Basic	**¥ 21.49**	¥ 0.28	¥ (26.30)	**$ 0.16**
Net income: Diluted	**—**	—	—	**—**
Cash dividends	**¥ 6.00**	¥ —	¥ 6.00	**$ 0.05**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

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

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

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

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries

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

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

The U.S. dollar amounts included herein are solely for the convenience of the reader and have been translated from the Japanese yen amounts at the rate of ¥133.25 = U.S.$1.00, the approximate exchange rate prevailing on March 31,2002.

2. Summary of Significant Accounting Policies
(1) Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned domestic and foreign subsidiaries (together, the "Companies"). Investment in unconsolidated subsidiaries and associated companies (companies owned 20% to 50%) is accounted for by the equity method of accounting.

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

(2) Foreign Currency Translation
Foreign currency receivables and payables are translated at the year-end spot rates. The resulting exchange losses and gains are charged or credited to income.

The assets and liabilities of the consolidated subsidiaries outside Japan are translated at the fiscal year-end rates of those companies, and the income and expense accounts of those companies are translated at the average rates of those companies. The resulting exchange adjustments are recorded in shareholders' equity and minority interests.

(3) Cash Equivalents
For purposes of the consolidated statements of cash flows, highly liquid investments with a maturity of three months or less are considered cash equivalents in 2002 and 2001.

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

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

(5) Derivative Instruments
Derivative instruments whose fair values are readily determinable, are carried at fair value.

(6) Inventories
Inventories are stated at cost determined by the moving average method, except that the finished products of certain subsidiaries are valued by the most recent purchase price method.

(7) The Allowance for Doubtful Receivables
The allowance for doubtful receivables is provided at an estimated amount of probable bad debts plus the amount which is based on the past credit loss experience.

(8) Depreciation
Depreciation of property, plant and equipment is computed principally by the declining-balance method based on the estimated useful lives of the respective assets.

(9) Reserve for Severance Payments and Employee Benefit Plans
Employees who terminate their service with the Companies are, under most circumstances, entitled to lump-sum severance payments determined by reference to their current basic rate of pay and length of service. The Company and certain consolidated subsidiaries have non-contributory pension plans for their termination caused by age limit.

The Companies accounted for these liabilities based on the projected benefit obligations and plan assets at the balance sheet date.

Unrecognized actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over 10 years which are shorter than the average remaining service period of employees.

The transition obligation of consolidated subsidiaries is amortized over 5 years. The transition obligation of the Company was written down by contributing the holding securities to the pension trust.

In addition to providing pension and severance benefits, certain foreign subsidiaries sponsor several unfunded defined benefit postretirement plans which provide certain health care and life insurance benefits to eligible employees and, in 1993, adopted Statement of Financial Accounting Standard No.106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

(10) Income Taxes
Income taxes in Japan comprise a corporation tax, enterprise tax and prefectural and municipal inhabitants' taxes.

Provision is made for deferred income taxes arising from temporary differences between assets or liabilities for financial and tax reporting purposes.

(11) Revenue Recognition
Sales of products are recognized in the accounts upon shipments to customers.

(12) Research and Development Costs
Research and development costs are charged to income as incurred.

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

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

3. Inventories
Inventories at March 31, 2002 and 2001 consisted of the following:

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

4. Long-Term Debt

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

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

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

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

5. Depreciation

Depreciation charges were as follows:

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

6. Contingent Liabilities

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

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

7. Research and Development Expenses

Research and development expenses charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2002 and 2001 were ¥12,298 million ($92,295 thousand) and ¥11,827 million, respectively.

8. Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Commercial Code of Japan is based on the amount stated in the non-consolidated financial statements of the Company. Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends is applicable. In addition, semiannual interim dividends may be made by resolution of the Board of Directors, subject to the limitations imposed by the Commercial Code.

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

9. Cash and Cash Equivalents

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

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

10. Leases

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

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

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

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

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

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

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

11. Securities

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

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

12. Derivative Instruments

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

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

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

13. Pension and severance plans

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

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

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

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

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

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

14. Deferred Income Taxes

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

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

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

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

15. Segment Information

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

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2002				
Sales to third parties	**¥284,253**	**¥115,571**	**¥399,824**	**¥ —**	**¥399,824**
Intergroup sales and transfers	**91**	**14,431**	**14,522**	**(14,522)**	**—**
Total sales	**284,344**	**130,002**	**414,346**	**(14,522)**	**399,824**
Operating expenses	**268,768**	**122,697**	**391,465**	**(14,342)**	**377,123**
Operating income	**¥ 15,576**	**¥ 7,305**	**¥ 22,881**	**¥ (180)**	**¥ 22,701**
Total assets at end of year	**¥304,077**	**¥142,213**	**¥446,290**	**¥ (8,519)**	**¥437,771**
Depreciation	**¥ 15,306**	**¥ 3,822**	**¥ 19,128**	**¥ 119**	**¥ 19,247**
Capital expenditures	**¥ 12,652**	**¥ 4,073**	**¥ 16,725**	**¥ 215**	**¥ 16,940**
	Year ended March 31, 2001				
Sales to third parties	¥270,594	¥117,261	¥387,855	¥ —	¥387,855
Intergroup sales and transfers	134	7,619	7,753	(7,753)	—
Total sales	270,728	124,880	395,608	(7,753)	387,855
Operating expenses	259,264	116,512	375,776	(7,766)	368,010
Operating income	¥ 11,464	¥ 8,368	¥ 19,832	¥ 13	¥ 19,845
Total assets at end of year	¥302,635	¥120,519	¥423,154	¥24,976	¥448,130
Depreciation	¥ 16,020	¥ 3,940	¥ 19,960	¥ 123	¥ 20,083
Capital expenditures	¥ 14,867	¥ 3,420	¥ 18,287	¥ (169)	¥ 18,118
	Year ended March 31, 2000				
Sales to third parties	¥273,088	¥119,105	¥392,193	¥ —	¥392,193
Intergroup sales and transfers	120	8,060	8,180	(8,180)	—
Total sales	273,208	127,165	400,373	(8,180)	392,193
Operating expenses	260,925	120,368	381,293	(8,143)	373,150
Operating income	¥ 12,283	¥ 6,797	¥ 19,080	¥ (37)	¥ 19,043
Total assets at end of year	¥277,223	¥103,919	¥381,142	¥35,560	¥416,702
Depreciation	¥ 17,592	¥ 4,124	¥ 21,716	¥ 206	¥ 21,922
Capital expenditures	¥ 15,573	¥ 3,660	¥ 19,233	¥ 237	¥ 19,470

	Thousands of U.S. Dollars				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year ended March 31, 2002				
Sales to third parties	**$2,133,231**	**$ 867,324**	**$3,000,555**	**$ —**	**$3,000,555**
Intergroup sales and transfers	**683**	**108,300**	**108,983**	**(108,983)**	**—**
Total sales	**2,133,914**	**975,624**	**3,109,538**	**(108,983)**	**3,000,555**
Operating expenses	**2,017,021**	**920,803**	**2,937,824**	**(107,632)**	**2,830,192**
Operating income	**$ 116,893**	**$ 54,821**	**$ 171,714**	**$ (1,351)**	**$ 170,363**
Total assets at end of year	**$2,282,003**	**$1,067,264**	**$3,349,267**	**$ (63,933)**	**$3,285,334**
Depreciation	**$ 114,866**	**$ 28,683**	**$ 143,549**	**$ 893**	**$ 144,442**
Capital expenditures	**$ 94,949**	**$ 30,567**	**$ 125,516**	**$ 1,613**	**$ 127,129**

Geographical Areas

	Japan	North America	Other	Total	Eliminations and Corporate	Consolidated
	Millions of Yen					
	Year ended March 31, 2002					
Sales to third parties	**¥322,940**	**¥67,534**	**¥ 9,350**	**¥399,824**	**¥ —**	**¥399,824**
Interarea sales and transfers	**20,909**	**1,876**	**3,041**	**25,826**	**(25,826)**	**—**
Total sales	**343,849**	**69,410**	**12,391**	**425,650**	**(25,826)**	**399,824**
Operating expenses	**321,743**	**68,866**	**11,592**	**402,201**	**(25,078)**	**377,123**
Operating income	**¥ 22,106**	**¥ 544**	**¥ 799**	**¥ 23,449**	**¥ (748)**	**¥ 22,701**
Total assets at end of year	**¥363,764**	**¥63,377**	**¥14,167**	**¥441,308**	**¥ (3,537)**	**¥437,771**
	Year ended March 31, 2001					
Sales to third parties	¥317,500	¥61,698	¥ 8,657	¥ 387,855	¥ —	¥387,855
Interarea sales and transfers	19,407	213	2,603	22,223	(22,223)	—
Total sales	336,907	61,911	11,260	410,078	(22,223)	387,855
Operating expenses	316,333	63,391	10,543	390,267	(22,257)	368,010
Operating income (loss)	¥ 20,574	¥ (1,480)	¥ 717	¥ 19,811	¥ 34	¥ 19,845
Total assets at end of year	¥363,656	¥58,558	¥12,578	¥ 434,792	¥ 13,338	¥448,130
	Year ended March 31, 2000					
Sales to third parties	¥316,695	¥65,549	¥ 9,949	¥392,193	¥ —	¥392,193
Interarea sales and transfers	23,967	673	3,175	27,815	(27,815)	—
Total sales	340,662	66,222	13,124	420,008	(27,815)	392,193
Operating expenses	325,304	64,072	12,427	401,803	(28,653)	373,150
Operating income	¥ 15,358	¥ 2,150	¥ 697	¥ 18,205	¥ 838	¥ 19,043
Total assets at end of year	¥358,850	¥57,709	¥12,611	¥429,170	¥(12,468)	¥416,702

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

Overseas Sales

	Millions of Yen		
	North America	Other	Total
	Year ended March 31, 2002		
(A) Overseas sales	**¥70,148**	**¥39,459**	**¥109,607**
(B) Consolidated net sales			**¥399,824**
(C) (A)/(B) × 100	**17.5%**	**9.9%**	**27.4%**
	Year ended March 31, 2001		
(A) Overseas sales	¥61,727	¥33,880	¥ 95,607
(B) Consolidated net sales			¥387,855
(C) (A)/(B) × 100	15.9%	8.8%	24.7%
	Year ended March 31, 2000		
(A) Overseas sales	¥66,673	¥36,228	¥102,901
(B) Consolidated net sales			¥392,193
(C) (A)/(B) × 100	17.0%	9.2%	26.2%

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

Independent Auditors' Report

Shin Nihon & 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 and Shareholders
The Yokohama Rubber Co., Ltd.

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

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

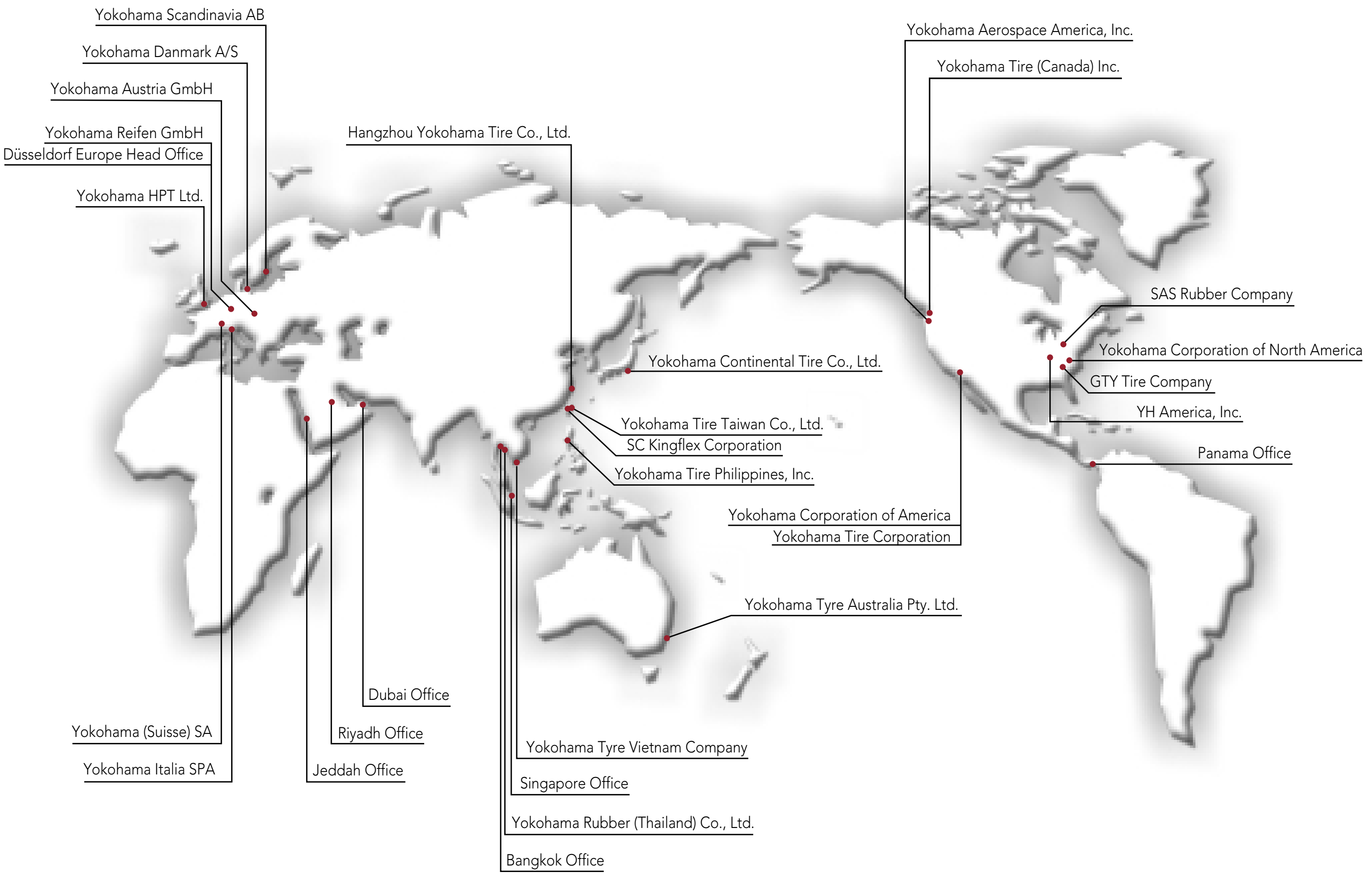
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audits also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made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

Shin Nihon & Co.

June 27, 2002

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

Network


Yokohama Scandinavia AB
Yokohama Danmark A/S
Yokohama Austria GmbH
Yokohama Reifen GmbH
Düsseldorf Europe Head Office
Yokohama HPT Ltd.
Hangzhou Yokohama Tire Co., Ltd.
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 Continental Tire Co., Ltd.
Yokohama Tire Taiwan Co., Ltd.
SC Kingflex Corporation
Yokohama Tire Philippines, Inc.
Yokohama Corporation of America
Yokohama Tire Corporation
Yokohama Tyre Australia Pty. Ltd.
Dubai Office
Yokohama (Suisse) SA
Riyadh Office
Yokohama Italia SPA
Jeddah Office
Yokohama Tyre Vietnam Company
Singapore Office
Yokohama Rubber (Thailand) Co., Ltd.
Bangkok Office

OVERSEAS SUBSIDIARIES AND AFFILIATES

Yokohama Tire Corporation
Production and sales of tires and related products

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

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

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

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

GTY Tire Company
Production and sales of tires and related products

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

Yokohama HPT Ltd.
Sales of tires and related products

Yokohama Italia SPA
Sales of tires and related products

Yokohama (Suisse) SA
Sales of tires and related products

Yokohama Scandinavia AB
Sales of tires and related products

Yokohama Reifen GmbH
Sales of tires and related products

Yokohama Austria GmbH
Sales of tires and related products

Yokohama Danmark A/S
Sales of tires and related products

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

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

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

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

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

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

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

SC Kingflex Corporation
Production and sales of hoses

Yokohama Aerospace America, Inc.
Sales of aircraft components

OVERSEAS REPRESENTATIVE OFFICES

Düsseldorf Europe Head Office
Jeddah Office
Riyadh Office
Dubai Office
Panama Office
Singapore Office
Bangkok Office

Board of Directors and Corporate Auditors
(As of June 27, 2002)

President	Yasuo Tominaga
Executive Directors	Hisao Suzuki
	Yoshiro Naitoh
	Keimei Kiyoura
Managing Directors	Kohji Ikawa
	Seiji Miyashita
	Kazuo Okamoto
	Takashi Yamashita
	Tadanobu Nagumo
	Keigo Ueda
	Takashi Sugimoto
Directors	Yuzo Kikuchi
	Tetsuya Mizoguchi
	Toshihiko Shiraki
	Takasuke Sato
	Masamichi Danjo
	Tatsunari Kojima
	Akihisa Takayama
	Michio Yuge
Corporate Auditors	Masaaki Kushida
	Seiichi Suzuki
	Junnosuke Furukawa
	Yuzuru Fujita

Investor Information
(As of March 31, 2002)

Company Name:	The Yokohama Rubber Co., Ltd.
Established:	October 13, 1917
Paid-In Capital:	¥38,909 million
Head Office:	36-11, Shimbashi 5-chome, Minato-ku Tokyo 105-8685, Japan
Production Facilities:	Hiratsuka Factory and Mie, Mishima, Shinshiro, Ibaraki and Onomichi plants
WWW Address:	http://www.yrc.co.jp/

Authorized Number of Shares:	480,000,000
Issued Number of Shares:	342,598,162 (unchanged from fiscal 2001 year-end)
Number of Shareholders:	21,447 (down 2,891 from fiscal 2001 year-end)
Average Shares per Shareholder:	15,974

Settlement Date:	March 31
General Meeting of Shareholders:	June
Transfer Agent:	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
Date of Record:	March 31
Stock Exchange Listings:	Tokyo, Osaka, Nagoya