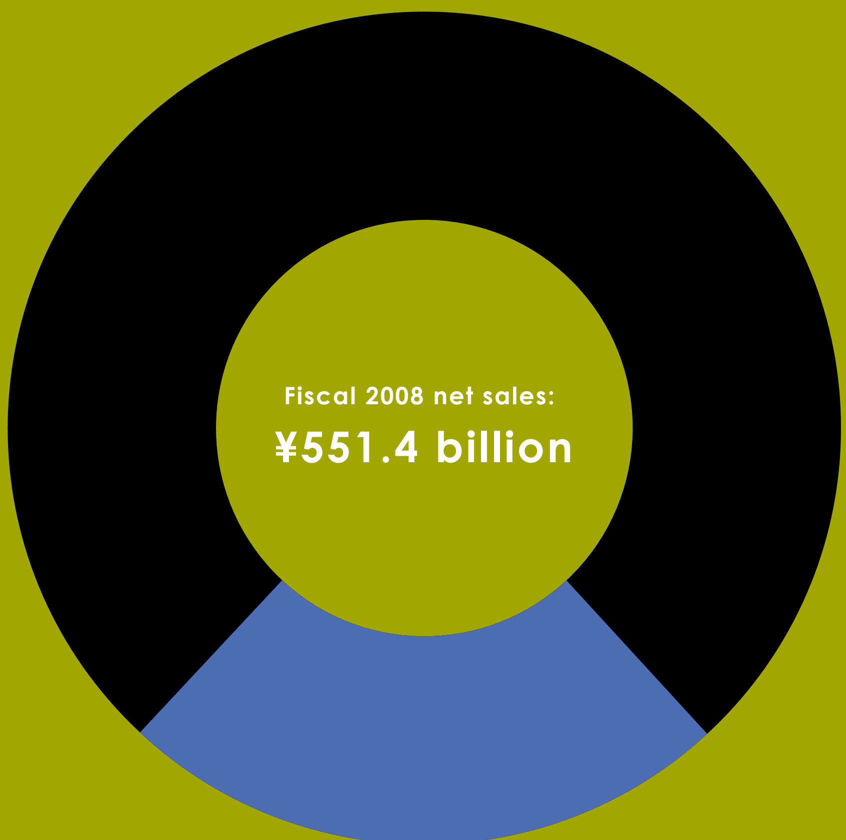
YOKOHAMA

Annual Report 2008

The Yokohama Rubber Co., Ltd.
Year ended March 31, 2008

Tire Group

¥419.8 billion — 76.1% of net sales



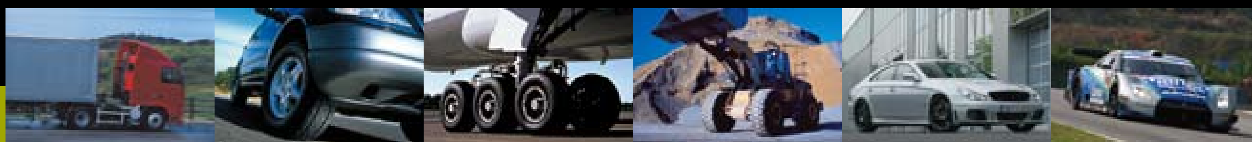
Multiple Business Group

¥131.6 billion — 23.9% of net sales

Tire Group

Principal products

Tires for passenger cars and light trucks, for trucks and buses, and for construction and mining equipment, industrial vehicles, aircraft, and other applications; aluminum alloy wheels and other peripheral products



A focus on environmentally friendly tires

Yokohama's DNA line of fuel-saving tires anchors the company's product portfolio in Japan. DNA tires contribute to fuel economy—and to minimizing the output of carbon dioxide—while providing superior performance in regard to the fundamental criteria of handling and comfort. Recent progress in extending DNA tires' useful life has further increased their environmental benefits.

Global scope in high-performance tires

We began marketing our high-performance ADVAN tires worldwide in 2005 as a global brand for raising our market profile. ADVAN tires feature state-of-the-art advances in maximizing every aspect of tire value. They are a true showcase of Yokohama's leadership in tire technology.

Multiple Business Group

Principal products

Hoses, sealants and adhesives, conveyor belts, anti-seismic products, marine hoses, pneumatic marine fenders, aerospace products, golf products

Japan's market leader in high-pressure hoses and in construction and automotive sealants

Yokohama asserts unmatched strengths in high-pressure hoses for off-the-road equipment, in sealants for buildings, and in windshield sealants for automobiles.

A world leader in marine hoses and marine fenders

The company is the world's largest supplier of pneumatic fenders for protecting ship hulls. It is also a leading supplier of marine hoses for loading and unloading crude oil.

Lightweight, high-strength aircraft products

Yokohama supplies lavatory modules for the Boeing 737 airliner and drinking-water and wastewater tanks for the Airbus A380. Underlying the competitiveness of Yokohama's aircraft products are the company's unique strengths in fabricating lightweight, high-strength items from fiber-reinforced plastic.

Profile

The Yokohama Rubber Co., Ltd., is a leading manufacturer in the global tire industry. In addition, the company applies original strengths in rubber polymer technology in successful lines of diversified business, including hoses, sealants and adhesives, other industrial products, aerospace products, and golf products. A commitment to anticipating and satisfying customer needs has steered Yokohama since the company's establishment in 1917.

Global demand for tires has grown steadily in recent years, and Yokohama has added and expanded tire plants in Asian nations besides Japan to serve that growth. The company has also increased its Asian production capacity outside Japan for hoses, sealants, and conveyor belts in support of global business expansion.

Contents

Note Concerning Forward-Looking Statements

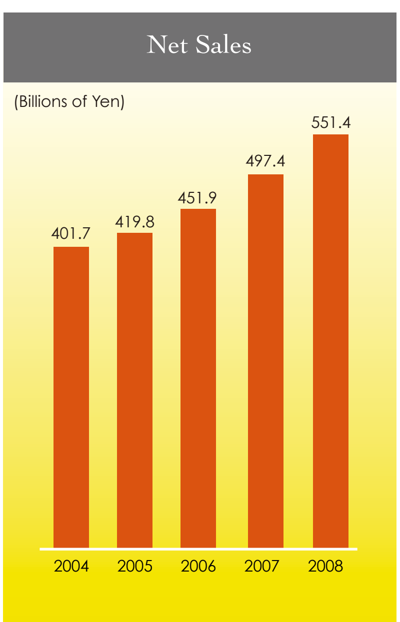
This annual report contains forward-looking estimates and forecasts based on management's plans, which are subject to unforeseeable risks and uncertainties. The company's business results could differ significantly from those estimates and forecasts.

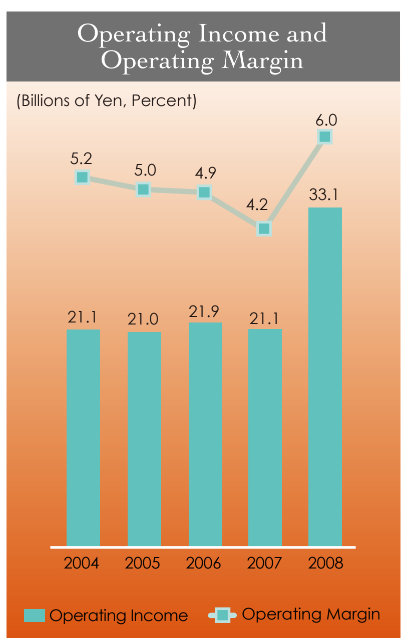
Financial Highlights

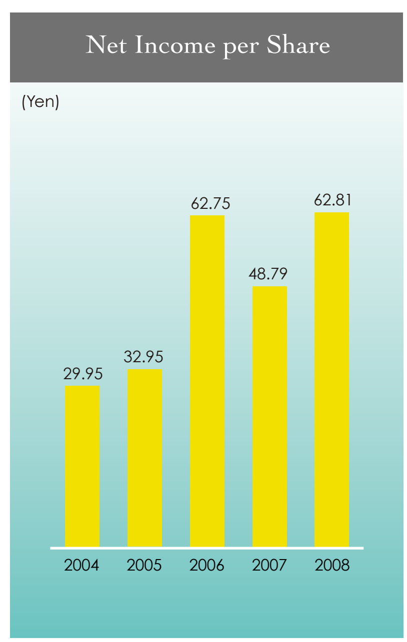
Years ended March 31, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	Percent change	**2008**
Net sales	**¥551,431**	¥497,396	+ 10.9 %	**$5,503,853**
Operating income	**33,119**	21,070	+ 57.2	**330,559**
Income before income taxes and minority interests	**20,478**	26,038	− 21.4	**204,395**
Net income	**21,060**	16,363	+ 28.7	**210,206**
			Change	
Total assets	**¥526,192**	¥536,322	−¥10,130	**$5,251,941**
Total net assets	**181,538**	186,528	− 4,990	**1,811,941**
	Yen			U.S. Dollars
	2008	2007		**2008**
Per share:				
Net income: Basic	**¥62.81**	¥48.79	+¥14.02	**$0.63**
Cash dividends	**13.00**	12.00	+ 1.00	**0.13**

Note: *Here and throughout this report, the U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, at the rate of ¥100.19 = US$1.00, the approximate exchange rate on March 31, 2008.*







Strong Growth in Overseas Tire Sales Drives 57% Increase in Operating Income

Tadanobu Nagumo

Record sales and earnings

Both operating income and net sales reached record levels in fiscal 2008, ended March 31, 2008. Operating income climbed 57.2%, to ¥33.1 billion, and net sales rose 10.9%, to ¥551.4 billion. Those increases comprised gains in both the Tire Group and the Multiple Business (diversified products) Group, led by especially strong growth in overseas tire business. The sales growth more than offset the continuing upward trend in raw material costs and in logistics expenses and other selling, general and administrative expenses. Also contributing to the upturn in operating profitability was the weakening of the yen, especially against the euro.

Net income increased 28.7%, to ¥21.1 billion, reflecting tax benefits associated with improved profitability in our North American operations. Moderating the increase in net income were translation losses on foreign currency receivables and valuation losses on investment securities. We declared an interim dividend of ¥6 and a year-end dividend of ¥7, which raised the annual dividend ¥1, to ¥13.

A tougher earnings environment ahead

We project that sales will increase 2.5% in fiscal 2009, to ¥565 billion; that operating income will decline 21.5%, to ¥26 billion; and that net income will decline 38.3%, to ¥13 billion. Net sales would thus exceed our target by ¥5 billion, but operating income would fall ¥9 billion short of our target. Those are Phase I targets in our Grand Design 100 medium-range business plan, which we launched in fiscal 2007.

Grand Design 100 provides for raising sales to ¥1 trillion and operating income to ¥100 billion by fiscal 2018. The projected shortfall in operating income reflects our expectations that raw material prices will continue to rise and that the yen will continue to strengthen. We plan to maintain the annual dividend at ¥13—an interim dividend of ¥6 and a year-end dividend of ¥7.

Priorities in the Tire and Multiple Business groups

The following priorities will guide our efforts in the Tire Group and in the Multiple Business Group as we pursue our revised targets for fiscal 2009. Addressing these priorities is also crucial to reinforcing our footing for Phase II of Grand Design 100, which begins in fiscal 2010.

<Tire Group>

- Secure market acceptance for price increases.
- Strengthen our position in value-added products.
- Globalize operations more thoroughly.
- Expand production capacity.

<Multiple Business Group>

- Secure market acceptance for price increases.
- Expand production capacity.
- Step up product development in new market sectors.
- Expand business in golf equipment.

Cutting costs and raising prices

Rising prices for raw materials have inflated our costs about ¥56.5 billion over the past five years. And prices continue to rise for natural rubber and for synthetic rubber and other petrochemical products. Raw material costs have risen too much for us to offset entirely through internal cost-cutting measures, so we have accompanied those measures with price increases for our tire products and diversified products and with efforts to secure acceptance for those increases in the marketplace.

Mass-market gains in fuel economy with the DNA Earth-1 tire

Our DNA Earth-1 tire went on sale this spring as a mass-market offering of our revolutionary orange-oil compounding. As with the premium-grade DNA dB super E-spec tire, the tread on the Earth-1 contains natural rubber to reduce rolling resistance, and we compound the rubber with orange oil to overcome natural rubber's traditional shortcoming in regard to grip. The Earth-1 is available in 70 sets of size specifications, and we are targeting sales of one million Earth-1tires in fiscal 2009.

ADVAN fitments on premium-grade cars

We continue to promote ADVAN as our global flagship brand. This spring, we won factory fitments for ADVAN tires on a top-end Mercedes-Benz model, the C63 AMG, and on Volkswagen's Touareg sport-utility vehicle. We will continue working to place ADVAN tires on the world's high-profile vehicle models and thereby heighten the brand's visibility in the global marketplace.

Augmented tire marketing in Thailand and Brazil

We established a tire-marketing company in Thailand this February and another in Brazil in April. Tire demand is surging in both nations.

Accelerated production expansion in off-the-road tires

Expansion continues at our Onomichi Plant, which produces tires for off-the-road vehicles. The latest phase of expansion there will increase monthly capacity to 2,500 tons by fiscal 2011—a 2.2-fold increase over fiscal 2007 and a year ahead of our original schedule.

Our tire production capacity is also expanding in truck and bus tires. Our Suzhou Plant, scheduled to open this July, will produce those tire in China's Jiangsu Province.

Expanded production capacity in the Multiple Business Group, too

Demand for hoses for off-the-road equipment is rising, and we are responding by expanding production capacity for those hoses at our Ibaraki Plant. We will expand that plant's daily production capacity for hoses to 100,000 meters by April 2010, from 90,000 meters in fiscal 2008.

In another line of diversified products, we are expanding production capacity for lavatory modules for Boeing passenger airliners at our Hiratsuka Plant. That is to meet growing demand in aircraft manufacturing and in retrofitting.

New product horizons

We are laying a foundation for lasting growth in the Multiple Business Group by developing products in new market sectors. Promising technologies that we are moving to commercialize include the New Porous Elastic Road Surface, a paving material that reduces road noise, and wheelchair cushions for preventing bedsore-like irritation. Products under development include plastic tubing for fuel cells and new electronic materials.

Broadened line of golf equipment

New club models launched in the second half of the past fiscal year sparked growth in unit sales. The main new models are the TR Driver MODEL 500, designed for competition golfers, and the egg spoon fairway woods, designed to help weekend golfers achieve greater distance.

Sharpened focus on corporate ethics

Our company was the subject of an investigation by Japan's Fair Trade Commission in the past fiscal year. The investigation was in regard to anticompetitive practices in marine hoses. We are determined to prevent the recurrence of any conduct inconsistent with the highest standards of corporate ethics.

In tune with the community

We remain committed to delivering the best products at competitive prices and on time, to achieving the goals of Grand Design 100, and to earning a reputation as a contributing member of the community. That includes asserting leadership in safeguarding the environment. In November 2007, we inaugurated the Yokohama Forever Forest project, which provides for planting 500,000 trees at 18 Yokohama plants worldwide. Harmonizing with the environment will shape our every effort in addressing the issues and opportunities that lie ahead.

June 2008

Tadanobu Nagumo

President and Representative Director

The Tale of DNA Earth-1

How a humble citrus extract transformed tire ecology

Reduce rolling resistance. Fuel economy improves. But grip deteriorates.

That was long the conventional wisdom—and a technological "given"—in the world of tires. Until Yokohama upturned conventional notions with a new approach to rubber compounding.

Yokohama's revolutionary technology reconciles the previously incompatible goals of low rolling resistance and high grip. And it accomplishes that breakthrough with the aid of an unlikely contributor: oil squeezed out of orange peels.

The orange-oil technology debuted in Yokohama's premium-grade DNA dB super E-spec tire. In early 2008, Yokohama deployed the technology in the mass-market DNA Earth-1. Rolling resistance with the DNA Earth-1 is 21% lower than with an industry benchmark for affordable fuel-saving tires: Yokohama's own ECOS tire. And grip is better. So is comfort.

Suppler Rubber

Orange oil has a molecular structure similar to that of rubber. It mixes well with the stuff of tires. It also makes the rubber softer.

Smear a little juice from an orange peel on an inflated rubber balloon. And… Pop! The orange oil softens the rubber. The balloon bursts.

What happens is that the oil seeps between the tightly intermeshed molecules of rubber polymer and loosens them. That's what makes the rubber more supple.

Improved Fuel Economy

Using natural rubber is a natural way to reduce rolling resistance—and improve fuel economy—in tires. Unfortunately, natural rubber generates less heat in tires than synthetic rubber does. And less heat means less grip.

Compounding orange oil with natural rubber improves grip. The increased suppleness enables the rubber to grasp even tiny projections on the road surface. So you enjoy the low rolling resistance characteristic of natural rubber. And you enjoy reliable grip.

The Continuing Evolution of the DNA Eco Tire Series

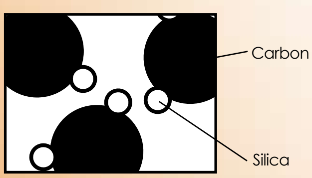
A new advance through compounding with orange oil

Yokohama was a Japanese pioneer in focusing on developing and mass-producing fuel-saving tires. The company's first DNA eco tires went on sale a decade ago as a breakthrough in reducing rolling resistance. Fuel economy has since become an important criterion for customers in selecting tires, and tire manufacturers around the world are competing to outdo one another in

1998

FIRST generation

Gattai-gomu



Bonding particles of silica and carbon before compounding them with rubber overcomes the traditional difficulty of achieving even distribution for the silica. That makes the most of silica's value in improving grip on wet surfaces and in reducing rolling resistance.

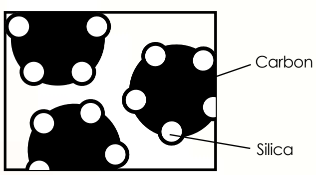
ECOS

The showcase tire of the DNA series: combines superior all-around performance with persuasive affordability

2002

SECOND generation

Gattai-gomu II



Reducing the size of the particles of silica and carbon increases the surface area of the silica and carbon and allows for using more silica. That helps increase grip further and reduce rolling resistance further. Strengthening the bonding between the silica and carbon increases resistance to wear.

dB ES501 decibel

An advance in quiet ride: a premium-grade addition to the DNA series

A More-Comfortable Ride

The DNA Earth-1 provides a smoother ride, as well as improved fuel economy. Yokohama has been especially successful in moderating the vertical shock from bumps in the road. That is largely the result of a new, rounded profile for the shoulder portion of the tire, which disperses shock.

In addition, Yokohama has downsized the filler—a triangular reinforcement strip on the edge of the carcass for imparting stiffness to the tire. That moderates the lateral stiffness and softens road impact, especially in inch-up sizes—sizes where the aspect ratio is lower and the wheel diameter larger than with the original-equipment tires.

A Size Combination for Every Need

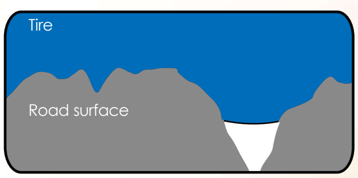
Yokohama has deployed the DNA Earth-1 in fully 70 size combinations. That makes the tire's fuel-saving benefits accessible to a vast range of customers. The DNA Earth-1 is available for vehicle models as diverse as medium-sized coupes, sedans, and minivans; subcompacts; and even minicars. Yokohama launched the new tire in February 2008 and is targeting sales of one million units in fiscal 2009.

creating tires that help conserve fuel. Yokohama retains its hard-won edge in that competition, as evidenced by the 2008 launch of the DNA Earth-1 and its orange oil compound. That compound, dubbed Super Nano-Power Rubber, marks a new chapter in the proud and continuing history of the DNA tire series.

2005 — 2007

THIRD generation

Nano-Power Rubber



Nanotechnology supports enhancements in Gattai-gomu II through compounding with new materials. Road contact improves, and grip is better than ever.

GRAND map

For large minivans: provides steady handling and quiet ride

map ES340

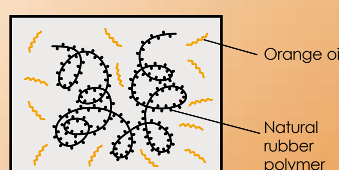
A new standard for minivan tires: accompanies quiet ride with long-life performance

DNA S.drive

Sporty performance: adds a fun new dimension to the DNA series

FOURTH generation

Super Nano-Power Rubber



Compounding with orange oil overcomes a traditional drawback of natural rubber in achieving excellent grip. It also makes the most of natural rubber's advantage in regard to low rolling resistance. The result is an important new advance in fuel-saving tire performance.

dB decibel super E-spec

Unexcelled environmental performance: the DNA paragon

Earth-1

All-around fuel savings: sizes for a vast range of needs

Review of Operations

Tire Group

Sales in the Tire Group rose 12.6%, to ¥419.8 billion, in fiscal 2008, and operating income rose 77.6%, to ¥26.1 billion. Expanded production capacity in Asian nations helped the company serve the growing global demand for tires. The strong growth in profitability, meanwhile, reflected improvements in the structure of earnings at production subsidiaries in North America and in Asian nations.

Japan

Continuing growth in original-equipment demand driven by robust exports

Yokohama's unit tire sales in Japan were basically unchanged from the previous year. Continuing growth in the original-equipment sector—in unit volume and in value—offset weakness in the replacement sector. The vigor in the original-equipment sector was attributable to export-driven growth in the production of passenger cars and to the increased production of off-the-road equipment amid surging global demand. The weakness in replacement tires resulted partly from the later-than-usual arrival of the snow season in most of Japan. That diminished sales of winter tires.

High-value-added products highlighted Yokohama's product launches in the past fiscal year. The company fortified its core line of passenger-car tires, the DNA family of environmentally friendly products. New DNA tires included the DNA Grand map, for large minivans, and the DNA dB super E-spec, for luxury cars. The DNA Grand map features advances in quiet ride and stable handling. The DNA dB super E-spec, meanwhile, is the fuel-saving paragon of the DNA family, and it supports superior riding comfort. In addition, Yokohama has increased the nonpetrochemical proportion of the tires' composition to fully 80%.

Superior environmental appeal in the all-new DNA Earth-1

Highlighting Yokohama's tire-marketing effort in the past fiscal year were launches of high-value-added, high-performance products. Those launches were part of continuing moves to

Yokohama tires appeared prominently on the hero's car, Mach 5, in the live-action feature film Speed Racer, *released by Warner Bros. in summer 2008. Also visible in the movie was billboard signage with the Yokohama logo.*

optimize the company's product mix. The DNA series remains a core emphasis in Yokohama's tire marketing. A big part of that emphasis is the DNA Earth-1, launched in February 2008. That new product is second only to the DNA dB super E-spec in fuel-saving performance, and it accompanies that performance with excellent grip. Yokohama offers the DNA Earth-1 in some 70 sets of size specifications to serve a vast range of customer needs.

ADVAN, Yokohama's global flagship brand, turns 30 years old in 2008. The company is stepping up racing-linked advertising and other promotion in support of the ADVAN brand. That stepped-up effort is partly to capitalize on the first-ever Japanese race in the World Touring Car Championship (WTCC) series. ADVAN is the exclusive tire brand in that racing series.

North America

A 30% sales increase in tires for passenger cars and light trucks

Yokohama's North American tire business centers on marketing tires produced locally by Yokohama Tire Corporation. That subsidiary posted a 16.6% increase in sales in calendar 2007, to $721 million.

Leading the sales growth at Yokohama Tire Corporation was a 30% increase in sales of replacement tires for passenger cars and light trucks. U.S. demand for replacement tires for passenger cars and light trucks was basically unchanged from the previous year, but Yokohama Tire Corporation achieved the solid growth in that sector on the strength of high-value-added products and price increases.

Yokohama's GEOLANDAR H/T-S tires, for sport-utility vehicles, offer a comfortable ride, excellent wear resistance, and impressive fuel economy.

It registered notably strong sales gains with the GEOLANDAR H/T-S, for highway-oriented sport-utility vehicles, and the AVID H4S/V4S all-weather tire for passenger cars.

In replacement tires for trucks and buses, Yokohama Tire Corporation recorded a decline in sales despite a slight increase in demand. The company experienced some delays in bringing new products to market, and it eschewed price-cutting competition at the low end of the market.

Yokohama Tire Corporation posted sales growth in off-the-road tires. It maintained unit sales volume at the same level as the previous year despite a sharp downturn in demand, and it maximized the value of sales through price increases.

Profitability increased strongly at Yokohama Tire Corporation. The continuing rise in raw material costs and the upward pressure of rising fuel prices on logistics costs affected earnings adversely. Yokohama Tire Corporation more than offset those adverse factors through improvements in its product mix, through sales gains, and through price increases.

Asian Nations besides Japan

Strong momentum in high-performance tires

Sales increased in Asian nations besides Japan in passenger car tires and in truck and bus tries. The growth in passenger car tires was notably pronounced in China, Malaysia, and the Republic of Korea. Sales were especially strong in high-performance tires for high-end vehicle models in big-city markets. That included robust sales gains with the comfort-oriented DNA dB, the sporty S.drive, and the sport-utility GEOLANDAR series. Yokohama supported those gains by increasing the production of high-performance tires in Japan and in Thailand. In China, a third phase of expansion at Hangzhou Yokohama Tire Co., Ltd., in Zhejiang Province, supported increased sales in the replacement market and a large increase in shipments to Japanese-owned vehicle plants.

In the truck and bus sector, business expanded overall, led by growth in China and Malaysia. Yokohama expanded its Chinese sales network, supplying sales outlets initially with tires imported from Japan. That was in advance of the July 2008 start of production of truck and bus tires at Suzhou Yokohama Tire Co., Ltd., in Jiangsu Province.

Steps toward a stronger marketing presence in Southeast Asia and India

Yokohama is laying a foundation for stepped-up marketing in Southeast Asian nations and in India. It established Yokohama Asia Co., Ltd., in Bangkok in February 2008 to coordinate marketing in those regions. The new subsidiary will work to reinforce Yokohama's brand identity in the company's traditional stronghold in high-performance tires. It will also work to cultivate sales channels and to upgrade technical service.

In addition, Yokohama established a Thai subsidiary in May 2008 to handle tire distribution in Thailand. Yokohama Tire Sales (Thailand) Co., Ltd., assumes the function formerly handled by an independent distributor. It handles mainly tires produced by Yokohama Tire Manufacturing (Thailand) Co., Ltd., and will bolster the Yokohama marketing effort in Thailand. The new company is Yokohama's fifth Asian sales subsidiary outside Japan. It joins counterparts in China, the Philippines, the Republic of Korea, and Taiwan.

Europe

Unit sales up sharply in Russia

Unit tire sales increased solidly in Europe. Sales surged in Russia and in eastern European nations, where economic growth was proceeding apace, and sales also grew strongly in western Europe. Contributing to the growth in western Europe were strong sales in Germany, Austria, and Switzerland for the W.drive winter tire, launched in 2007.

Underlying the sales growth in Russia was progress in expanding business through middle-tier retail chains in urban markets. That included welcoming sales outlets into the Yokohama Club program. In that program, Yokohama supplies tires on a priority basis to outlets that meet specified sales targets. It also furnishes member outlets with promotional materials and other marketing support. Yokohama has earned high regard from Russian tire vendors for its reliability in keeping them supplied with sufficient quantities of popular tires. That has been a decisive factor in the continuing rapid growth in Yokohama Club outlets.

Contributing greatly to Yokohama's sales growth in Russia were studded winter tires, the core category in the Russian market. Yokohama

The PARADA Spec-X, a stylish offering from Yokohama for sport-utility vehicles, furnishes superior performance on wet surfaces and a smooth, quiet ride.

has led the tire industry in offering Russian customers a comprehensive array of size variations in that category. The company augmented its Russian line of winter tires in the past fiscal year with the iceGuard studless tire. That product also contributed to sales growth. Studless tires provide a quieter, more-comfortable ride than studded tires, and Yokohama is promoting them widely in the Russian market.

In pursuit of large sales growth in Russia and eastern Europe

Yokohama is working to maintain its growth momentum in western Europe in fiscal 2009 and to achieve large sales gains in the fast-expanding markets of Russia and eastern Europe. The company's targets for the region include earning an increased market share in high-performance tires. For that purpose, it will offer new size variations in Europe in the latter half of 2008 for its W.drive tire. In addition, Yokohama will launch its PARADA Spec-X tire, popular on sport-utility vehicles in North America, in western Europe.

The Yokohama strategy for broadening its sales channels in Europe includes developing ties with large independent tire retailers. Yokohama renewed a supply contract in 2007 with a big retailing chain that markets tires through a pan-European network of outlets. That arrangement promises to contribute to Yokohama's European tire sales in fiscal 2009. Also promising in a European context is the start-up of truck and bus tire production at Yokohama Tire Manufacturing (Thailand). That will provide Yokohama with supply capacity to assert a significant presence in the European market for truck and bus tires.

Other Regions

New marketing company in Brazil

Unit tire sales in the Middle East remained basically at the same level as the previous year. Sales increased strongly in high-performance tires, such as the ADVAN series, for passenger cars, and the GEOLANDAR series, for sport-utility vehicles. That increase reflected the contribution of rising crude oil prices to purchasing power in the Middle East. It also reflected Yokohama's success in recruiting new dealers that have strong positions in high-performance tires. Offsetting the unit sales gains in passenger car tires were declines in light-truck tires and in truck and bus tires.

In Australia and other markets of Oceania, unit tire sales increased. Contributing notably to the sales growth were the GEOLANDAR series, for sport-utility vehicles, and new tire products launched in 2007 for vans.

Unit tire sales also increased in Latin America, where demand was generally strong. Sales were notably robust in passenger car tires, especially in Brazil and Argentina. In April 2008, Yokohama established a marketing company, Yokohama Rubber Latin America Comercio Ltda., in São Paulo. The new subsidiary will cultivate sales channels and conduct other marketing activities to cultivate the immense potential of Latin American markets.

Review of Operations

MB Group

Sales in the Multiple Business Group rose 5.5% in the past fiscal year, to ¥131.6 billion, and operating income rose 3.6%, to ¥7.0 billion. Leading the sales growth were gains in high-pressure hoses for construction equipment and other off-the-road equipment, in conveyor belts, and in marine fenders. Business in all of those product sectors benefited from the stepped-up activity worldwide in resources development. Restraining the earnings growth somewhat was the appreciation of the yen against the dollar toward the end of the fiscal year and the continuing rise in raw material prices.

Surging demand for hydraulic excavators is spawning demand for Yokohama's high-pressure hoses.

Hoses

Continuing growth for off-the-road equipment

Sales of hoses increased 1.8%, to ¥43.4 billion. Demand for off-the-road equipment expanded worldwide, and Yokohama posted continuing growth in sales of high-pressure hydraulic hoses—its main product line in this category—to Japanese manufacturers of that equipment. Sales were flat in automotive hoses. Yokohama posted sales growth in hoses for air conditioning systems, but sales declined in hydraulic hoses for power-steering systems because of the continuing shift to electric power steering.

Business reverses at U.S. subsidiaries

Sales declined at Yokohama's U.S. subsidiaries SAS Rubber Company and YH America, Inc., on account of downturns in orders from U.S. automakers. In Asia, the Taiwan subsidiary SC Kingflex Corporation recorded a small sales decline, but sales increased solidly at Yokohama Rubber (Thailand) Co., Ltd. The Thai subsidiary recorded strong sales gains in automotive hoses and in hoses for off-the-road equipment in its local market and in markets throughout Southeast Asia.

Yokohama has replaced hexavalent chromium (upper photo) with trivalent chromium (lower photo) as a coating material for zinc-plated hose fittings. The change is in response to medical and environmental concerns about hexavalent chromium. Yokohama began the changeover in June 2007 and has largely completed the transition to the more-benign material.

Expanded production capacity

Yokohama will expand its Ibaraki Plant's production capacity for hoses for off-the-road equipment to 100,000 meters a day by April 2010. That is a 10,000-meter increase over the plant's daily production capacity at the past fiscal year-end, and it is to serve the rapid expansion of production under way at manufacturers of off-the-road equipment.

The expanded production capacity will be for spiral hoses. Those hoses have a reinforcing coil of high-tensile-strength wire around their inner layer of rubber, and they withstand high pressures and offer long-life performance. Yokohama is targeting the expanded production capacity chiefly in medium-sized and large hydraulic excavators. Demand for those excavators is growing rapidly.

Yokohama is also expanding production capacity for hoses at overseas subsidiaries. SC Kingflex added a new production line in July 2008, and Yokohama Rubber (Thailand) opened a second plant in May 2008.

Strengthened marketing in India and in Russia

The past fiscal year marked the beginning of systematic efforts by Yokohama toward building sales channels for hoses in India and in Russia. Both of those nations are drafting plans for numerous projects for developing natural resources and for building infrastructure. That bodes well for continuing growth in demand for construction and other off-the-road equipment. Yokohama established Yokohama India Pvt. Ltd. in New Delhi in April 2007. That subsidiary will focus initially on developing sales channels for serving the Indian operations of Japanese manufacturers of off-the-road equipment. In February 2008, Yokohama established its first assembly station in Russia for selling replacement hoses for off-the-road equipment.

Industrial Materials

Growth in conveyor belts and in marine fenders

Sales of industrial products—principally conveyor belts, marine fenders, and other civil engineering products—increased 7.0%, to ¥29.5 billion. The bustling global activity in resources development spawned growing demand for conveyor belts and marine fenders, and sales of other civil engineering products also increased.

Shipments of conveyor belts increased strongly in Australia and Brazil, where iron ore development projects presented growing demand. Business was especially vigorous in steel-cord belts, which are well suited to large loads and long-distance conveyance.

The sales growth in marine fenders reflected the growing volumes of crude oil, liquefied natural gas, ethanol, and other energy-related cargoes being handled in marine transport. Tankers are becoming larger, especially as shipping companies adopt double-hulled vessels, and demand for buoy-type fenders of 2.5 meters and more in diameter was notably robust. Yokohama also won orders for fixed marine fenders for installation on wharves in harbor-construction projects. The company is moving to expand production capacity to serve the growing demand for marine fenders.

Other civil engineering products supplied by Yokohama include laminated bearings for protecting bridges from earthquakes and rubber expansion joints for roads on bridges. Sales of those products increased in the past fiscal year, reflecting unit sales growth and price increases.

Contributing to the sales growth in laminated bearings for bridges was the shift to rubber bearings from lead-plugged bearings. The lead-plugged bearings have aroused concerns about their adverse environmental effects. Sales of rubber expansion joints for bridges benefited from the excellent market reception for a new product launched in autumn 2007. That product, the YS II-W, prevents bridge girders from colliding with each other in earthquakes, and it is usable between bridge girders as thick as 50 centimeters.

Sealants and Adhesives

Sales gains led by automotive windshield sealants

Sales sealants and adhesives increased 5.5%, to ¥26.0 billion. Leading the growth was robust business in automotive windshield sealants in Japan and overseas. Sales in Japan benefited from the growth in vehicle production. Overseas, the U.S. subsidiary YH America, Inc., won new orders from U.S. automakers, and Yokohama Rubber (Thailand) posted growth in exports to other Southeast Asian nations and to India.

Business in construction sealants and insulation-glass sealants declined. That reflected a decline in commercial and residential building starts, which resulted partly from a revision of Japan’s building code.

New footholds in electronic materials

Yokohama is cultivating new growth potential by developing products in electronic materials. The first of those products, a coating material called Y-COAT, went on sale in the past fiscal year.

Construction sealants supplied by Yokohama render service in Tokyo’s fashionable Midtown complex. That complex opened in 2007 on about seven hectares (17 acres) of redeveloped land in central Tokyo.

Y-COAT overcomes the traditional difficulty of bonding plastic and metallic components together with adhesives. Manufacturers of cellular phones and digital cameras welcomed the new product and immediately began using it in their products. Y-COAT supports the growing use of advanced plastics for combining lightweight durability and sophisticated designs and functionality. It incorporates original compounding technology develop in Yokohama's sealant operations.

Aerospace Products

Business expansion in lavatory modules

Sales of aerospace products increased 1.8%, to ¥19.0 billion, as growth in business with airlines and aircraft manufacturers offset a decline in government business. Yokohama is Boeing's exclusive supplier of lavatory modules for the aircraft maker's best-selling airliner, the B737, and deliveries of B737 lavatory modules continued to grow.

Yokohama also posted growth in sales of lavatory modules to airlines for retrofitting B757 airliners. Launched a quarter century ago, the B757 was a hugely successful aircraft for Boeing. Yokohama was also the exclusive supplier of lavatory modules for the B757, which went out of production in 2005.

Large retrofitting order

Yokohama won a large supply contract with a leading airline in the past fiscal year for lavatory modules for retrofitting Boeing 757 airliners. The company will supply modules for 124 aircraft under that contract. Yokohama also secured several retrofitting orders from airlines in the past fiscal year.

The outlook is promising for further growth in retrofitting business, and Yokohama is expanding production capacity for lavatory modules at its Hiratsuka Plant. A new production line will go into operation there in the second half of the present fiscal year, and that will provide a 50% increase in production capacity.

Golf Equipment and Other Products

Sales contribution from tire production equipment

Sales of golf equipment and other products increased 22.7%, to ¥13.6 billion, led by sales of tire-manufacturing equipment. Yokohama launched six new golf clubs in Japan in the past fiscal year, including the TR Driver MODEL 500, for advanced golfers; the egg irons and egg spoon fairway woods, for achieving long flight easily; and the SWEEP, for female golfers. Unit sales grew, but price competition kept the yen sales volume at about the same level as in the previous year.

The newly launched MODEL 500 augments Yokohama's TR line of competition-oriented drivers. A lowered center of gravity in the head improves control.

Financial Section

Operating Results

Net sales increased 10.9%, to ¥551.4 billion. Yokohama posted record sales volume for the third consecutive year.

Cost of sales increased 8.7%, to ¥381.4 billion. That increase reflected sales growth and the rise in prices for natural rubber, synthetic rubber, and other raw materials. The rising cost of raw materials accounted for about ¥6.5 billion of the increase in cost of sales. A revision of Japan's corporate tax code mandated a change in the method of calculating depreciation, and that resulted in an increase of ¥3.0 billion in depreciation expenses.

Selling, general and administrative expenses increased 9.2%, to ¥136.9 billion. The chief factors in that increase were the expanded volume of tire exports and rising unit costs for shipping. Research and development expenses, included in cost of sales and in selling, general and administrative expenses, increased 4.4%, to ¥15.3 billion.

Operating income increased 57.2%, to ¥33.1 billion, and the operating profit margin rose 1.8 points, to 6.0%. Underlying the improvement in operating profitability were sales gains, price increases, and the weakening of the yen against the euro.

A shift of ¥17.6 billion in other income and expenses resulted in net expenses of ¥12.6 billion, compared with net income of ¥5.0 billion in the previous year. The appreciation of the yen toward the end of the fiscal year resulted in translation losses on foreign currency denominated receivables, and the slump in the stock market resulted in valuation losses on investment securities.

Income before income taxes declined 21.4%, to ¥20.5 billion. That decline occurred as an increase in net other expenses more than offset the increase in operating income.

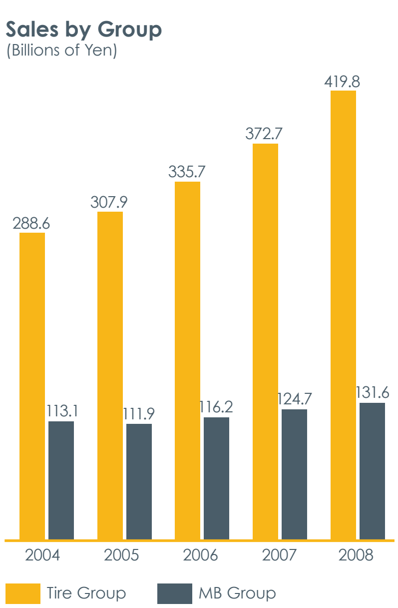
Income taxes declined ¥10.3 billion, producing a net tax credit of ¥1.0 billion. The effective tax rate was –5.1%, compared with 35.5% in the previous year. That shift of 40.3% reflected tax benefits enabled by the improved profitability at the U.S. tire production and sales company Yokohama Tire Corporation.

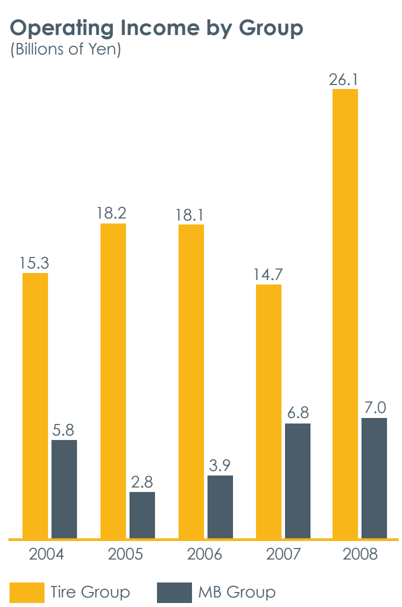
Net income increased 28.7%, to ¥21.1 billion, on account of the decline in corporate income taxes. Net return on sales rose 0.5 points, to 3.8%.

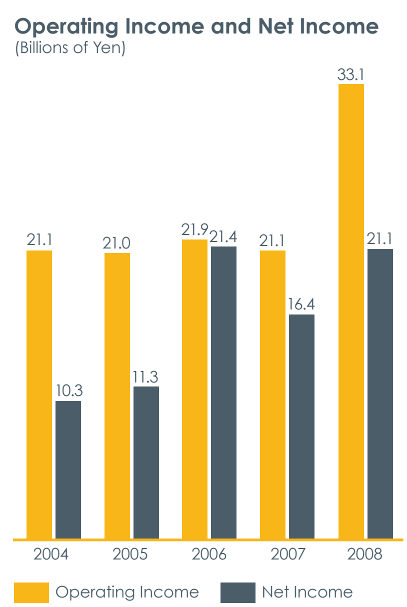
Results by Segment

By business segment

Sales in the Tire Group increased 12.6%, to ¥419.8 billion, and the group's operating income rose 77.6%, to ¥26.1 billion. Business expanded in overseas markets and in the Japanese market for original-equipment tires. That expansion more than offset a sales decline in the Japanese market for replacement tires. Improvements in the structure of earnings at production subsidiaries in North America, Thailand,







the Philippines, and China led the rise in profitability.

Sales in the Multiple Business Group increased 5.5%, to ¥131.6 billion, and the group's operating income rose 3.6%, to ¥7.0 billion. Business expanded notably in high-pressure hoses for off-the-road equipment, in conveyor belts, and in marine fenders, supported by vigorous demand. The appreciation of the yen against the dollar toward the end of the fiscal year and the continuing rise in raw material costs restrained the growth in profitability.

By geographical segment

Sales in Japan increased 4.7%, to ¥387.2 billion, and operating income increased 31.1%, to ¥22.9 billion. Profitability improved as tire exports grew, as Japanese sales of original-equipment tires grew, and as price increases took hold.

In North America, sales increased 14.1%, to ¥112.0 billion, and operating income increased 76.5%, to ¥6.7 billion. Promoting the Yokohama name as a high-value-added tire brand supported the gains in sales and earnings, and business expanded profitably at the company's U.S. tire production platform Yokohama Tire Corporation.

Sales increased 65.5% in Asian markets besides Japan, to ¥23.0 billion, and operating income increased 22.7-fold, to ¥2.8 billion. Supporting the sales growth were large increases in production capacity in Thailand, the Philippines, and China. The strong growth in earnings reflected the completion of investment projects in those nations and the smooth start-up of the new production capacity.

In other regions, sales increased 87.1%, to ¥29.2 billion, and operating income increased 2.7-fold, to ¥1.0 billion. The sales increase resulted mainly from the first-time inclusion in Yokohama's consolidated accounts of a sales company in Russia. Sales have grown strongly in Russia in recent years.

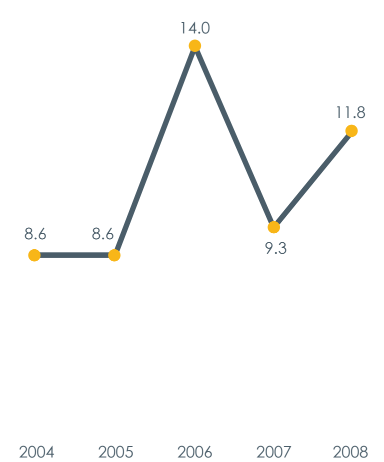
Capital Spending

Capital spending declined 32.8%, to ¥27.3 billion. Yokohama funded that spending with Internally generated funds and with borrowings.

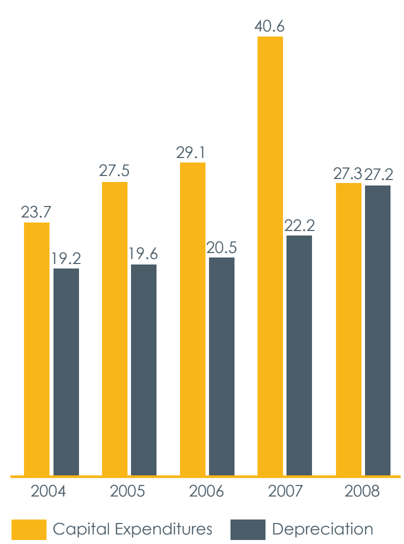
In the Tire Group, capital spending declined 37.7%, to ¥23.1 billion. That total included ¥12.4 billion of investment at the parent company for expanding production capacity, for raising productivity, and for improving product quality. It also included ¥3.1 billion of investment at Yokohama Tire Manufacturing (Thailand) Co., Ltd., for expanding production capacity for tires for passenger cars and light trucks and for building a proving ground and ¥1.5 billion of investment at Hangzhou Yokohama Tire Co., Ltd., for expanding production capacity for passenger car tires.

In the Multiple Business Group, capital spending increased 8.3%, to ¥3.8 billion. That investment was mainly for expanding production capacity for sealants and hoses.

Return on Shareholder's Equity
(Percent)



Capital Expenditures and Depreciation
(Billions of Yen)



Sources of Funds and Liquidity

Financial position

Total assets declined ¥10.1 billion, to ¥526.2 billion at fiscal year-end. The main reason for the decline was a ¥33.1 billion decrease in investment securities. That decline occurred as the downturn in the market prices of listed equity shares diminished the company's unrealized gains on securities holdings.

Liquid assets increased ¥18.0 billion. That increase included growth in trade notes and receivables, which resulted from the expansion in tire business. It also included growth in inventories, which reflected expanded tire production and the rise in raw material costs.

Total liabilities declined ¥5.1 billion, to ¥344.7 billion. That decline occurred as the diminution of unrealized gains on listed equity shares reduced deferred tax liabilities by ¥13.7 billion.

Net assets declined ¥5.0 billion, to ¥181.5 billion at fiscal year-end. Retained earnings increased ¥14.8 billion, reflecting the growth in net income. More than offsetting that increase was a ¥20.3 billion decline in the item "unrealized gains on securities," which resulted from the diminution of unrealized gains on listed equity shares.

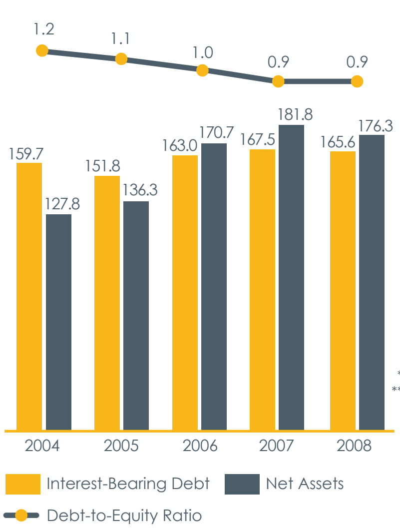
Cash flow

Net cash provided by operating activities, including an increase in depreciation, increased ¥4.9 billion, to ¥41.6 billion. Net cash used in investing activities declined ¥1.4 billion, to ¥33.7 billion, reflecting the completion of a round of expansion of tire production capacity. Free cash flow—net cash provided by operating activities less net cash used in investing activities—thus increased ¥6.3 billion, to ¥7.9 billion. The company used part of its free cash flow and long-term deposits received to repay borrowings and to fund an increase in the dividends per share. Cash and cash equivalents at year-end increased ¥4.7 billion, to ¥19.5 billion.

Fiscal Outlook

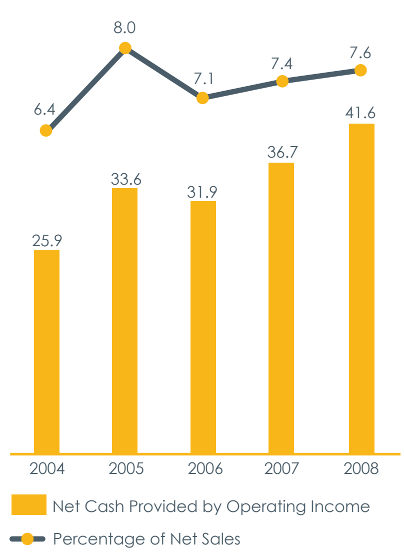
Management projects further growth in sales and a decline in earnings in fiscal 2009. Demand for tires continues to expand in overseas markets, and management expects the company's overall sales to increase 2.5%, to ¥565.0 billion. The high and still-rising prices for raw materials, along with the strengthening of the yen, appear likely to depress profitability. Management expects operating income to decline 21.5%, to ¥26.0 billion, and net income to decline 38.3%, to ¥13.0 billion.

Interest-Bearing Debt, Net Assets*, and Debt-to-Equity Ratio**
(Billions of Yen, Times)



*Less minority interests
**Interest-bearing debt divided by net assets less minority interests*

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



Risk

Economic conditions
Vehicle tires account for most of the Company's worldwide revenues. Demand for those tires reflects economic conditions in nations and regions where the Company sells its products. Therefore, economic trends and developments that diminish demand in the Company's main markets—including Japan, North America, Europe, and Asian nations besides Japan—could adversely affect the Company's business performance and financial position.

Competition
A loss of market share caused by a deterioration of the Company's competitive position or a decline in selling prices caused by escalating competition could adversely affect the Company's business performance and financial position.

Exchange rates
The Company conducts most of its business transactions and investment in yen, but it conducts some transactions and investment in dollars and in other currencies. The Company continues to expand its operations globally. That expansion will increase the Company's exposure to fluctuations in currency exchange rates. The Company hedges its exposure to currency exchange rates with forward exchange contracts and with other instruments, but management cannot be certain that hedging will fully offset the effect of fluctuations in currency exchange rates on the Company's business performance and financial position.

Seasonal factors
Sales of winter tires are an important contributor to the Company's sales and earnings. A later-than-usual onset of winter or lighter-than-usual snowfall could diminish demand for winter tires and thereby adversely affect the Company's business performance and financial position.

Raw material prices
The Company's principal raw materials are natural rubber and petrochemical products, including synthetic rubber and carbon black. Increases in prices for natural rubber and for crude oil have adversely affected the Company's business performance and financial position in recent years, and they could have a similar effect in the future.

Access to funds
Instability in any of the world's principal financial markets could affect the Company's access to funding adversely. In addition, the lowering of the Company's credit rating by leading credit-rating agencies could adversely affect the Company's access to debt financing and could increase the Company's cost of funds. That could adversely affect the Company's financial performance and financial position.

Interest rates
As of March 31, 2008, the Company's interest-bearing debt was equivalent to 31.5% of its total assets. An increase in interest rates could adversely affect the Company's financial performance and financial position.

Securities
The Company owns marketable securities, mainly Japanese equities. A decline in the value of those securities could adversely affect the Company's financial performance and financial position.

Investment
In response to growing demand for automobile tires, the Company is investing in expanding its tire production capacity, especially in Asia. Changes in the regulatory environment, in economic conditions, in industrial circumstances, or in political and social stability in the host nations for the Company's investment could adversely affect the Company's business performance and financial position.

Retirement benefit obligations
The Company calculates retirement benefit obligations and retirement benefit expenses according to predetermined criteria, including expected returns on pension assets. If actual return on the Company's pension assets declined substantially below the expected return or if the Company revised its retirement plan substantially, that could adversely affect the Company's financial performance and financial position.

Natural disasters
Earthquakes and other natural disasters could damage the Company's plants and other facilities and could limit the Company's access to essential raw materials and services. That could adversely affect the Company's business performance and financial position.

Eleven-Year Summary

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
Fiscal Years Ended March 31

	2008	2007	2006	2005
Net sales	**¥551,431**	¥497,396	¥451,911	¥419,789
Operating income	**33,119**	21,070	21,947	20,955
Income before income taxes and minority interests	**20,478**	26,038	22,673	16,337
Net income	**21,060**	16,363	21,447	11,322
Depreciation	**27,238**	22,166	20,491	19,616
Capital expenditures	**27,292**	40,638	29,067	27,533
R&D expenses	**15,289**	14,649	14,557	14,265
Interest-bearing debt	**165,614**	167,474	163,022	151,758
Total net assets	**181,538**	186,528	174,609	139,534
Total assets	**526,192**	536,322	502,014	432,717
Per share (yen):				
Net income: Basic	**¥ 62.81**	¥ 48.79	¥ 62.75	¥ 32.95
Net assets	**525.96**	542.10	508.64	398.24
Cash dividends	**13.00**	12.00	10.00	8.00
Key financial ratios:				
Operating margin (%)	**6.0**	4.2	4.9	5.0
Return on shareholders' equity (%)	**11.8**	9.3	14.0	8.6
Capital turnover (times)	**1.0**	1.0	1.0	1.0
Interest-bearing debt to shareholders' equity (times)	**0.9**	0.9	1.0	1.1
Interest coverage (times)	**9.0**	7.0	10.1	11.2
Number of employees	**16,099**	15,423	14,617	13,464

Millions of Yen

2004	2003	2002	2001	2000	1999	1998
¥401,718	¥400,448	¥399,824	¥387,855	¥392,193	¥401,183	¥415,397
21,073	23,184	22,701	19,845	19,043	15,809	11,668
16,931	18,778	16,076	7,052	(13,692)	7,731	5,685
10,331	10,144	7,363	96	(9,009)	3,233	873
19,199	19,040	19,247	20,083	21,922	21,141	21,566
23,735	22,708	16,940	18,118	19,470	28,216	27,229
13,818	12,520	12,298	11,827	11,626	13,300	13,800
159,700	167,832	179,098	191,289	198,930	215,245	209,132
130,622	114,719	116	114,205	96,837	107,669	106,559
429,350	412,626	437,771	448,130	425,927	432,457	440,420
¥ 29.95	¥ 29.38	¥ 21.32	¥ 0.28	¥(26.30)	¥ 9.44	¥ 2.55
373.23	327.61	334.24	328.81	276.54	309.36	307.88
8.00	8.00	6.00	—	6.00	6.00	8.00
5.2	5.8	5.7	5.1	4.9	3.9	2.8
8.6	8.9	6.5	0.1	(9.0)	3.1	0.8
1.0	0.9	0.9	0.9	0.9	0.9	1.0
1.2	1.5	1.6	1.7	2.1	2.0	2.0
9.2	7.9	4.9	3.5	3.7	2.7	2.3
13,264	12,979	13,130	13,362	13,764	12,107	12,325

Consolidated Balance Sheets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2008**	2007	**2008**
Current Assets:			
Cash and cash equivalents	**¥ 19,530**	¥ 14,812	**$ 194,934**
Time deposits	**59**	72	**586**
Trade receivables:			
Notes and accounts (Note 6)	**115,776**	108,137	**1,155,565**
Inventories (Note 3)	**84,231**	78,944	**840,709**
Deferred income taxes (Note 13)	**8,354**	7,200	**83,386**
Other current assets	**8,640**	9,748	**86,236**
Allowance for doubtful receivables	**(1,352)**	(1,679)	**(13,496)**
Total current assets	**235,238**	217,234	**2,347,920**
Property, Plant and Equipment, at Cost (Notes 4 and 5):			
Land	**36,079**	34,654	**360,101**
Buildings and structures	**130,805**	128,850	**1,305,572**
Machinery and equipment	**389,591**	397,455	**3,888,527**
Construction in progress	**11,692**	10,215	**116,693**
	568,167	571,174	**5,670,893**
Less accumulated depreciation	**(374,640)**	(377,613)	**(3,739,292)**
Total property, plant and equipment, net	**193,527**	193,561	**1,931,601**
Investments and Other Assets:			
Investment securities (Note 10)	**67,781**	100,844	**676,520**
Long-term loans receivable	**843**	709	**8,414**
Deferred income taxes (Note 13)	**9,093**	3,095	**90,760**
Other investments and other assets	**20,866**	22,049	**208,262**
Allowance for doubtful receivables	**(1,156)**	(1,170)	**(11,536)**
Total investments and other assets	**97,427**	125,527	**972,420**
Total assets	**¥526,192**	¥536,322	**$5,251,941**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
Current Liabilities:			
Bank loans	**¥ 81,598**	¥ 62,128	**$ 814,431**
Current maturities of long-term debt (Note 4)	**17,376**	25,061	**173,434**
Commercial paper	**1,000**	1,000	**9,981**
Trade notes and accounts payable	**87,136**	84,684	**869,708**
Accrued income taxes	**3,845**	2,466	**38,377**
Accrued expenses	**29,725**	26,662	**296,683**
Other current liabilities (Note 13)	**14,547**	14,355	**145,192**
Total current liabilities	**235,227**	216,356	**2,347,806**
Long-Term Liabilities:			
Long-term debt (Note 4)	**65,640**	79,285	**655,156**
Deferred income taxes (Note 13)	**9,811**	23,465	**97,920**
Reserve for pension and severance payments (Note 12)	**18,510**	19,938	**184,745**
Other long-term liabilities	**15,466**	10,750	**154,373**
Total long-term liabilities	**109,427**	133,438	**1,092,194**
Total liabilities	**344,654**	349,794	**3,440,000**
Contingent liabilities (Note 6)			
Net Assets			
Shareholders' Equity:			
Common stock:			
Authorized: 700,000,000 shares in 2008 and 2007			
Issued: 342,598,162 shares in 2008 and 2007	**38,909**	38,909	**388,354**
Capital surplus	**31,953**	31,953	**318,923**
Retained earnings (Note 8)	**94,856**	80,065	**946,761**
Treasury stock, at cost: 7,352,359 shares in 2008 and 7,257,127 shares in 2007	**(4,681)**	(4,600)	**(46,718)**
Total shareholders' equity	**161,037**	146,327	**1,607,320**
Valuation and Translation Adjustments:			
Unrealized gains on securities	**19,332**	39,635	**192,957**
Foreign currency translation adjustments	**(4,045)**	(4,175)	**(40,378)**
Total valuation and translation adjustments	**15,287**	35,460	**152,579**
Minority Interests:	**5,214**	4,741	**52,042**
Total net assets	**181,538**	186,528	**1,811,941**
Total liabilities and net assets	**¥526,192**	¥536,322	**$5,251,941**

Consolidated Statements of Income

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
Net sales	**¥551,431**	¥497,396	¥451,911	**$5,503,853**
Cost of sales (Notes 5 and 7)	**381,447**	350,978	310,232	**3,807,232**
Gross profit	**169,984**	146,418	141,679	**1,696,621**
Selling, general and administrative expenses (Notes 5 and 7)	**136,865**	125,348	119,732	**1,366,062**
Operating income	**33,119**	21,070	21,947	**330,559**
Other income (expenses)				
Interest and dividends income	**1,921**	1,714	1,034	**19,178**
Interest expense	**(3,898)**	(3,247)	(2,270)	**(38,908)**
Other — net	**(10,664)**	6,501	1,962	**(106,434)**
	(12,641)	4,968	726	**(126,164)**
Income before income taxes and minority interests	**20,478**	26,038	22,673	**204,395**
Income taxes (Notes 2 and 13):				
Current	**5,334**	2,735	2,722	**53,240**
Deferred	**(6,373)**	6,505	(1,871)	**(63,608)**
	(1,039)	9,240	851	**(10,368)**
Minority interests in net income of consolidated subsidiaries	**(457)**	(435)	(375)	**(4,557)**
Net income	**¥ 21,060**	¥ 16,363	¥ 21,447	**$ 210,206**

Per Share Amounts:	Yen			U.S. Dollars (Note 1)
Net income: Basic	**¥62.81**	¥48.79	¥62.75	**$0.63**
Net income: Diluted	**—**	—	—	**—**
Cash dividends	**¥13.00**	¥12.00	¥10.00	**$0.13**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Yokohama Rubber Co., Ltd. and Consolidated Subsidiaries
For the years Ended March 31, 2008, 2007, 2006 and 2005

		Millions of Yen							
	Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2005	342,598,162	¥38,909	¥31,953	¥51,934	¥ (138)	¥122,658	¥13,655	¥3,221	¥139,534
Decrease in retained earnings due to change in scope of consolidation	—	—	—	(9)	—	(9)	—	—	(9)
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(1,013)	—	(1,013)	—	—	(1,013)
Net income	—	—	—	21,447	—	21,447	—	—	21,447
Cash dividends paid	—	—	—	(4,106)	—	(4,106)	—	—	(4,106)
Bonuses to directors and corporate auditors	—	—	—	(45)	—	(45)	—	—	(45)
Decrease in retained earnings due to change in accounting standards of a consolidated subsidiary	—	—	—	(769)	—	(769)	—	—	(769)
Repurchase of treasury stock, net	—	—	—	—	(4,388)	(4,388)	—	—	(4,388)
Valuation and translation adjustments									
Unrealized gains on securities	—	—	—	—	—	—	19,957	—	19,957
Foreign currency translation adjustments	—	—	—	—	—	—	3,288	—	3,288
Increase (decrease) in minority interests	—	—	—	—	—	—	—	713	713
Balance at March 31, 2006	342,598,162	38,909	31,953	67,439	(4,526)	133,775	36,900	3,934	174,609
Adjustment for excess of additional pension liability over unrecognized prior service cost	—	—	—	(337)	—	(337)	—	—	(337)
Net income	—	—	—	16,363	—	16,363	—	—	16,363
Cash dividends paid	—	—	—	(3,354)	—	(3,354)	—	—	(3,354)
Bonuses to directors and corporate auditors	—	—	—	(48)	—	(48)	—	—	(48)
Increase in retained earnings due to merger	—	—	—	2	—	2	—	—	2
Repurchase of treasury stock, net	—	—	—	—	(74)	(74)	—	—	(74)
Valuation and translation adjustments									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(3,920)	—	(3,920)
Foreign currency translation adjustments	—	—	—	—	—	—	2,480	—	2,480
Increase (decrease) in minority interests	—	—	—	—	—	—	—	807	807
Balance at March 31, 2007	342,598,162	38,909	31,953	80,065	(4,600)	146,327	35,460	4,741	186,528
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	—	(1,557)	—	(1,557)	—	—	(1,557)
Net income	—	—	—	21,060	—	21,060	—	—	21,060
Cash dividends paid	—	—	—	(4,694)	—	(4,694)	—	—	(4,694)
Increase in retained earnings due to merger	—	—	—	114	—	114	—	—	114
Decrease in retained earnings due to change in accounting policies in overseas subsidiaries	—	—	—	(132)	—	(132)	—	—	(132)
Repurchase of treasury stock, net	—	—	—	(0)	(81)	(81)	—	—	(81)
Valuation and translation adjustments									
Net unrealized gains and losses on securities	—	—	—	—	—	—	(20,303)	—	(20,303)
Foreign currency translation adjustments	—	—	—	—	—	—	130	—	130
Increase (decrease) in minority interests	—	—	—	—	—	—	—	473	473
Balance at March 31, 2008	342,598,162	¥38,909	¥31,953	¥94,856	¥(4,681)	¥161,037	¥15,287	¥5,214	¥181,538

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2007	$388,354	$318,923	$799,138	$(45,916)	$1,460,499	$353,930	$47,315	$1,861,744
Adjustment for employee benefit obligations in overseas subsidiaries	—	—	(15,544)	—	(15,544)	—	—	(15,544)
Net income	—	—	210,206	—	210,206	—	—	210,206
Cash dividends paid	—	—	(46,854)	—	(46,854)	—	—	(46,854)
Increase in retained earnings due to merger	—	—	1,134	—	1,134	—	—	1,134
Decrease in retained earnings due to change in accounting policies in overseas subsidiaries	—	—	(1,317)	—	(1,317)	—	—	(1,317)
Repurchase of treasury stock, net	—	—	(2)	(802)	(804)	—	—	(804)
Valuation and translation adjustments								
Net unrealized gains and losses on securities	—	—	—	—	—	(202,647)	—	(202,647)
Foreign currency translation adjustments	—	—	—	—	—	1,296	—	1,296
Increase (decrease) in minority interests	—	—	—	—	—	—	4,727	4,727
Balance at March 31, 2008	$388,354	$318,923	$946,761	$(46,718)	$1,607,320	$152,579	$52,042	$1,811,941

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, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
Operating Activities:				
Income before income taxes and minority interests	**¥20,478**	¥26,038	¥22,673	**$204,395**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation (Notes 2 and 5)	**27,238**	22,166	20,491	**271,865**
Reserve for pension and severance payments	**(1,930)**	(1,327)	731	**(19,261)**
Gain on change of pension and severance plan	**—**	—	(4,251)	**—**
Funding for defined contribution pension plan	**—**	—	(7,747)	**—**
Gain on sale of investment securities	**(168)**	(6,435)	—	**(1,683)**
Loss on revaluation of investment securities	**3,472**	—	—	**34,650**
Other, net	**3,136**	1,244	(295)	**31,304**
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	**(7,568)**	(6,061)	5,327	**(75,537)**
Inventories	**(5,473)**	(7,425)	(5,454)	**(54,625)**
Notes and accounts payable	**1,418**	13,450	2,877	**14,156**
Other, net	**7,072**	(1,182)	1,838	**70,587**
Interest and dividends received	**1,904**	1,680	1,045	**18,999**
Interest paid	**(3,920)**	(3,067)	(2,227)	**(39,124)**
Income taxes paid	**(4,010)**	(2,343)	(3,147)	**(40,029)**
Net cash provided by operating activities	**41,649**	36,738	31,861	**415,697**
Investing Activities:				
Purchases of property, plant and equipment	**(28,535)**	(37,464)	(28,107)	**(284,807)**
Purchases of marketable securities and investment securities	**(5,654)**	(6,292)	(1,618)	**(56,432)**
Proceeds from sales of marketable securities, investment securities and property	**564**	8,437	771	**5,627**
Other, net	**(110)**	197	(230)	**(1,094)**
Net cash used in investing activities	**(33,735)**	(35,122)	(29,184)	**(336,706)**
Financing Activities:				
Increase (decrease) in short-term bank loans	**18,916**	(6,049)	(5,481)	**188,799**
Increase (decrease) in commercial paper	**—**	(12,000)	13,000	**—**
Proceeds from long-term debt	**4,022**	38,806	10,749	**40,147**
Decrease in long-term debt	**(25,894)**	(18,329)	(10,881)	**(258,451)**
Payment of cash dividends	**(4,694)**	(3,357)	(4,102)	**(46,847)**
Other, net	**3,642**	(79)	(6,399)	**36,347**
Net cash used in financing activities	**(4,008)**	(1,008)	(3,114)	**(40,005)**
Effect of exchange rate changes on cash and cash equivalents	**340**	(53)	789	**3,396**
Increase in cash and cash equivalents	**4,246**	555	352	**42,382**
Cash and cash equivalents at beginning of year	**14,812**	14,290	13,836	**147,841**
Effect of changes in consolidation scope on cash and cash equivalents	**472**	(33)	102	**4,711**
Cash and cash equivalents at end of year	**¥19,530**	¥14,812	¥14,290	**$194,934**

See accompanying Notes to Consolidated Financial Statements.

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

1. Basis of Presentation of Financial Statements
The accompanying consolidated financial statements of The Yokohama Rubber Co., Ltd. (the "Company") and domestic consolidated subsidiaries were prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The Company's subsidiaries in the United States of America (the "USA") prepared their financial statements in accordance with accounting principles generally accepted in the USA.

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

The U.S. dollar amounts included herein are solely for the convenience of the reader and have been translated from the Japanese yen amounts at the rate of ¥100.19 = US$1.00, the approximate exchange rate prevailing on March 31, 2008.

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

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

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

The assets and liabilities of the consolidated subsidiaries outside Japan are translated at the fiscal year-end rates of those companies, and the income and expense accounts of those companies are translated at the average rates of those companies.

Differences arising from such translation are recorded in foreign currency translation adjustments and minority interests in net assets.

c. 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.

d. Marketable Securities and Investment Securities
Securities classified as available-for-sale, whose fair value is readily determinable, are carried at fair value with unrealized gains or losses included as a component of net assets, net of applicable taxes. Costs are determined by the moving average method.

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

e. Derivative Instruments
Derivative instruments, whose fair value is readily determinable, are carried at fair value.

f. 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.

g. 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.

h. 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.

The method of depreciation of tangible fixed assets acquired on or after April 1, 2007 in the Company and its domestic consolidated subsidiaries has been changed in accordance with the Corporation Tax Law of Japan revised in 2007. The effect of this change resulted in a decrease of income before income taxes by ¥947 million ($9,448 thousand). Additionally, concerning tangible fixed assets acquired on or before March 31, 2007 in the Company and its domestic consolidated subsidiaries, the residual values are depreciated by the straight-line method over 5 years from the next fiscal year following the fiscal year when those assets reached 5% of acquisition cost in accordance with the revised Corporation Tax Law of Japan. The effect of this change resulted in a decrease of income before income tax by ¥2,022 million ($20,178 thousand).

i. 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 termination caused by age limit.

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

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

In addition to providing pension and severance benefits, certain foreign subsidiaries sponsor several unfounded 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" (SFAS No. 106).

Additionally, on December 31, 2007, those subsidiaries adopted SFAS No.158, "Employers' Accounting for Defined Pension and Other Postretirement Plans—an Amendment of Financial Accounting Standards Board Statements No. 87, 88 and 106 and 132(R)."

j. 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.

k. Revenue Recognition
Sales of products are recognized upon shipments to customers.

l. Research and Development Costs
Research and development costs are charged to income as incurred.

m. Earnings per Share
Basic net income per share is computed by dividing net income available to common shareholders by the average number of common shares outstanding during each period. Diluted net income per share is not disclosed because there were no dilutive securities in the years ended March 31, 2008, 2007 and 2006.

n. 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products	¥59,195	¥53,553	$590,832
Work-in-process	11,091	11,055	110,702
Raw materials and supplies	13,944	14,336	139,175
	¥84,231	¥78,944	$840,709

4. Long-Term Debt

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
0.62% straight bonds due 2008	¥10,000	¥10,000	$ 99,810
0.84% straight bonds due 2010	10,000	10,000	99,810
1.688% straight bonds due 2013	10,000	10,000	99,810
Loans, principally from banks and insurance companies	53,016	74,346	529,160
	83,016	104,346	828,590
Less current maturities	17,376	25,061	173,434
	¥65,640	¥79,285	$655,156

Assets pledged to secure bank loans and long-term debt at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Property, plant and equipment	66,001	71,916	658,753
	¥66,001	¥71,916	$658,753

5. Depreciation

Depreciation charges were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Selling, general and administrative expenses	¥ 3,370	¥ 2,970	¥ 2,712	$ 33,638
Manufacturing costs	¥23,868	¥19,196	¥17,779	$238,227

6. Contingent Liabilities

Contingent liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Notes discounted and endorsed	**¥ 659**	¥664	**$ 6,575**
Guarantees	**¥5,755**	¥767	**$57,436**

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, 2008, 2007 and 2006 were ¥15,289 million ($152,602 thousand), ¥14,649 million and ¥14,557 millon, respectively.

8. Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Corporate Law 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 are applicable.

9. Leases

An analysis of leased property under finance leases, which are accounted for as operating leases, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Acquisition costs	**¥4,148**	¥3,979	**$41,399**
Accumulated depreciation	**1,854**	1,825	**18,501**
Net book value	**¥2,294**	¥2,154	**$22,898**

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Within one year	**¥ 720**	¥ 667	**$ 7,190**
After one year	**1,574**	1,487	**15,708**
	¥2,294	¥2,154	**$22,898**

Lease expenses under finance leases, which are accounted for as operating leases, for the years ended March 31, 2008 and 2007 aggregated approximately ¥767 million ($7,654 thousand) and ¥994 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Within one year	**¥1,132**	¥1,126	**$11,299**
After one year	**5,363**	5,019	**53,529**
	¥6,495	¥6,145	**$64,828**

10. Securities

Cost, carrying amount and unrealized gains and losses pertaining to available-for-sale securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen							
	2008				2007			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as:								
Available-for-sale:								
Stock	**¥29,069**	**¥61,460**	**¥32,816**	**¥(425)**	¥28,942	¥95,366	¥67,037	¥(613)

	Thousands of U.S. Dollars			
	2008			
	Cost	Carrying Amount	Unrealized Gains	Unrealized Losses
Securities classified as:				
Available-for-sale:				
Stock	**$290,137**	**$613,434**	**$327,537**	**$(4,240)**

Sales of securities classified as available-for-sale securities amounted to ¥277 million ($2,767 thousand), with an aggregate gain of ¥146 million ($1,454 thousand) for the year ended March 31, 2008.

The corresponding amounts for the year ended March 31, 2007 were ¥8,188 million and ¥6,435 million.

11. Derivative Instruments

Fair value information of derivative instruments at March 31, 2008 and 2007 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	Contract Amount	Fair Value	Unrealized Gains	Contract Amount	Fair Value	Unrealized Gains (Losses)	Contract Amount	Fair Value	Unrealized Gains
Forward exchange contracts :									
EURO	**¥3,580**	**¥3,547**	**¥ 33**	¥3,125	¥3,237	¥(112)	**$35,734**	**$35,404**	**$ 330**
U.S. dollar	**2,427**	**2,323**	**104**	2,386	2,377	9	**24,223**	**23,188**	**1,035**
Others	**2,159**	**2,025**	**134**	1,976	2,033	(57)	**21,548**	**20,215**	**1,333**
	¥8,166	**¥7,896**	**¥270**	¥7,487	¥7,647	¥(160)	**$81,505**	**$78,807**	**$2,698**

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	Contract Amount	Fair Value	Unrealized Losses	Contract Amount	Fair Value	Unrealized losses	Contract Amount	Fair Value	Unrealized Losses
Interest rate swap agreements	**¥49**	**¥(1)**	**¥(1)**	¥59	¥(1)	¥(1)	**$489**	**$(9)**	**$(9)**
	¥—	**¥(1)**	**¥(1)**	¥—	¥(1)	¥(1)	**$ —**	**$(9)**	**$(9)**

12. Pension and Severance Plans

a. The projected benefit obligations, plan assets and composition of amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligations	**¥(31,634)**	¥(32,692)	**$(315,740)**
Fair value of plan assets	**12,057**	19,304	**120,337**
Funded status	**(19,577)**	(13,388)	**(195,403)**
Unrecognized actuarial gain and loss	**321**	(7,396)	**3,210**
Unrecognized prior service cost	**746**	846	**7,448**
Net amount recognized	**¥(18,510)**	¥(19,938)	**$(184,745)**

b. The components of net pension and severance costs for the year ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥1,839**	¥1,857	$18,354
Interest cost	**648**	679	6,466
Expected return on plan assets	**—**	—	—
Recognized actuarial gains	**(526)**	(543)	(5,245)
Recognized prior service cost	**100**	100	994
Net periodic benefit cost	**2,061**	2,093	20,569
Contribution of defined contribution benefit plan	**513**	490	5,124
	¥2,574	¥2,583	$25,693

c. Assumptions used as of March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	**2.5%**	2.5%
Expected return rate on plan assets	**0.00%**	0.75%

13. Deferred Income Taxes

a. Significant components of the deferred income tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Liabilities for pension and severance payments	**¥12,250**	¥ 12,773	**$122,266**
Net operating loss carryforwards	**5,210**	10,270	**51,999**
Unrealized profits	**4,278**	3,810	**42,704**
Accrued expenses	**2,536**	2,409	**25,312**
Loss on revaluation of investment securities	**1,632**	—	**16,284**
Other	**6,796**	3,860	**67,834**
Gross deferred tax assets	**32,702**	33,122	**326,399**
Less valuation allowance	**(3,361)**	(11,106)	**(33,548)**
Total deferred tax assets	**29,341**	22,016	**292,851**
Deferred tax liabilities:			
Unrealized gains on securities	**(13,032)**	(26,766)	**(130,075)**
Liabilities for pension and severance payments	**(3,447)**	(3,447)	**(34,399)**
Gain on receipt of stock set by pension plan	**(3,155)**	(3,155)	**(31,494)**
Property, plant and equipment	**(1,799)**	(1,904)	**(17,951)**
Other	**(336)**	(78)	**(3,355)**
Total deferred tax liabilities	**(21,769)**	(35,350)	**(217,274)**
Net deferred tax assets (liabilities)	**¥ 7,572**	¥(13,334)	**$ 75,577**

b. A reconciliation of the statutory income tax rate to the effective income tax rate was as follows:

	Years ended March 31	
	2008	2007
Statutory income tax rate in Japan	**40.3%**	40.3%
Valuation allowance for net operating loss carryforwards	**(15.2)**	(5.0)
Permanently nondeductible expenses	**2.9**	1.8
Permanently nontaxable income	**(1.8)**	(1.3)
Valuation allowance	**(29.1)**	—
Other	**(2.2)**	(0.3)
Effective income tax rate	**(5.1)%**	35.5%

14. Segment Information

The business and geographical segment information and overseas sales for the Companies for the years ended March 31, 2008, 2007 and 2006 are outlined as follows:

Business Segments

	Millions of Yen				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year Ended March 31, 2008				
Sales to third parties	**¥419,834**	**¥131,597**	**¥551,431**	**¥ —**	**¥551,431**
Intergroup sales and transfers	**83**	**12,478**	**12,561**	**(12,561)**	**—**
Total sales	**419,917**	**144,075**	**563,992**	**(12,561)**	**551,431**
Operating expenses	**393,867**	**137,030**	**530,897**	**(12,585)**	**518,312**
Operating income	**¥ 26,050**	**¥ 7,045**	**¥ 33,095**	**¥ 24**	**¥ 33,119**
Total assets at end of year	**¥397,181**	**¥146,727**	**¥543,908**	**¥(17,716)**	**¥526,192**
Depreciation	**¥ 22,455**	**¥ 4,214**	**¥ 26,669**	**¥ 569**	**¥ 27,238**
Capital expenditures	**¥ 23,064**	**¥ 3,776**	**¥ 26,840**	**¥ 452**	**¥ 27,292**
	Year Ended March 31, 2007				
Sales to third parties	¥372,708	¥124,688	¥497,396	¥ —	¥497,396
Intergroup sales and transfers	86	22,307	22,393	(22,393)	—
Total sales	372,794	146,995	519,789	(22,393)	497,396
Operating expenses	358,124	140,197	498,321	(21,995)	476,326
Operating income	¥ 14,670	¥ 6,798	¥ 21,468	¥ (398)	¥ 21,070
Total assets at end of year	¥386,765	¥147,018	¥533,783	¥ 2,539	¥536,322
Depreciation	¥ 17,823	¥ 4,041	¥ 21,864	¥ 302	¥ 22,166
Capital expenditures	¥ 37,021	¥ 3,486	¥ 40,507	¥ 131	¥ 40,638
	Year Ended March 31, 2006				
Sales to third parties	¥335,734	¥116,177	¥451,911	¥ —	¥451,911
Intergroup sales and transfers	68	16,484	16,552	(16,552)	—
Total sales	335,802	132,661	468,463	(16,552)	451,911
Operating expenses	317,693	128,720	446,413	(16,449)	429,964
Operating income	¥ 18,109	¥ 3,941	¥ 22,050	¥ (103)	¥ 21,947
Total assets at end of year	¥344,743	¥145,399	¥490,142	¥ 11,872	¥502,014
Depreciation	¥ 15,999	¥ 4,154	¥ 20,153	¥ 338	¥ 20,491
Impairment loss	¥ 75	¥ 53	¥ 128	¥ —	¥ 128
Capital expenditures	¥ 25,623	¥ 3,317	¥ 28,940	¥ 127	¥ 29,067

	Thousands of U.S. Dollars				
	Tires	Multiple Business	Total	Eliminations and Corporate	Consolidated
	Year Ended March 31, 2008				
Sales to third parties	**$4,190,381**	**$1,313,472**	**$5,503,853**	**$ —**	**$5,503,853**
Intergroup sales and transfers	**821**	**124,548**	**125,369**	**(125,369)**	**—**
Total sales	**4,191,202**	**1,438,020**	**5,629,222**	**(125,369)**	**5,503,853**
Operating expenses	**3,931,199**	**1,367,704**	**5,298,903**	**(125,609)**	**5,173,294**
Operating income	**$ 260,003**	**$ 70,316**	**$ 330,319**	**$ 240**	**$ 330,559**
Total assets at end of year	**$3,964,277**	**$1,464,484**	**$5,428,761**	**$(176,820)**	**$5,251,941**
Depreciation	**$ 224,128**	**$ 42,057**	**$ 266,185**	**$ 5,680**	**$ 271,865**
Capital expenditures	**$ 230,205**	**$ 37,683**	**$ 267,888**	**$ 4,515**	**$ 272,403**

Geographical Areas

	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Millions of Yen						
	Year Ended March 31, 2008						
Sales to third parties	**¥387,217**	**¥111,995**	**¥22,993**	**¥29,226**	**¥551,431**	**¥ —**	**¥551,431**
Interarea sales and transfers	**67,226**	**1,062**	**34,680**	**—**	**102,968**	**(102,968)**	**—**
Total sales	**454,443**	**113,057**	**57,673**	**29,226**	**654,399**	**(102,968)**	**551,431**
Operating expenses	**431,543**	**106,343**	**54,879**	**28,179**	**620,944**	**(102,632)**	**518,312**
Operating income	**¥ 22,900**	**¥ 6,714**	**¥ 2,794**	**¥ 1,047**	**¥ 33,455**	**¥ (336)**	**¥ 33,119**
Total assets at end of year	**¥416,023**	**¥ 70,574**	**¥74,548**	**¥17,450**	**¥578,595**	**¥(52,403)**	**¥526,192**
	Year Ended March 31, 2007						
Sales to third parties	¥369,741	¥98,137	¥13,897	¥15,621	¥497,396	¥ —	¥497,396
Interarea sales and transfers	56,808	977	18,752	—	76,537	(76,537)	—
Total sales	426,549	99,114	32,649	15,621	573,933	(76,537)	497,396
Operating expenses	409,079	95,309	32,526	15,227	552,141	(75,815)	476,326
Operating income	¥ 17,470	¥ 3,805	¥ 123	¥ 394	¥ 21,792	¥ (722)	¥ 21,070
Total assets at end of year	¥427,123	¥60,190	¥62,542	¥10,292	¥560,147	¥(23,825)	¥536,322
	Year Ended March 31, 2006						
Sales to third parties	¥348,666	¥82,186	¥ 8,807	¥12,252	¥451,911	¥ —	¥451,911
Interarea sales and transfers	39,162	675	7,553	—	47,390	(47,390)	—
Total sales	387,828	82,861	16,360	12,252	499,301	(47,390)	451,911
Operating expenses	368,206	80,299	16,495	11,876	476,876	(46,912)	429,964
Operating income	¥ 19,622	¥ 2,562	¥ (135)	¥ 376	¥ 22,425	¥ (478)	¥ 21,947
Total assets at end of year	¥407,532	¥55,281	¥36,048	¥ 7,491	¥506,352	¥ (4,338)	¥502,014

	Japan	North America	Asia	Other	Total	Eliminations and Corporate	Consolidated
	Thousands of U.S. Dollars						
	Year Ended March 31, 2008						
Sales to third parties	**$3,864,828**	**$1,117,829**	**$229,488**	**$291,708**	**$5,503,853**	**$ —**	**$5,503,853**
Interarea sales and transfers	**670,980**	**10,602**	**346,141**	**—**	**1,027,723**	**(1,027,723)**	**—**
Total sales	**4,535,808**	**1,128,431**	**575,629**	**291,708**	**6,531,576**	**(1,027,723)**	**5,503,853**
Operating expenses	**4,307,241**	**1,061,422**	**547,746**	**281,255**	**6,197,664**	**(1,024,370)**	**5,173,294**
Operating income	**$ 228,567**	**$ 67,009**	**$ 27,883**	**$ 10,453**	**$ 333,912**	**$ (3,353)**	**$ 330,559**
Total assets at end of year	**$4,152,336**	**$ 704,401**	**$744,071**	**$174,170**	**$5,774,978**	**$ (523,037)**	**$5,251,941**

Overseas Sales

	Millions of Yen		
	North America	Other	Total
	Year Ended March 31, 2008		
(A) Overseas sales	**¥117,109**	**¥125,817**	**¥242,926**
(B) Consolidated net sales			**¥551,431**
(C) (A)/(B) × 100	**21.2%**	**22.8%**	**44.1%**
	Year Ended March 31, 2007		
(A) Overseas sales	¥104,075	¥93,086	¥197,161
(B) Consolidated net sales			¥497,396
(C) (A)/(B) × 100	20.9%	18.7%	39.6%
	Year Ended March 31, 2006		
(A) Overseas sales	¥87,601	¥70,879	¥158,480
(B) Consolidated net sales			¥451,911
(C) (A)/(B) × 100	19.4%	15.7%	35.1%

	Thousands of U.S. Dollars		
	North America	Other	Total
	Year Ended March 31, 2008		
(A) Overseas sales	**$1,168,870**	**$1,255,787**	**$2,424,657**
(B) Consolidated net sales			**$5,503,853**
(C) (A)/(B) × 100	**21.2%**	**22.8%**	**44.1%**

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

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 accompanying consolidated balance sheets of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2008, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in Japanese yen, present fairly, in all material respects, the consolidated financial position of The Yokohama Rubber Co., Ltd. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

June 27, 2008

Management at the Company regards strengthening governance as absolutely essential to earning the confidence of shareholders and other stakeholders. In that spirit, management is working to increase speed and transparency in the decision-making process.

Management structure

The Company adopted the corporate officer system in 2004 to differentiate clearly between operational responsibility, invested in the corporate officers, and oversight responsibility, invested in the Board of Directors. Dividing responsibilities in that manner was a measure for increasing speed in making decisions and in putting the decisions into practice. The Board of Directors is thus responsible for making management decisions and for overseeing the performance of the directors and the corporate officers in carrying out those decisions. Presently, the senior management team comprises the president, who is authorized to make decisions as a legal representative of the Company; seven other members of the Board of Directors, including members who serve concurrently as corporate officers; and 13 corporate officers, not including officers who serve concurrently as directors.

The Company's Management Council, established in 2004, has strengthened senior management's capabilities in formulating strategy. The council comprises the president and other selected members of the Board of Directors and other executives. It reviews overall operational policy, matters crucial to the performance of work, and matters crucial to risk management from the perspective of fundamental management policy.

Corporate Officer and Director Personnel/Remuneration Committee

Transparency and fairness are core emphases in appointing corporate officers and directors and in determining their compensation. Appointments and compensation receive thorough consideration in the Corporate Officer and Director Personnel/Remuneration Committee and then go to the Board of Directors for decisions.

Corporate auditors

The Company has five corporate auditors, including three from outside the company. The standing corporate auditors attend meetings of the Board of Directors and of the Management Council and other important gatherings. They voice their opinions at those gatherings and monitor activity in principal sectors at the parent company and at subsidiaries in accordance with their auditing program. The Company supports that activity by assigning an assistant to the corporate auditors. In addition, the auditors maintain close communication with the independent public accounting firm retained by the Company and exchange opinions with that firm in regard to pertinent matters. They also review the results of the accounting and operational audits performed by the Company's Audit Office in accordance with the office's annual program.

Presently, the Company retains Ernst & Young ShinNihon as its independent public accountants. No common interests of any financial significance exist between the Company and its independent public accounting firm, and the Company engages in no business transactions with the firm or with any of its members apart from the accounting services performed by the firm for the Company.

Ethical Compliance

Rigorous compliance with the highest standards of corporate ethics is the cornerstone of transparent and effective corporate governance. It is the defining element of commitment to fulfilling corporate social responsibility. The Company undertook multiple measures in the past fiscal year to reinforce its framework for ensuring ethical compliance.

Organization

Established in 2003 and chaired by the president of the Company, the Company's Compliance Committee oversees activity at the Company with an eye to ensuring compliance with laws and regulations. It also conducts consciousness-raising activities in the name of promoting ethical behavior.

The Company established its Corporate Compliance Department in 2005 to strengthen the framework for ensuring ethical compliance at operations worldwide. In the same year, the Company established a hotline to allow employees to raise concerns and questions about corporate ethics anonymously. That hotline is accessible to employees from inside or outside the Company's workplaces. The Company expanded the hotline in April 2006 to accommodate queries and notifications from employees of affiliated companies and from employees of suppliers and other business partners.

Monitors

Each sector of operations at the parent company and each subsidiary has named a compliance monitor in connection with the establishment of the compliance hotline. The monitors take part in stepped-up efforts to detect ethical breaches, to deal effectively with problems that occur, and to prevent the recurrence of problems. Each monitor submits a monthly report to the compliance secretariat at the Company's headquarters. That reporting helps ensure an up-to-date grasp of issues and potential issues and a prompt response to ethical issues that require attention.

Training

The compliance monitors receive training in regard to compliance guidelines, and they conduct training in corporate ethics for groups of employees in each sector of operations. Corporate ethics, meanwhile, became part of the parent company's online learning program for employees in 2006.

Directors, Corporate Auditors, and Corporate Officers

As of June 27, 2008

Board of Directors

Tadanobu Nagumo
President and Representative Director

Tatsunari Kojima
Director and Senior Managing Corporate Officer
General Manager of Corporate Social Responsibility Div.

Takashi Yamashita
Director and Senior Managing Corporate Officer
in charge of Quality Assurance, General Manager of Original Equipment Tire Sales Div.

Tooru Kobayashi
Director and Managing Corporate Officer
President of Multiple Business Group

Norio Karashima
Director and Managing Corporate Officer
in charge of Off-the-road Tire & Aircraft Tire Business, Tire North America Business, Tire Logistics Div., General Manager of Tire Planning Div., President of Yokohama Corporation of America

Toshihiko Suzuki
Director and Managing Corporate Officer
General Manager of Tire Technical Div.

Hideo Fujiwara
Director and Corporate Officer
General Manager of Corporate Planning Div., President of Yokohama Corporation North America, President of Yokohamagomu Finance Co., Ltd.

Kinya Kawakami
Director and Corporate Officer
in charge of Corporate Purchasing Dept., General Manager of R&D Center

Corporate Auditors

Michio Yuge

Seiichi Suzuki

Junnosuke Furukawa

Yuzuru Fujita

Naozumi Furukawa

Corporate Officers

Akihisa Takayama
Managing Corporate Officer
General Manager of Tire Production Technology Div., General Manager of Hiratsuka Factory, President of Hamagomu Engineering Co., Ltd.

Koichi Tanaka
Managing Corporate Officer
General Manager of Tire Domestic Sales & Marketing Div.

Takashi Fukui
Managing Corporate Officer
in charge of PC Tire Business, General Manager of Tire Overseas Sales & Marketing Div.

Shinichi Suzuki
Managing Corporate Officer
General Manager of Tire Production Div.

Seiji Takai
Managing Corporate Officer
Chairman & President of Yokohama Rubber (China) Co., Ltd., Chairman of Hangzhou Yokohama Tire Co., Ltd., Chairman of Suzhou Yokohama Tire Co., Ltd., Chairman of Yokohama Hoses & Coupling (Hangzhou) Co., Ltd., Chairman of Yokohama HAMATITE (Hangzhou) Co., Ltd.

Toshio Izawa
Corporate Officer
in charge of MB Production, General Manager of Hoses and Coupling Div., Chairman & CEO of YH America, Inc., Chairman of SAS Rubber Company

Yuji Goto
Corporate Officer
in charge of TB Tire Business, Deputy General Manager of Original Equipment Tire Sales Div.

Misao Hiza
Corporate Officer
in charge of MB Technical, General Manager of Hamatite Div., General Manger of Hamatite Technical Dept.

Hirohiko Takaoka
Corporate Officer
General Manager of Sports Business Div.

Takao Oishi
Corporate Officer
President of Yokohama Tire Corporation

Shigeo Komatsu
Corporate Officer
Deputy General Manager of Tire Overseas Sales & Marketing Div., President of Yokohama Europe GmbH

Hikomitsu Noji
Corporate Officer
Deputy General Manager of Tire Production Div., President of Yokohama Tire Philippines, Inc.

Yasushi Tanaka
Corporate Officer
General Manager of Corporate Planning Dept.

Global Network

Overseas Subsidiaries and Affiliates

Production and sales of tires and related products
Yokohama Tire Corporation
Hangzhou Yokohama Tire Co., Ltd.
Suzhou Yokohama Tire Co., Ltd.
Yokohama Tire Philippines, Inc.
Yokohama Tyre Vietnam Inc.
Yokohama Tire Manufacturing (Thailand) Co., Ltd.
GTY Tire Company

Sales of tires and related products
Yokohama Tire (Canada) Inc.
Yokohama Corporation of America
Yokohama Tyre Australia Pty., Ltd.
Yokohama H.P.T Ltd.
Yokohama Italia S.P.A.
Yokohama (Suisse) SA
Yokohama Scandinavia AB
Yokohama Reifen GmbH
Yokohama Austria GmbH
Yokohama Danmark A/S
Yokohama Iberia, S.A.
Yokohama Russia L.L.C.
N.V. Yokohama Belgium S.A.
Yokohama Tire Sales (Shanghai) Co., Ltd.
Yokohama Tire Taiwan Co., Ltd.
Yokohama Tire Korea Co., Ltd.
Yokohama Tire Sales Philippines, Inc.
Yokohama Tire Sales (Thailand) Co., Ltd.
Yokohama Asia Co., Ltd.
Yokohama India Pvt. Ltd.
Yokohama Rubber Latin America Comercio Ltda.

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

Marketing support and services for European sales company
Yokohama Europe GmbH

Overall control of Yokohama Rubber's subsidiaries in the tire and MB market in China
Yokohama Rubber (China) Co., Ltd.

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

Production and sales of windshield sealants
Yokohama HAMATITE (Hangzhou) Co., Ltd.

Production and sales of hoses
SAS Rubber Company
SC Kingflex Corporation
Yokohama Hoses & Coupling (Hangzhou) Co., Ltd.

Production and sales of conveyor belts
Shandong Yokohama Rubber Industrial Products Co., Ltd.

Sales of aircraft components
Yokohama Aerospace America, Inc.

Overseas offices and branch
Jeddah Office, Dubai Head Office, Singapore Branch Office

Investor Information

As of March 31, 2008

Company Name:
The Yokohama Rubber Co., Ltd.

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

Established:
October 13, 1917

Paid-in Capital:
¥38,909 million

Settlement Date:
March 31

General Meeting of Shareholders:
June

Transfer Agent:
The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Stock Exchange Listings:
Tokyo, Osaka, Nagoya

Contact Points for Investors:
PR/IR section, Corporate Communications Dept.
36-11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan
Phone: 81-(0)3-5400-4531   Facsimile: 81-(0)3-5400-4570

Yokohama's Investor Relations Web Site:
http://www.yrc-pressroom.jp/ir_en/

Stock Information

As of March 31, 2008

Authorized number of shares:	700,000,000
Number of shares issued and outstanding:	342,598,162 (unchanged from fiscal 2007 year-end)
Number of shareholders:	17,037 (up 42 from fiscal 2007 year-end)

Ownership

	Japanese financial institutions	Other Japanese companies	Japanese individuals and others	Non-Japanese investors	Treasury stock
2006	46.9%	18.3%	16.5%	16.2%	2.1%
2007	46.8	20.1	14.2	16.8	2.1
2008	**44.7**	**22.1**	**14.0**	**17.0**	**2.2**

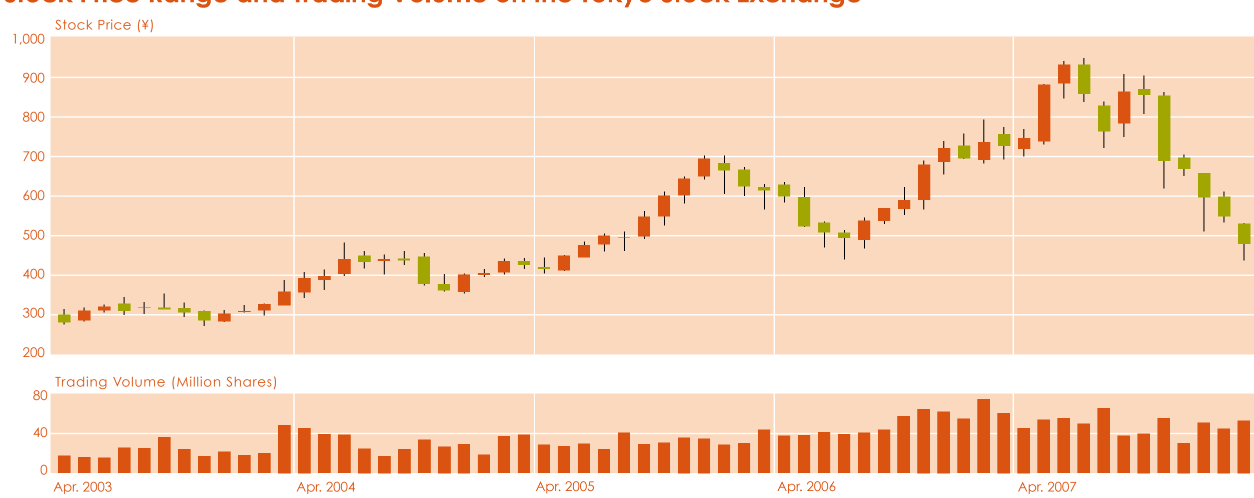
Principal Shareholders

Name	Percentage of Voting Rights
ASAHI MUTUAL LIFE INSURANCE COMPANY	8.0%
ZEON CORPORATION	7.1
Master Trust Bank of Japan, Ltd. (trust account)	4.8
Japan Trustee Service Bank, Ltd. (trust account)	3.9
Mizuho Corporate Bank, Ltd.	3.8

Common Stock Price Trends

	2008	2007	2006	2005	2004
Stock Price (Yen):					
High	**¥944**	¥790	¥700	¥480	¥387
Low	**436**	439	403	342	272
Fiscal Year-end	**477**	724	612	425	357
Shares of Common Stock Issued and Outstanding	**342,598,162**	342,598,162	342,598,162	342,598,162	342,598,162

Stock Price Range and Trading Volume on the Tokyo Stock Exchange



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Printed in Japan