SUMITOMO RUBBER GROUP

Annual Report 2010

Go for Value

SUMITOMO RUBBER INDUSTRIES, LTD.

With roots that date back to the establishment of Japan's first modern rubber factory by Dunlop U.K. in October 1909, the Sumitomo Rubber Group has realized a number of "Japan's first" achievements over the years since then. They include the production of automobile tires and golf balls, as well as the development of radial tubeless tires, thus contributing to the advancement of the modern Japanese rubber industry. Today, the Group aims to create new value in its three business segments of Tire, Sports and Industrial and Other Products.

In the Sumitomo Rubber Group Long-Term Vision, which targets fiscal 2015 as the final year, the Group aims to consistently generate superior corporate value in various business sectors through its efforts to enhance stakeholder value. It will accomplish this aim through its proprietary competencies, namely: front-line operational skills, leading development capabilities and technological expertise, in addition to possessing the industry's top earnings power.

Through its CSR message, "for you, for the earth," the Sumitomo Rubber Group expresses its desire to contribute to the realization of a sustainable society, proactively promoting business operations to become a corporate group that earns the trust of society.

Long-Term Vision

Aiming to become a corporate group that consistently generates superior corporate value in various business sectors

Action Image for Long-Term Vision

Go for Value

Striving to generate value for all stakeholders

The Driving Force to Create Value

World-class front-line operational skills, development capabilities and technological expertise	**Industry-leading earnings power**

The Sumitomo Rubber Group's Three Major Pillars

- **The Sumitomo Business Philosophy**
- **Pioneering Spirit**
- **The Free and Vigorous Exchange of Ideas**

Contents

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Sumitomo Rubber Industries, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of Sumitomo Rubber. These statements are based on the Company's and the Group's assumptions and beliefs in light of the information currently available to them. Sumitomo Rubber cautions that a number of potential risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements and advises readers not to place undue reliance on them.

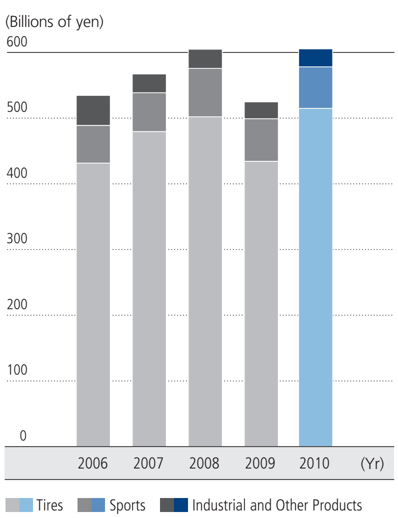
Consolidated Financial Highlights

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

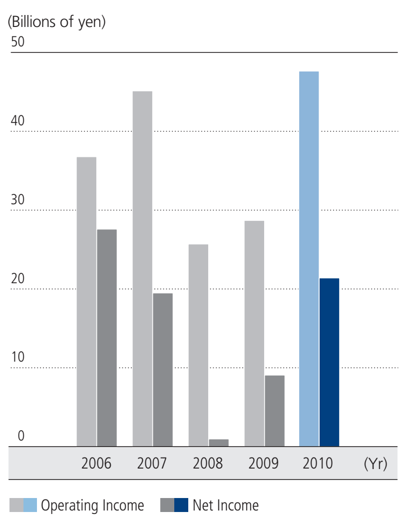
					Millions of yen	Thousands of U.S. dollars (Note 1)
Years ended December 31	**2010**	2009	2008	2007	2006	**2010**
For the year:						
Net sales	**¥604,549**	¥524,535	¥604,974	¥567,307	¥534,086	**$7,643,568**
Operating income	**47,571**	28,739	25,659	45,126	36,790	**587,296**
Net income	**21,427**	9,093	1,021	19,499	27,586	**264,531**
Capital expenditures	**32,055**	32,484	49,601	53,205	45,308	**395,741**
Free cash flows	**34,325**	30,265	(32,188)	(8,573)	(10,051)	**423,762**
At year-end:						
Total assets	**622,243**	613,230	639,941	671,117	606,938	**7,682,011**
Net assets	**212,964**	209,052	202,642	250,799	223,852	**2,629,185**
					Yen	U.S. dollars (Note 1)
Per share amounts:						
Net income	**¥ 81.67**	¥ 34.66	¥ 3.89	¥ 74.31	¥ 105.13	**$ 1.008**
Cash dividends paid	**20.00**	18.00	18.00	20.00	20.00	**0.247**
					Percent	
Key ratios:						
Operating income ratio	**7.9%**	5.5%	4.2%	8.0%	6.9%	
ROE	**11.4**	4.9	0.5	9.1	14.7	
Equity ratio	**30.5**	30.5	28.3	33.9	33.3	

Notes 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥81 per US$1.00, the approximate exchange rate prevailing at December 31, 2010.
2. Capital expenditure figures include both tangible assets and intangible assets.

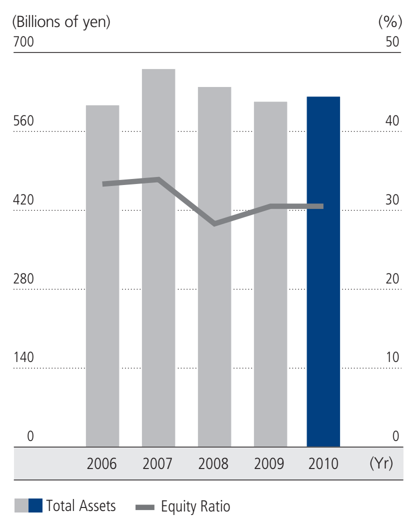
Net Sales



Operating Income and Net Income



Total Assets and Equity Ratio



The Sumitomo Rubber Group Continues to Strive as a Corporate Group to Meet Society's Expectations and Win Its Trust by Delivering "Genuine Value."

Tetsuji Mino

Tetsuji Mino
Chairman and Representative Director

We send our deepest condolences for those who passed away in the Great East Japan Earthquake and express our heartfelt sympathy to the survivors and their families.

Fiscal 2010 Overview

In the fiscal year ended December 31, 2010, the business environment surrounding the Sumitomo Rubber Group remained harsh against a backdrop of a strong yen and natural rubber prices soaring to new heights. This was despite increased tire demand centered in emerging markets and automobile production volume topping the previous year's level due to the positive effect of support measures enacted by the Japanese government to encourage the purchase of new vehicles.

Given the circumstances, the Sumitomo Rubber Group promoted structural reform, including the integration and restructuring of its tire sales subsidiaries and optimization of production allocation worldwide. Together with this, we strived to reinforce our earnings capabilities by expanding sales of such high-value-added products as the ENASAVE low fuel consumption tire series with a lower environmental burden; boosting sales in overseas markets and the supply capacity at overseas factories; and making Groupwide efforts to improve productivity and reduce fixed costs.

As a result of these endeavors, consolidated net sales grew 15.3% year on year to ¥604,549 million, consolidated operating income surged 65.5% to ¥47,571 million and consolidated net income soared 135.6% to ¥21,427 million. Showing substantial increases in revenues and earnings, the Group's results recovered to a level on par with that preceding the global financial crisis. During the fiscal year under review, we announced that annual cash dividends were set at ¥20 per share, comprising ¥8 per share for the interim dividend and ¥12 per share for the year-end dividend.

Looking Back at My Six-Year Presidency

With the approval of the General Meeting of Shareholders held on March 30, 2011, I resigned the presidency and took up the chairmanship of the Company. Here, I would like to look back on the activities undertaken during my six years in office, focusing mainly on progress made under the Sumitomo Rubber Group Long-Term Vision for fiscal 2006–2015.

Examining this progress by segment, let us first consider the Tire business, where we faced the issue of how to proactively promote international business development. On the sales network front, we launched new sales subsidiaries in Russia, Latin America and the Middle East, where demand expansion is expected. In North America and Europe, we made effective use of the Falken brand to establish new marketing channels, and such efforts bore fruit. With regard to the production structure, we enhanced our supply capacity in burgeoning Asian markets by expanding production capacity at existing factories in Indonesia and China as well as by establishing a new factory and reinforcing operations in Thailand. In addition, as part of our cost reduction efforts, we kicked off the "ABC [Asian Best Cost] Project" in 2006 with the aim of achieving top competitiveness in Asia. We are making steady progress in this project. As for product development, we released the ENASAVE 97 tire with a 97% fossil resource-free composition in 2008. Following this, we strived to strengthen our lineup of products that meet requirements under the tire labeling system that commenced in Japan in January 2010, which grades tires according to their fuel efficiency. In doing so, we have been focusing on the development of environmentally friendly products.

In the Sports business, our global business development gained momentum with SRI Sports Limited's acquisition of U.S.-based Cleveland Golf Company, Inc. and its five group companies.

In the Industrial and Other Products business, we promoted selection and concentration in growth areas and, accordingly, accelerated the sales expansion of high damping rubber and medical rubber parts.

Furthermore, as a result of various measures taken from the viewpoint of pursuing "social value," which is another pillar of our Long-Term Vision, we received high evaluations for our reduction of production-generated environmental burdens as well as our greening efforts. As a result, we received certification as an Eco-First Company from the Ministry of the Environment in 2009.

In October 2009, Sumitomo Rubber Industries commemorated its 100th anniversary. We took this opportunity to embark on a path toward new growth over the next 100 years. We established the Tyre Technical Center as our core development base for new technologies in order to pass down technological capabilities and create new value as well as the Shirakawa Manufacturing Training Center to pass down philosophy and skills on *monozukuri* (manufacturing). At these facilities, we offer training that will ensure that Sumitomo Rubber's knowledge of tire manufacturing will pass to the next generation. Furthermore, we codified our values and principles of action in "The Sumitomo Rubber Way" in order to ensure that succeeding generations will know and adhere to them in the future.

In the Long-Term Vision, we set up numerical targets, namely, consolidated net sales of ¥800 billion and an operating income ratio topping 10%. However, against a backdrop of deteriorating profits due to a raw materials price hike in 2008 and slowdown in the world economy in 2009, net sales decreased and profitability stalled. Aiming to turn such poor conditions around, we implemented structural reforms, including production expansion in Asia and production reallocation at domestic factories. Together with this, we took Groupwide measures to increase profit and were able to get back on track earlier than other companies in the industry, setting ourselves once more on the right path for business growth.

These six years have had their ups and downs. I would like to express my deepest appreciation to all stakeholders for your support to the Sumitomo Rubber Group.

Aiming as a Corporate Group to Deliver "Genuine Value"

Although profit recovered to the pre-financial crisis level, the environment surrounding the Sumitomo Rubber Group continues to change at an unprecedented speed, causing ever intensifying competition. Amid such conditions, and looking to the next 100 years, under the new operational structure led by the new company president Ikuji Ikeda, the Sumitomo Rubber Group will continue to pass down the traditions of Sumitomo Rubber Industries while following a path of higher business growth. In doing so, we will continue to strive as a corporate group to meet society's expectations and win its trust by delivering "genuine value."

We sincerely ask for your continued understanding and support.

Message from the President

Greetings

My name is Ikuji Ikeda, and I took on the position of the president upon the approval of my appointment at the General Meeting of Shareholders held on March 30, 2011.

I would like to begin this message by expressing my deepest condolences for those who passed away in the Great East Japan Earthquake as well as my heartfelt sympathy for the survivors and their families.

The Sumitomo Rubber Group set up a crisis management headquarters on the very day of the earthquake, March 11, 2011, and has instituted countermeasures since then. Fortunately, none of our employees in the area was hurt. However, at the Shirakawa Factory in Fukushima Prefecture, some buildings and facilities were damaged and we had to suspend production. Owing to our recovery efforts, we were able to resume production on March 22, 2011, and, on April 27, 2011, operational status was restored to the pre-quake level.

The total amount of damage from the Great East Japan Earthquake and its possible impact on our fiscal 2011 results are currently being estimated. We will release the estimates to the public as early as possible, while doing our utmost to minimize impact on customers and the Group.

Future Management Policy

I came into office with a strong wish to see the Sumitomo Rubber Group grow as a corporate group that brings innovation to business operations while realizing sustainable development both for society and for itself—to be a group that all employees can be proud of working for. The innovation I refer to is not only technological innovation, but innovation in such areas as production and marketing. In order to secure the high ground in today's competitive world, we need to accelerate our advance by two or three times.

Such an approach will entail no changes in direction or the numerical targets set out in the Long-Term Vision for fiscal 2006–2015. However, we will promote the following five themes as our management policy to achieve further business growth amid an environment that is changing at an unprecedented speed.

1. Structural Reform Based on a Long-Range Outlook

The structural reform we have been conducting since 2008 has been bringing consistent results. Building on our achievements to date, we will promote more "aggressive" structural reform to strengthen our corporate constitution. To this end, we will proactively concentrate management resources in businesses with growth potential. The most important thing, I believe, is to take prompt action whenever it is necessary. For example, by more efficiently utilizing IT we will speed managerial decision making while accelerating the rate of implementation at each department by raising the awareness of all employees regarding delivery deadlines. To this end, we will consider organizational restructuring that will smooth operations.

The Sumitomo Rubber Group Is Accelerating Decision Making and Taking Action to Address Changing Conditions as It Aims for Further Growth.

Ikuji Ikeda
President and Representative Director

2. Establishment of International Business Structure

In the Tire business, the issue we are facing now is that our supply capacity cannot satisfy the level of robust demand in emerging markets, despite our steady sales growth overseas. Addressing this, our factory in Thailand is being expanded to give it the world's largest production capacity and we are constructing a new factory in China. Moreover, we will establish a production base in the high economic growth market of Brazil and are investigating the possibility of production in India.

Regarding the business alliance with The Goodyear Tire & Rubber Company, as part of our global strategy we will further strengthen each department's collaborative activities with Goodyear to optimize purchasing, development and productivity.

In the Sports business, we will further accelerate growth in the U.S. market on the back of the acquisition of Cleveland and spread such positive effects to emerging markets. In the Industrial and Other Products business, we will aim for international business growth by expanding sales of such value-added products as medical rubber parts and high damping rubber in Europe and emerging Asian markets.

3. Consolidation of Earnings and Financial Foundations to Support Growth Path

In 2015, the final year of the Long-Term Vision, we set targets of operating income ratio in excess of 10%, ROA of over 10% and ROE of more than 15%. Given the changes in the competitive environment, however, we need to consider these figures as milestones and to set higher goals. Therefore, we will commence "NEXT" activities. The aim of NEXT is to secure "New Earnings" and promote "Total Optimization" for the next stage of business growth. Specifically, we will:

(1) Boost our competitive edge in the eco-friendly tire market

We will engage in development with the aim of releasing tires that are 100% free of fossil resources in 2013, and tires featuring a 50% reduction in rolling resistance in 2015.

(2) Enhance cost-competitiveness

We will thoroughly optimize business operations by improving productivity and reducing fixed costs at both the production and sales fronts while further pursuing overall cost reductions from the viewpoint of total optimization. By doing so, we will achieve a cost structure tolerant of radical changes.

(3) Increase our advantage in technological development

By making maximum use of our next-generation supercomputers, we will further advance simulation technology to create new technologies, materials and products.

4. Value Sharing

Since 2007, we have been engaged in the "Love Your Work Project" to nurture better teamwork among employees while boosting motivation and creativity. While further upgrading this project, we will promote the four "The Sumitomo Rubber Way" values—"Integrity and Soundness," "Communication," "Dedication to Greater Goals" and "Personal Development"—among all Sumitomo Rubber Group employees in Japan and overseas.

5. Nurturing Next-Generation Top Management

As it strives toward further global business expansion, the Sumitomo Rubber Group will eventually come to need a number of employees who excel at management at each base. To that end, we promote global training that nurtures personnel who can inspire others to aim higher and who demonstrate the kind of leadership that rallies together individual capabilities to the greater advantage of the corporate group.

We will exert our utmost efforts to live up to stakeholders' expectations. We gratefully ask for your continued support and understanding.

Strategy for Low Fuel Consumption

Since the introduction of the tire labeling system,* interest in low fuel consumption tires has been growing in Japan. Given this, Sumitomo Rubber Industries is placing increasing emphasis on the technological development and commercialization of low fuel consumption tires in view of future sales expansion.

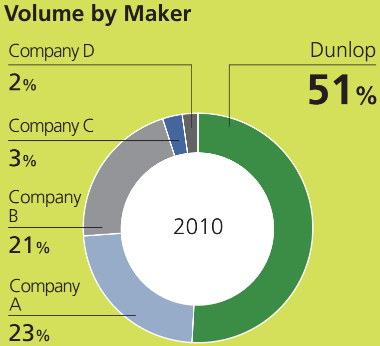
*A labeling guideline to promote fuel-efficient tires

Sumitomo Rubber Industries Acquires Top Share for Low Fuel Consumption Tires in Japan

In January 2010, Japan became first in the world to launch a labeling system for low fuel consumption tires. Under this system, summer replacement tires are evaluated using two criteria: rolling resistance to indicate fuel efficiency and wet grip performance to prove safety. Products that fulfill certain requirements can be labeled "fuel-efficient tires."

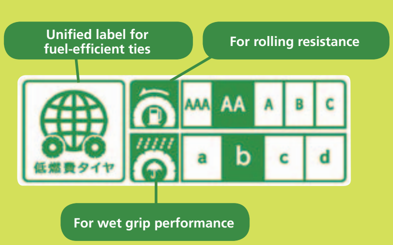
Sumitomo Rubber Industries immediately enhanced all three lines in the ENASAVE fuel-efficient tire series, offering a wide variety of sizes for each line. As a result, Dunlop achieved the top share of the Japanese market in terms of volume of sales of low fuel consumption tires at domestic major automobile goods stores in 2010.

Low Fuel Consumption Tire Sales Volume by Maker



Notes:
1. Source: Press release issued by JMA Research Institute Inc. on February 17, 2011
2. Based on a survey of the top two domestic automobile goods store chains handling tires

Labeling for Fuel-Efficient Tires



Fuel-efficient tires are classified within AAA–A grades for rolling resistance and a–d grades for wet grip performance. Only those that meet such requirements receive the unified label for fuel-efficient tires.

Tires

LE MANS 4

- **Reduced noise energy by 13%*1**
- **Enhanced contribution to fuel efficiency by 3.8%*1**

*1 Comparison with the LE MANS LM703

Expanding Product Lineups

With the aim of expanding its low fuel consumption tire lineup, in February 2011 Sumitomo Rubber Industries launched the LE MANS 4 tire, which is equipped with a special noise-absorbing sponge to improve quietness. With this release, over 80% of Dunlop summer replacement tires are now labeled as fuel-efficient products.

For tires for original equipment markets, the Company is proactively offering ENASAVE brand tires mainly for eco-friendly vehicles, and has been receiving orders for electric and hybrid vehicles.

Furthermore, Sumitomo Rubber Industries is expanding the application of the ENASAVE brand to motorcycles. During the fiscal year under review, the Company introduced the SPORTMAX ENASAVE, the first eco-friendly tire for motorcycles.

Note: Some types are ranked "A" for rolling resistance and "c" for wet grip performance.

SPORTMAX ENASAVE

<Front> Reduced rolling resistance by approximately 20%*2
<Rear> Reduced rolling resistance by approximately 30%*2

- **Enhanced actual contribution to fuel efficiency by 2%-3%*2**

*2 Comparison with the SPORTMAX ROADSMART

<Front> **<Rear>**

Future Strategy

On the back of tightening environmental regulations for automobiles, increasing demand for low fuel consumption tires is expected on a global scale. To that end, Sumitomo Rubber Industries is planning to conduct overseas business development by responding to demand from automobile manufacturers, conforming to environmental regulations and the tire labeling systems of Europe and the United States, and meeting other needs at our shipping destinations.

For tires featuring a 50% reduction in rolling resistance, which the Company is aiming to achieve as its the medium- to long-term technological target, Sumitomo Rubber Industries is steadily promoting the development in view of the product release in 2015. For tires that are 100% free of fossil resources, another target in the eco-friendly tire field, the Company completed the development of basic and element technologies, and is striving to establish mass production technology, aiming for the product release in 2013.

Sumitomo Rubber Industries will further reinforce the development and commercialization of low fuel consumption tires in consideration of its growth potential.

Strategy for
Optimizing Tire Production

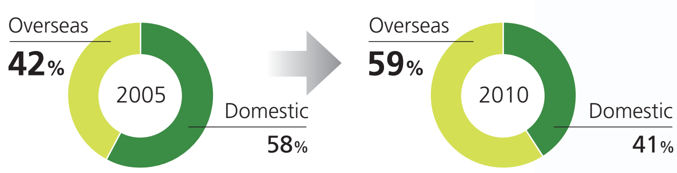
Despite moving past the period of sluggish demand caused by worldwide deceleration of the economy after the financial crisis, the environment surrounding the tire business saw intensifying global competition and raw material price hikes. Amid such circumstances, the Sumitomo Rubber Group is accelerating business development on a global scale with the aim of achieving its Long-Term Vision.

Shifting to Growing Markets

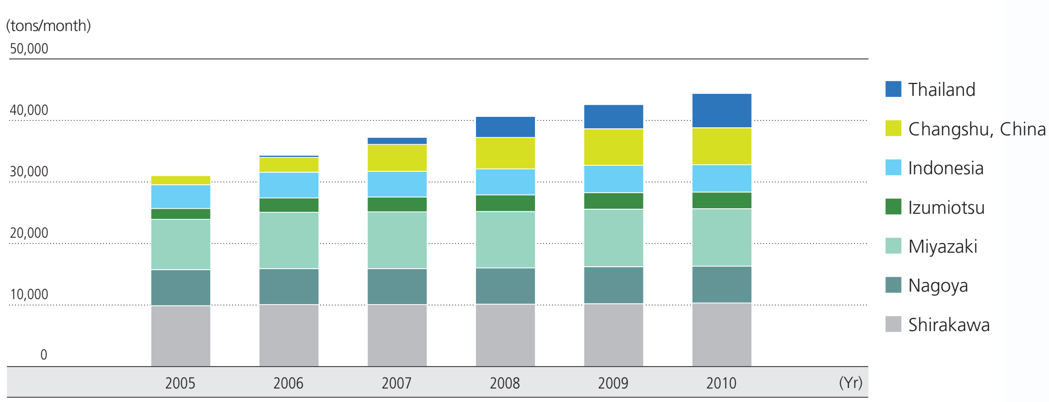
Confronting a stagnant growth rate in domestic car ownership, Sumitomo Rubber Industries must promote an international strategy for its Tire business. To that end, on the sales front, the Company established sales subsidiaries in Russia, the Middle East and Latin America, where the potential for growth is large, while expanding sales in the burgeoning Asian market. In the mega markets of North America and Europe, the Company has expanded marketing channels by leveraging the Falken brand. As a result, the overseas sales ratio in 2010 rose to 59%, making unexpectedly fast progress toward the Long-Term Vision goal of 65% by 2015. In tandem with the reinforcement of overseas sales network structure, the Company is striving to increase the ratio of production accounted for by factories in Indonesia, China and Thailand, promoting the establishment of an optimal production system to enhance cost-competitiveness and working to reduce distribution costs and foreign exchange risks. In 2010, Sumitomo Rubber Industries' overseas tire production ratio reached 43%. The Company will strive to further enhance its production capacity in growing markets.

Tire Sales by Region*

* Figures include replacement and original equipment tires.



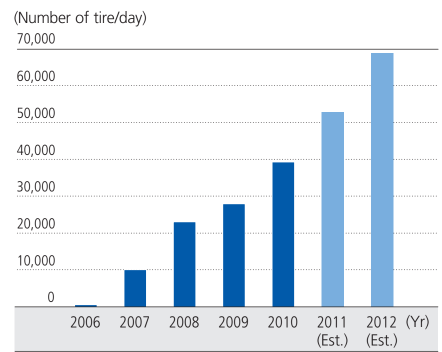
Tire Production Capacity



Thai Factory Expands Production

As a key strategy for global business growth, Sumitomo Rubber Industries aims to double sales of replacement tires in Asia from the 2009 level by 2015. In addition to this specific objective, the Company needs to further reinforce its supply system to meet burgeoning demand in Asian countries. Therefore, the Company is planning to increase the daily production capacity at its factory in Thailand to approximately 70,000 tires, or 2.5 times the 2009 capacity, by the end of 2012. Potentially, this plant's daily production capacity could be expanded to approximately 100,000 tires. In light of this, the Company will endeavor to make the factory in Thailand its largest export hub.

Production Capacity at the Factory in Thailand



Construction of New Factory in China Commences

In September 2010, Sumitomo Rubber Industries commenced the construction of a new tire factory in Changsha City, Hunan, China. In 2009, China has edged out the United States to become the world's largest automobile market and is expected to record a high annual growth rate of around 10% over the next five years. Ahead of this trend, Sumitomo Rubber Industries established a factory in Changshu City, Jiangsu, in 2004 to conduct production and sales activities. However, the Company concluded that it was necessary to establish a new factory in order to meet ongoing market expansion. Plans are for this factory to commence operations in July 2012. The Company expects the factory's daily production capacity to reach 15,000 tires by the end of 2014 and 30,000 tires by the end of 2017.

Aiming to expand sales in growing markets, the Sumitomo Rubber Group will make every effort to optimize the supply-demand balance on a global scale while strengthening cost-competitiveness.

The groundbreaking ceremony

Rendering

Tire Business

Profile

- Sumitomo Rubber Industries engages in the manufacture and sale of tires primarily consisting of the Dunlop, Falken and Goodyear brands.
- In 1999, Sumitomo Rubber Industries formed a global tire business alliance with The Goodyear Tire & Rubber Company. This alliance helped to generate joint ventures for production and sales activities in Europe and North America, as well as to boost sales in Japan. Other benefits included synergies created through tire technology exchange and the joint procurement of raw materials and manufacturing equipment.

ENASAVE RV503

DUNLOP

ENASAVE EC202

FALKEN

ZIEX ZE912

GOODYEAR

EAGLE LS Premium

Fiscal 2010 Results

Sales in the Tire business grew 18.5% year on year to ¥513,775 million for the fiscal year under review, while operating income surged 75.0% to ¥39,412 million.

With demand for tires rebounding mainly in emerging nations, sales were strong both in Japan and overseas, resulting in increased revenue.

On the earnings front, Sumitomo Rubber Industries recorded a substantial profit increase due to improvements in the sales volume and product mix despite the ongoing appreciation of the yen and impact of a natural rubber price hike.

Domestic Replacement Market

In response to the establishment of the "Guideline for Tire Labeling to Promote the Use of Fuel-Efficient Tires" (tire labeling system)* in January 2010, Sumitomo Rubber Industries promptly enhanced the lineup of the ENASAVE fuel-efficient tire series under the Dunlop brand. Owing to this effort, sales in the domestic replacement market became robust.

Under the Goodyear brand, the EAGLE LS Premium tire boasting outstanding quietness, a more comfortable ride and enhanced environmental performance gained high praise in the market.

Sales in the domestic replacement market rose year on year, buoyed by increased demand for studless snow tires due to heavy snowfalls.

* A set of guidelines aimed at creating a labeling system that ensures appropriate information provision while establishing the criteria defining fuel-efficient tires based on a grading system rating rolling resistance and wet grip performance.

Original Equipment Market

During the fiscal year under review, automobile production in Japan grew significantly compared with the previous fiscal year. This was owing to an increase in domestic sales backed by support measures enacted by the Japanese government to encourage the purchase of new vehicles; higher exports due to economic growth in emerging nations and slow recovery in U.S. and European economies.

Amid such circumstances, the Company made efforts to meet the demands of original equipment manufacturers. As a result, sales grew substantially from a year earlier.

Overseas Replacement Market

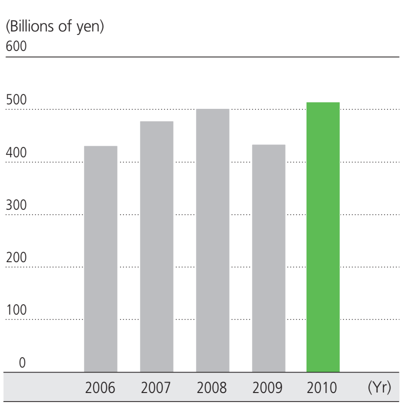
On the back of demand recovery in emerging countries, sales in the overseas replacement market were brisk. In particular, in China, Indonesia and Thailand, where Sumitomo Rubber Industries has manufacturing bases, the Company proactively expanded the marketing of products to meet local demand, and grew sales substantially. In North America, returns increased due to the expansion of the Falken brand sales channels, while in Europe and Latin America, sales remained strong backed by full-scale operations at local subsidiaries.

Accordingly, sales in the overseas replacement market substantially exceeded those of the previous fiscal year despite the impact of the strong yen.

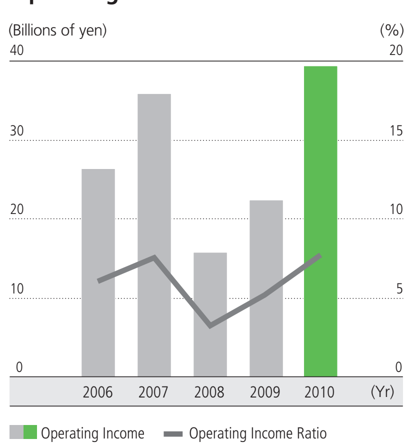
Fiscal 2011 Outlook

In fiscal 2011, Sumitomo Rubber Industries anticipates an increase in sales volume. However, extremely harsh operating conditions are projected due to an expected sharp hike in raw material prices. In light of this, Sumitomo Rubber Industries will strive to maintain a competitive edge in its development and sale of low fuel consumption tires spreading internationally. In addition, the Company will proactively introduce competitive products in emerging markets in order to expand sales and secure profits. On the production front, Sumitomo Rubber Industries will focus on production capacity reinforcement and cost reductions across the Group.

Net Sales



Operating Income



Year-on-Year Increase/Decrease in Tire Sales Volume

	2009	2010
Domestic original equipment	-33%	**+17%**
Overseas original equipment	-10%	**+53%**
Domestic replacement	-6%	**+6%**
Overseas replacement	-6%	**+21%**
Total	-12%	**+19%**
Total sales volume (millions of tires)	76.49	**90.87**

Topics

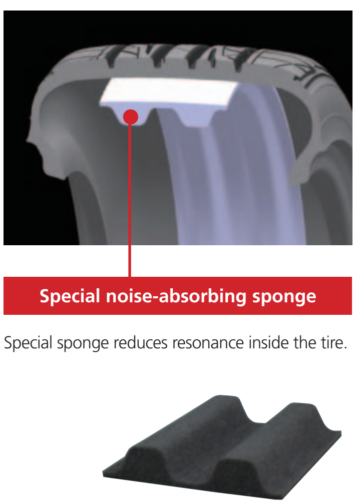
Launch of LE MANS 4 Fuel-Efficient Tire with Special Noise-Absorbing Sponge

The LE MANS 4*1 is fuel-efficient tire that balances comfort with environment-friendliness, safety and economic efficiency—expectations held by a number of users. Employing Sumitomo Rubber Industries' proprietary "special noise-absorbing sponge," the LE MANS 4 tire produces 13%*2 less noise, thereby realizing excellent quietness, while improving fuel efficiency 3.8%*2 and enhancing braking performance on wet roads by 9%*2 thanks to newly developed "low-heat-generating adhesive rubber." Furthermore, the contact pressure distribution of the new LE MANS 4 has been optimized through the use of a new tread pattern, improving its product life 17%.*2

*1 Pattern code: LE MANS LM704
*2 Comparison with the existing LE MANS LM703 tire

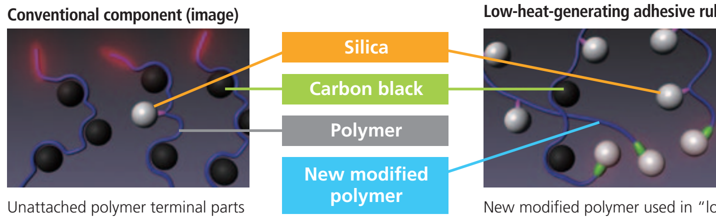
LE MANS 4

Reduction of Noise Level



Special sponge reduces resonance inside the tire.

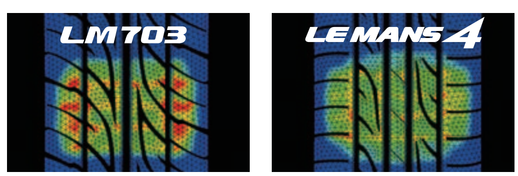
Reduction of Rolling Resistance



Unattached polymer terminal parts generate extra heat

New modified polymer used in "low-heat-generating adhesive rubber" curbs extra heat generation by attaching the terminals of polymer molecules to silica.

Enhanced Durability



Contact ground shape and pressure simulation

The LE MANS 4's contact pressure is equally distributed.

Establishment of Tire Subsidiaries in China

Establishing Sumitomo Rubber (Hunan) Co., Ltd., Sumitomo Rubber Industries commenced construction of another tire factory in China with the aim of going on stream in July 2012. Reinforcing its supply system in China, where demand for automobile tires is burgeoning, the Company will strive to further expand the Tire business in China.

For business operations in China, Sumitomo Rubber Industries also established Sumitomo Rubber (China) Co., Ltd. as a wholly owned subsidiary with the aim of conducting integrated business operations on behalf of Sumitomo Rubber (Hunan) and Sumitomo Rubber (Changshu) Co., Ltd., which absorbed Sumitomo Rubber (Suzhou) Co., Ltd.

Sumitomo Rubber Industries, Ltd.

Sumitomo Rubber (China) Co., Ltd.

Sumitomo Rubber (Hunan) Co., Ltd.

Sumitomo Rubber (Changshu) Co., Ltd.

Sumitomo Rubber Industries Receives "Tire Technology of the Year" Award in Europe for Fourth-Generation Runflat Tire Technology

Reflecting the solid reputation enjoyed by its fourth-generation runflat tire technology released in 2009, Sumitomo Rubber Industries received the Tire Technology of the Year award at the Tire Technology Expo 2010 held in Cologne, Germany. This commendation was attributable to the technology's realizing excellent ride comfort equivalent to or better than that of standard tires, while maintaining its great runflat performance. This was the second commendation the Company received at the Tire Technology Expo, having been recognized for the Environmental Achievement of the Year award in the previous year for its commitment to developing fossil resource-free tires.

The trophy

Our presentation at the commendation ceremony

Favorable Customer Feedback for "Team ENASAVE" Customer-Participation-Type Tree-Planting Campaign

Team ENASAVE is a campaign that plants mangrove seedlings on behalf of customers who buy tires in the Dunlop ENASAVE series, a low fuel consumption tire lineup (ENASAVE 97, ENASAVE RV503 and ENASAVE EC202) that meets the requirements of the tire labeling system. Since the campaign's commencement in 2009, the number of seedlings planted has expanded to a total of 790,573 by the end of 2010 thanks to the support of a large number of customers. In 2011, the Company will expand the tree-planting area from Thailand to include Indonesia.

Tree-planting activity in Ranong Province, Thailand

Launch of SPORTMAX ENASAVE Eco-Friendly Tire for Motorcycles

Sumitomo Rubber Industries has introduced the SPORTMAX ENASAVE radial tire. This is the Company's first eco-friendly, next-generation touring radial tire for motorcycles. Applying newly developed technologies including a "quartered multiple compound," "leaf pattern" and "low-heat-generating profile," the SPORTMAX ENASAVE improved fuel efficiency 2% to 3% compared with conventional products,* while realizing excellent gripping performance both on wet and dry roads.

* SPORTMAX ROADSMART

<Front> **<Rear>**

SPORTMAX ENASAVE

Sports Business

Profile

- SRI Sports Limited, a company spun off from Sumitomo Rubber Industries in 2003, plays a central role in the manufacturing and marketing of such items as golf clubs and golf balls. In its tennis equipment activities, the company offers several products, including rackets and balls.
- In its mainstay golf product lineups, SRI Sports has introduced the XXIO, SRIXON and Cleveland Golf brands in response to differing demands with regard to individual regions and products.
- SRI Sports is listed on the first section of the Tokyo Stock Exchange.

XXIO The flagship XXIO brand golf goods are a favorite among golfers in Japan, South Korea and China.

SRIXON

Golf goods under the SRIXON brand, introduced for professional and semiprofessional use, are preferred by leading golfers throughout the world, contributing to their tournament wins.

Cleveland GOLF

Introduced in 1979 in the United States, Cleveland Golf's wedges enjoy a high share of the U.S. golf club market.

SRI Sports' tennis balls boast the top share* in Japan.

* Surveyed by Yano Research Institute Ltd.

Fiscal 2010 Results

Sales in the Sports business declined 3.1% year on year to ¥63,225 million, while operating income grew 29.1% to ¥6,114 million. Despite decreased revenue due to stagnant market conditions, the Company secured increased income owing to its cost reduction efforts.

Golf

During the fiscal year under review, the number of visitors to golf courses decreased compared with the previous fiscal year due mainly to bad weather. In addition, sluggish consumption in the golf goods market led to a severe business environment.

Amid such circumstances, SRI Sports' New XXIO—the sixth generation in this line of top-selling golf clubs—achieved top market share in terms of annual domestic store-front sales,*1 and the Cleveland Golf CG15 wedge series registered sales growth due to vigorous marketing activities. Furthermore, sales of the SRIXON Z-STAR golf ball series grew significantly thanks to the popularity of professional golfer Ryo Ishikawa, who uses the product. Overseas, sales of the CG15 series remained strong, and it gained the leading share of wedge sales on an annual basis in the U.S. market.*2

Despite such factors, overall sales of golf goods fell below those of the previous fiscal year due to the shrinking market.

*1 Surveyed by Yano Research Institute Ltd.
*2 Surveyed by Golf Datatech, LLC

Tennis

Sales of tennis balls were stagnant due to an unusually hot summer, which led to a drop in enthusiasm for playing tennis. With regard to tennis rackets, SRI Sports introduced the Dunlop BIOMIMETIC series while striving to expand sales of the Pure Drive series developed by Babolat, a French tennis goods company with which SRI Sports entered into a sales contract in Japan. However, overall sales tennis goods fell below the level of the previous fiscal year.

Fiscal 2011 Outlook

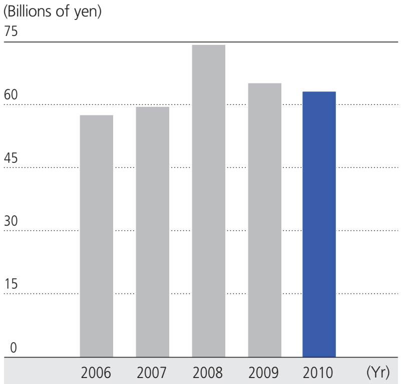
In the face of ongoing economic recession, SRI Sports will make continuous efforts to release new products to meet demand in the different marketing areas of Japan, Europe, the United States, Australia and Asian countries, while implementing sales strategies tailored to each region. Together with this, SRI Sports will strive to expand its share of the markets for golf clubs and balls.

Topics

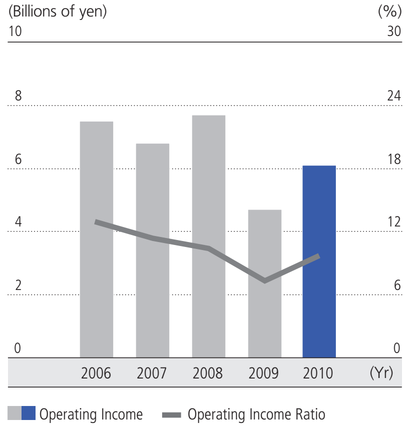
SRI Sports Establishes Golf Goods Sales Subsidiary in South Korea

Aiming to reinforce marketing activities in support of sales expansion in the world's third largest golf market (SRI Sports' presumption), SRI Sports established a sales subsidiary in South Korea jointly with a local company. Through this subsidiary, SRI Sports conducts targeted sales activities in South Korea while simultaneously strengthening promotional activities to enhance its brand profile for the XXIO, SRIXON and Dunlop products in South Korea. By doing so, SRI Sports is striving to boost its market share, especially for golf clubs and balls.

Net Sales



Operating Income



Sales Breakdown

(Billions of yen)

	2009	2010	Year-on-Year
Clubs	31.6	**29.8**	-6%
Balls	12.3	**12.9**	+5%
Shoes and accessories	9.1	**8.7**	-4%
Golf goods	52.9	**51.4**	-3%
Tennis goods	6.7	**6.5**	-4%
Licensing revenue	0.4	**0.4**	+8%
Sport goods	60.0	**58.2**	-3%
Others	5.2	**5.0**	-4%
Total	65.2	**63.2**	-3%

Industrial and Other Products Business

Profile

- Sumitomo Rubber Industries offers a wide variety of products encompassing rubber gloves, portable ramps for wheelchair use, rubber gas tubes, precision rubber parts for printers and photocopiers, offset printing blankets, medical rubber parts, high damping rubber, civil engineering and marine products, artificial turf for sporting use, flooring materials, industrial items and other products. The Company covers diverse needs that range from daily life to industrial applications.

Precision rubber parts for printers and photocopiers
Precision rubber parts for printers and photocopiers require accuracy on a micrometer scale. With production bases in Japan, China and Vietnam, Sumitomo Rubber Industries meets the needs of a wide variety of customers.

Medical rubber parts
Exercising thorough quality control, Sumitomo Rubber Industries offers safe and high-quality medical rubber parts.

GRAST

The GRAST vibration-control technology, which uses high damping rubber, is in use in a wide range of fields, including the creation of dampers for single-unit houses and high-rise buildings.

Fiscal 2010 Results

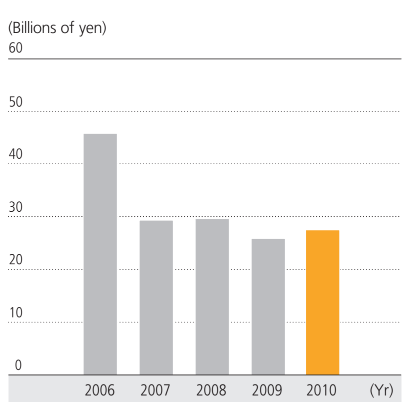
During the fiscal year under review, sales in the Industrial and Other Products business rose 6.4% year on year to ¥27,549 million, while operating income surged 49.6% to ¥2,123 million.

Sales of the mainstay precision rubber parts for printers and photocopiers largely surpassed those of the previous fiscal year, owing to major customers' production increases. Sales of medical rubber parts exceeded those of the previous fiscal year due to growing demand for prefilled syringes. In addition, sales of daily-use products, including rubber gloves, rubber gas tubes and portable ramps for wheelchair use grew, reflecting the Company's efforts to cultivate new customers. However, sales of infrastructure-related products, such as flooring materials and artificial turf for sporting use, remained on par with the previous fiscal year due to slow recovery in capital investment and public spending.

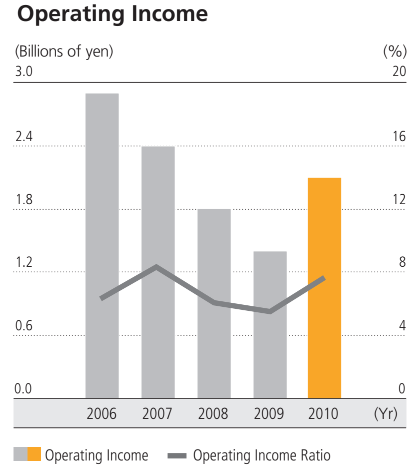
Fiscal 2011 Outlook

In fiscal 2011, operating conditions are anticipated to remain harsh in view of several issues, including a sluggish domestic market and hikes in raw material prices. Amid such circumstances, Sumitomo Rubber Industries expects to expand sales of a new "Ki kara Umareta" (literally, "made from trees") rubber glove series launched in 2010; rubber gas tubes; and civil engineering and marine products in emerging markets. In 2011, sales of precision rubber parts for printers and photocopiers as well as medical rubber parts are expected to remain strong on the back of major customer's increasing production and ongoing business growth, respectively. For portable ramps for wheelchair use, artificial turf for sporting use and flooring materials, Sumitomo Rubber Industries expects to acquire new customers by introducing new products. In addition, the Company will focus on the seismic retrofitting area for high damping rubber.

Net Sales



Operating Income



The Sumitomo Rubber Group promotes CSR activities under the assumption that not only should efforts be made to raise economic value, but that it is essential to enhance social value as well. These endeavors are undertaken in order to realize sustainable growth and the creation of value, as stated in the Group's Long-Term Vision.

Fundamental Philosophy of the Sumitomo Rubber Group's CSR Activities

CSR Philosophy

The Sumitomo Rubber Group carries out its GENKI Activities, which proactively contribute to the environment and communities, in order to become a trusted corporate citizen and part of a sustainable society.

CSR Guideline

G E N K I

Green	Ecology	Next	Kindness	Integrity
Green initiative	Ecological process	Next-generation product development	Kindness to employees	Integrity for stakeholders
1. Help curb global warming by planting trees 2. Establish better relationships with communities by planting trees	3. Reduce CO_2 emissions 4. Implement worldwide environmental management	5. Develop environmentally friendly products 6. Pursue safety and comfort, economy, and quality	7. Foster human resource development and make jobs rewarding 8. Create a safe, employee-friendly workplace 9. Achieve a work-life balance	10. Ensure thorough corporate governance 11. Ensure thorough compliance 12. Promote dialog with stakeholders 13. Keep social contribution in constant motion

Promotion and Vitalization of CSR Activities

In February 2008, the Sumitomo Rubber Group established the CSR Activities' Fundamental Philosophy with the aim of further strengthening its CSR operations. Based on the philosophy underlying the implementation of its G-E-N-K-I activities—which proactively contribute to the environment and communities—in order to become a trusted corporate citizen and part of a sustainable society, the Group is promoting five action guidelines that include: "Green: Green initiative"; "Ecology: Ecological process"; "Next: Next-generation product development"; "Kindness: Kindness to employees"; and "Integrity: Integrity for stakeholders."

In addition, the Group established the CSR Promotion Office in July 2008 as a dedicated entity to build a structure for CSR management. The CSR Promotion Office strives to enhance the vitality of contributions to the Group's CSR activities, including employee education and information disclosure outside the Group.

When promoting CSR activities, the Group emphasizes the importance of facilitating communications with stakeholders both inside and outside the Group. To that end, the Group is striving to deepen cooperation with various organizations and autonomous bodies in local communities, while asking for opinions from external professionals with regard to CSR activity content and processes.

Through dialogue with its stakeholders, the Sumitomo Rubber Group recognizes the role that society expects it to perform. The Group will therefore continue to carry out its unique CSR activities.

Sumitomo Rubber Industries, Ltd. Receives Economy, Trade and Industry Minister's Prize in 3R Promotion Council's Award Ceremony

In October 2010, Sumitomo Rubber Industries received an Economy, Trade and Industry Minister's Prize from the Reduce, Reuse & Recycle (3R) Promotion Council. This prize was presented in recognition of notable results achieved by the Sumitomo Rubber Group in its 3R activities. In addition, in March 2010 the Group achieved "complete zero emissions"* at all of its major production bases (six domestic factories, five affiliated companies and six overseas factories) thanks to efforts over the course of 10 years and 8 months.

This continuing achievement is testament to the Group's dedication to being an Eco-First Company as certified by the Ministry of the Environment.

*"Complete zero emissions" is achieved when 0% of waste is disposed of in landfills.

The 3R Promotion Council's Award ceremony was held on October 26, 2010.

Acquisition of Industry's First Globally Integrated ISO 14001 Environmental Management Certification

For the purpose of unifying the Group's environmental management system and implementing the Groupwide PDCA cycle in order to further contribute to sustainable social development, Sumitomo Rubber Industries promoted activities, including at overseas business sites, aimed at the acquisition of globally integrated certification throughout the Group. As part of such efforts, the Head Office and Tyre Technical Center acquired ISO 14001 certification in December 2007. The Group then began to include ISO 14001-certified factories and affiliated companies in the integrated certification, while assisting noncertified factories and affiliated companies in certification acquisition. As a result, the Group secured globally integrated certification encompassing 30 bases. This achievement was the industry's first acquisition of globally integrated ISO 14001 certification that includes overseas factories.

CERTIFICATE OF APPROVAL

Sumitomo Rubber Group
Sumitomo Rubber Industries, Ltd.
Chuo-ku, Kobe-shi, Hyogo-ken
Japan

ISO 14001:2004, JIS Q 14001:2004

Design, development, manufacture of tires, sports goods and hybrid industrial rubber products.

The industry's first globally integrated ISO 14001 certification, awarded to Sumitomo Rubber Industries.

Stakeholder Dialogue with Regard to Environmental Issues

The Sumitomo Rubber Group solicits expert opinions on its CSR activities and has engaged in an ongoing series of dialogues with stakeholders since 2009. The fourth such dialogue considered opinions and reviews offered by Professor Atsuo Mukoyama of the Graduate School of Business, Osaka City University, on the Group's Eco-First Commitment and environmental activities related to "Green," "Ecology" and "Next" as set out in the CSR Guidelines. On this occasion, a number of opinions were submitted, including with regard to improving the setting of specific goals for its environmental activities. The Sumitomo Rubber Group will make greater efforts to reflect such feedback and opinions in its future environmental preservation activities.

The Group received valuable opinions from Professor Mukoyama (pictured, right).

For details on the Group's CSR activities, please read the Sumitomo Rubber Group CSR Report. It is also available on the Group website.

http://www.srigroup.co.jp/english/csr/index.html

First CSR Fund Granted

In July 2009, Sumitomo Rubber Industries established the Sumitomo Rubber CSR Fund to support various activities aimed at addressing such socially important issues as the global environment. As part of such initiatives, Sumitomo Rubber Industries introduced a matching-gift program in which the Company deducts ¥200 each month from the salaries of participating employees as a donation to the fund, matching these contributions with an equivalent donation.

The scope of organizations that the fund helps subsidize includes: environmental preservation activities, including biodiversity promotion; disaster relief; traffic safety; and finding solutions to social issues besetting the communities around individual Group business sites. In line with this, the first subsidies were bestowed on eight organizations in June 2010 in sum of ¥2,327,000 provided jointly with intermediary NPOs in Kobe City, Osaka Prefecture, and Shirakawa City, Fukushima Prefecture. In fiscal 2011, Sumitomo Rubber Industries plans to expand the geographical area of subsidies and select candidates for support in Aichi Prefecture, Tokyo and Miyazaki Prefecture jointly with local intermediary NPOs, while commencing the offering of subsidies to organizations engaged in assisting reconstruction in the aftermath of the Great East Japan Earthquake.

Activities of Subsidized Organizations in Fiscal 2010

Shirakawa Factory and Miyazaki Factory Selected for Japan's "Top 100 Corporate Greenspaces Helping to Preserve Biodiversity" List

In May and October 2010, respectively, Sumitomo Rubber Industries' Shirakawa Factory and Miyazaki Factory were selected for the list of Japan's "100 Corporate Greenspaces Helping to Preserve Biodiversity" compiled by the Urban Green Space Development Foundation.

With the theme of "a factory nestling in forest," the Shirakawa Factory developed biotope and green areas with an eye toward creating an ecological network in keeping with the local ecosystem. To this end, the factory developed the GENKI no Mori, a forest within the factory premises that it has opened to local people. Since 2005, the Miyazaki Factory has focused on nurturing and preserving on its premises the globe thistle (*Echinops setifer*), which is classified as an endangered species (1-B). Today, the Miyazaki Factory transplants grown seedlings into their wild habitat.

Biotope in the Shirakawa Factory

Globe thistles thriving at the Miyazaki Factory

Meeting of the Company and Consumers

On November 15, 2010, the Shirakawa Factory invited five members of the Society for the Promotion of Public Disclosure from the Keizai Koho Center (Japan Institute for Social and Economic Affairs) to a "meeting of the Company and consumers." After touring a tire factory, a safety evaluation facility and the Shirakawa Manufacturing Training Center, the two parties engaged in a question-and-answer session and exchanged opinions. Although enjoying a solid reputation with regard to its execution of Groupwide environmental preservation activities and maintenance of a harmonious relationship with the local community, the Shirakawa Factory did receive requests to increase the number of female employees and to develop barrier-free facilities. The Shirakawa Factory was grateful to hear these opinions and will reflect them in its future operations. The meeting turned out to be a valuable opportunity not only to tell consumers about Sumitomo Rubber Industries' business activities but for the solicitation of comments and opinions.

A lively discussion took place at the meeting with consumers.

R&D Activities and Intellectual Property Strategies

Constantly targeting new value creation, the Sumitomo Rubber Group engages proactively in research and development (R&D). In addition to these efforts, the Group preserves the fruits of its research as intellectual property and has established structures to fully capitalize on its intellectual property rights.

R&D Activities

With the Sumitomo Rubber Industries' R&D organization and facilities as its core, the Sumitomo Rubber Group promotes R&D activities in wide-ranging fields—the tire, sports, industrial and other product businesses—in close cooperation with its subsidiaries and affiliates around the world. In addition, Sumitomo Rubber Industries has pursued the exchange of technology in its Tire business based on a global alliance with The Goodyear Tire & Rubber Company since 1999. In conjunction with this, the Company formed dedicated project teams to carry out joint research for specific themes. Furthermore, the Tyre Technical Center, completed in 2009, is the key facility of the Group's R&D activities for tire technology as Sumitomo Rubber Industries promotes the development of next-generation, eco-friendly tires.

Total R&D expenses in the fiscal year under review amounted to ¥18,698 million, which accounted for 3.1% of consolidated net sales.

Tire Business

During the fiscal year under review, Sumitomo Rubber Industries strived to expand its lineup of fuel-efficient tires. As part of these efforts, the Company released the LE MANS 4 tire, which incorporates its proprietary special noise-absorbing sponge, under the Dunlop brand in February 2011. In fiscal 2010, R&D expenses in the Tire business totaled ¥16,254 million.

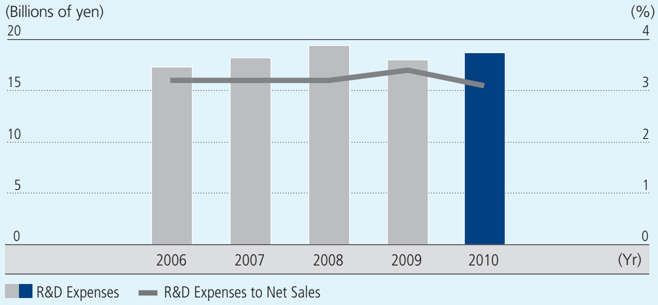
Sports Business

With an R&D section operating through both SRI Sports and Cleveland, SRI Sports employs cutting-edge computer simulation to develop new technologies and products. Reflecting these activities, during fiscal 2010, SRI Sports was able to expand the lineup of SRIXON brand golf goods. R&D expenses in the Sports business amounted ¥1,269 million.

Industrial and Other Products Business

In cooperation with KOZO KEIKAKU ENGINEERING Inc., the Company developed the "visco-elastic damper system used in outer-frame type connecting seismic retrofitting," which is highly suitable for middle- and high-rise condominiums and allows a greater level of natural light flow into the building. R&D expenses in this business amounted ¥1,175 million.

R&D Expenses



Intellectual Property Strategies

The Sumitomo Rubber Group carries out intellectual property activities in order to support its businesses. Activities include the acquisition and utilization of intellectual property rights, namely, patents, designs and trademarks, as well as the prevention of rights infringements.

Globalization Initiatives

With the aim of realizing its Long-Term Vision for business expansion in overseas markets, the Sumitomo Rubber Group has expanded its intellectual property business in Russia and CIS countries, Asia and South America in addition to Japan, Europe and the United States.

The following are three main activities to be conducted in each country.

(1) Securing industrial property rights (patents, designs and trademarks)
(2) Exercising rights against products that infringe on the Group's intellectual property
(3) Eliminating the inappropriate use of rights by third parties to protect the Group's legitimate business activities

The Group is particularly aware of cases that fall under the third of these, including the registration of designs that are identical or similar to the Group's tire designs and applications for trademarks that may infringe on the Group's main brands all around the world. The Group's business operations could be affected if such cases were neglected. Therefore, the Group takes countermeasures against such infringements as soon as they are detected.

Enhancement of Business Efficiency and Streamlining of Intellectual Property Ownership

Owing to the abovementioned globalization activities, the Group is required to handle expanding businesses related to intellectual property rights. Against this backdrop, the Group carries out its business operations in accordance with the following objectives.

(1) Authorization of all effective technology and streamlining of unprofitable rights
(2) Building a stronger relationship with patent offices

The Company is promoting the first objective by allocating personnel who hold concurrent positions in the R&D/Technological Development and Intellectual Property departments to serve as "patent liaisons" charged with bridging the gap between the two departments. Also toward this objective, the Group is informed by its patent commercialization rate, which is calculated by dividing the number of commercialized patents by the number of patents held. While enhancing the commercialization rate by accelerating the application and authorization of technologies to be commercialized as well as renouncing unused patents, the Group will endeavor to boost the cost performance of its intellectual property rights.

As to the second objective, the intellectual property business must have a cooperative relationship with patent office both in Japan and overseas. It is particularly necessary to reinforce communications with patent offices overseas in pursuit of globalization and efficient business operations. Intellectual Property department members work in tandem with patent attorneys and lawyers in each country to obtain authorization and litigation. By doing so, the Group aims to (a) build a stronger relationship with patent offices, (b) enhance business quality and accelerate operation efficiencies and (c) improve the skills of Intellectual Property department members.

Efficient Utilization of Patent Information

In order to maintain and control Sumitomo Rubber Group's patents, a database was compiled covering all intellectual property rights and placed under the Patent Control System. Data is regarded as administrative and technological information and is thus disclosed to the development divisions to support their technological development activities.

The Sumitomo Rubber Group values its competitors' patent information as a way of monitoring technical advances and preventing its products from infringing on other companies' rights. To that end, the Group distributes weekly patent bulletins to keep every technical division informed.

Sumitomo Rubber Industries' basic management policy is to enhance its corporate value as a promising and reliable global company for the benefit of all stakeholders, including shareholders. Under this policy, the Company considers the enhancement of corporate governance as a major management objective in its efforts to better fulfill its social responsibility and enhance its transparency. This policy will help to strengthen Group management and establish deep relationships of trust with society, while ensuring Groupwide business efficiency.

Corporate Governance Structure

Overview of Corporate Governance Structure

Sumitomo Rubber Industries has adopted a corporate system with a Board of Auditors and maintains directors, a general meeting of shareholders, accounting auditors and the following bodies.

The Company's Board of Directors deliberates and determines matters of managerial importance and supervises directors' execution of operations. As of March 30, 2011, the Board of Directors was composed of 10 members, two of whom were external directors.

Corporate auditors independently conduct auditing of directors' execution of operations. As of March 30, 2011, the Company adopted a structure of five corporate auditors, two of whom were full-time corporate auditors. Full-time corporate auditors attend important internal meetings and confirm important documents for approval.

The Board of Auditors is composed of all of the Company's corporate auditors. From the aspect of reinforcing the management auditing function, three of the five corporate auditors serve as external corporate auditors, securing a structure to conduct fair and objective audits.

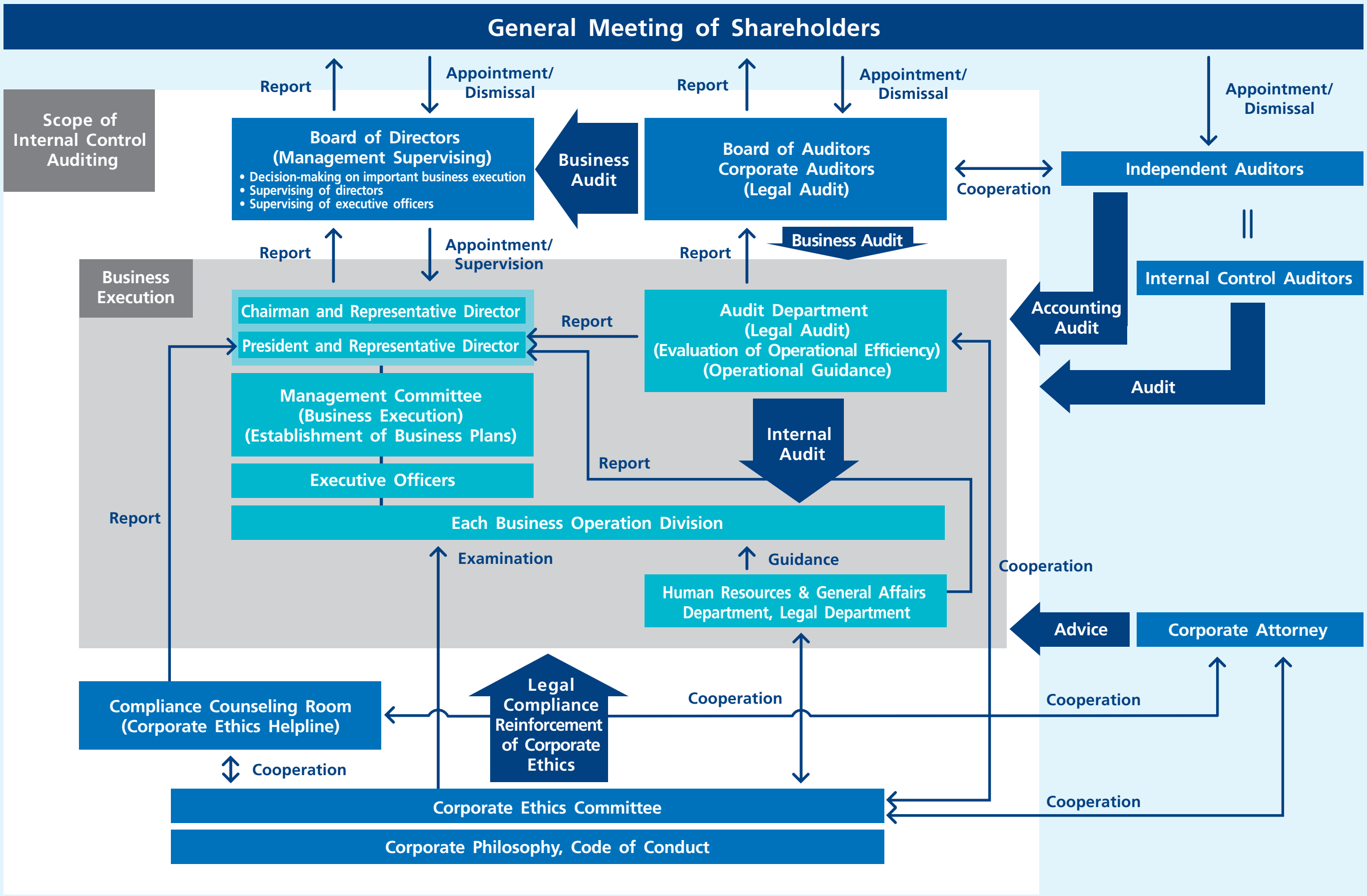
In addition to the abovementioned organizations stipulated under Japan's Corporation Law, the Company established a Management Committee composed of internal directors and executive officers appointed by the president. With the attendance of full-time corporate auditors, the Management Committee makes prompt managerial decisions based on discussions or the reporting of matters considered to be important to management.

Furthermore, the Company adopted an executive officer system in March 2003. This system was put in place with the aim of establishing a management structure that promotes the separation of management supervision and execution, clarifies the rights and responsibilities of each business and promptly responds to changes in the business environment. As of March 30, 2011, there were 15 executive officers, 8 of whom did not serve concurrently as directors.

Audit by Corporate Auditors, Internal Audit and Accounting Audit

In accordance with audit plans and policies set out by the Board of Auditors, each corporate auditor attends important meetings, including Board of Directors' meetings; hears reports on the status of job execution from directors and the Audit Department; reviews important approval

Corporate Governance (As of March 30, 2011)



documents; and implements on-site audits at the Head Office, major business sites and subsidiaries. In addition, corporate auditors review each others' reports on auditing status while working closely with accounting auditors to ensure that audits are conducted in an appropriate manner.

Sumitomo Rubber Industries' internal audit function is the responsibility of the Audit Department. Under the direct control of the president, the Audit Department is composed of eight staff and one full-time assistant to the corporate auditors. The Audit Department conducts audits of the Group as a whole and evaluates its internal control system over the Group's financial reporting. In accordance with audit policies and annual internal audit plans, the Audit Department implements on-site audits of the Head Office, major business sites and subsidiaries to evaluate the efficacy, efficiency and degree of compliance adequacy in connection with the execution of operations at each division and department and related Group company. On the completion of an internal audit, the results and any recommendations for improvement are reported to the president and the Board of Auditors in an effort to ensure reciprocal collaboration. The Audit Department and accounting auditors facilitate closer collaboration as needed to fulfill their duties.

For accounting audits, the Company has entered into an audit agreement with KPMG AZSA LLC in line with the Corporation and the Financial Instruments and Exchange Laws.

External Directors and Corporate Auditors

As of March 30, 2011, Sumitomo Rubber Industries had two external directors and three external corporate auditors.

Keizo Kosaka, one of the Company's external directors, provides valuable comments and opinions from an objective perspective, leveraging his abundant knowledge as a lawyer who excels at corporate legal affairs, and is expected to enhance the Company's healthy business operations and legality.

Katsuhide Kurasaka, one of the Company's external directors, offers advice regarding overall corporate management, leveraging his experience as a member of the board at Sumitomo Electric Industries, Ltd., and is expected to help strengthen the business operations supervision functions of the Company's Board of Directors.

Hiroshi Izumitani, one of the Company's external corporate auditors, conducts audits from an objective perspective, making use of his knowledge of finance and accounting as well as experience as an external corporate auditor at Nomura Research Institute, Ltd. (NRI).

Tadao Kagono, one of the Company's external corporate auditors, conducts audits from an objective perspective, leveraging his academic expertise and considerable knowledge as a university professor specializing in business administration.

Shintaro Mitake, one of the Company's external corporate auditors, conducts audits from an objective perspective, making use of his knowledge of finance and accounting as well as experience as a full-time corporate auditor at Sumitomo Electric Industries, Ltd.

Internal Control System

Implementation and Status of the Internal Control System

Sumitomo Rubber Industries resolved its basic policy regarding the development of its internal control system based on Japan's Corporation Law at a Board of Directors' meeting and disclosed it to the public. In addition, the Company developed an internal control system based on the Financial Instruments and Exchange Law as well as evaluation, audit and practice standards as stipulated by the Financial Service Agency with the aim of reinforcing the Company's structure to ensure the appropriateness of both in-house and subsidiaries' financial reporting. Management evaluated the status of the Company's internal control over financial reporting as of December 31, 2010 and published an "Internal Control Report" to confirm the system's validity. After the report was verified by the

Major Activities of External Directors and Corporate Auditors

Status	Name	Important concurrent positions (As of December 31, 2010)	Attendance (From January 1, 2010 to December 31, 2010)
Director	Keizo Kosaka	Lawyer External corporate auditor, Toyo Aluminum K.K. External corporate auditor, Keyence Corporation	Board of Directors' meetings: 14 times
Director	Katsuhide Kurasaka	Senior managing director, Sumitomo Electric Industries, Ltd.	Board of Directors' meetings: 10 times
Corporate Auditor	Hiroshi Izumitani	External corporate auditor, Nomura Research Institute, Ltd.	Board of Directors' meetings: 14 times Board of Auditors' meetings: 12 times
Corporate Auditor	Tadao Kagono	Professor, Kobe University Graduate School of Business Administration External corporate auditor, Santen Pharmaceutical Co., Ltd. External corporate auditor, NTN Corporation	Board of Directors' meetings: 13 times Board of Auditors' meetings: 12 times
Corporate Auditor	Shintaro Mitake	Corporate auditor (full-time), Sumitomo Electric Industries, Ltd.	Board of Directors' meetings: 11 times Board of Auditors' meetings: 10 times

Notes: 1. Sumitomo Electric Industries, Ltd. owns 26.81% of the Company's shares issued and outstanding, and Sumitomo Rubber Industries purchases tire materials from Sumitomo Electric Industries. However, no other above-mentioned entity has particular relationship with Sumitomo Rubber Industries.
2. In accordance with regulations stipulated by the Tokyo Stock Exchange, Sumitomo Rubber Industries registered Messrs. Keizo Kosaka, Hiroshi Izumitani and Tadao Kagono as independent directors whose interests are not in conflict with the interests of the general shareholders.
3. Board of Directors' meetings were held 14 times during fiscal 2010, and Board of Auditors' meetings were held 13 times.
4. At the general meeting of shareholders held on March 30, 2010, Messrs. Katsuhide Kurasaka and Shintaro Mitake were appointed as director and corporate auditor, respectively, and took office. Board of Directors' meetings were held 11 times and Board of Auditors' meetings 10 times after March 30, 2010.

Company's independent auditors in its internal control auditing report, Sumitomo Rubber Industries attached it to its annual securities report for the fiscal year ended December 31, 2010, as a reference.

Compliance System

Based on compliance with social norms, which are stipulated in the Company's Code of Conduct, Sumitomo Rubber Industries maintains the guideline that corporate activities must adhere to laws and ordinances, social norms and public decency. In addition, the Company strives to increase awareness and ensure strict legal compliance. In order to fulfill its corporate social responsibility, Sumitomo Rubber Industries established the basic objective of complying with laws and its Articles of Incorporation while establishing a strict code of corporate ethics and ensuring sound business operations. To that end, the Company formulated its "Regulations on Corporate Ethics Activities" and established the Corporate Ethics Committee in February 2003. In addition, Sumitomo Rubber Industries set up a compliance counseling room directly controlled by the president as a corporate ethics helpline for employees. This enables the Corporate Ethics Committee to investigate any problems that arise and give sufficient attention to ensuring that those employees who come forward are not penalized. Furthermore, the Company pays close attention to legal aspects, taking advice from a corporate attorney as circumstances demand.

Risk Management System

With regard to a variety of management risks that could exert a significant impact on the Company's business operations, including issues with product quality, legal requirements, the business environment, credit, accidents and disasters, each division and department undertakes an advance analysis of potential risks and formulates appropriate countermeasures, which are discussed at management meetings in accordance with the risk management rules. When considering risk analysis and countermeasure formulation, the Company requests on an as-needed basis advice and instruction from specialists, such as corporate attorneys. For cross-departmental risks, each administration department works in close collaboration with related divisions and departments in their respective areas of operation to conduct Companywide countermeasures.

Furthermore, Sumitomo Rubber Industries established a Risk Management Committee based on its risk management rules. The Risk Management Committee controls Companywide risk management activities and investigates such activities to confirm whether the risk management system is effectively functioning. Should significant risks materialize, or be expected to materialize, the Company president will establish a risk control headquarters based on the risk management rules.

Directors, Corporate Auditors and Executive Officers

(As of March 30, 2011)

Board Of Directors

Chairman and Representative Director	Tetsuji Mino
President and Representative Director	Ikuji Ikeda
Representative Director and Managing Executive Officer	Takaki Nakano
Representative Director and Managing Executive Officer	Hiroaki Tanaka
Director and Senior Executive Officer	Kenji Onga
Director and Senior Executive Officer	Minoru Nishi
Director and Senior Executive Officer	Yasutaka Ii
Director and Senior Executive Officer	Hiroki Ishida
Director	Keizo Kosaka
Director	Katsuhide Kurasaka

Corporate Auditors

Corporate Auditor (Full-time)	Toshiyuki Noguchi
Corporate Auditor (Full-time)	Yasuyuki Sasaki
Corporate Auditor	Hiroshi Izumitani
Corporate Auditor	Tadao Kagono
Corporate Auditor	Shintaro Mitake

Executive Officers

Senior Executive Officer	Takahiro Fukumoto
Senior Executive Officer	Kozaburo Nakaseko
Executive Officer	Masafumi Takami
Executive Officer	Yutaka Kuroda
Executive Officer	Yasushi Tanaka
Executive Officer	Satoru Yamamoto
Executive Officer	Mitsuteru Tanigawa
Executive Officer	Naoki Yamada

Financial Section

11-Year Summary of Consolidated Financial Data

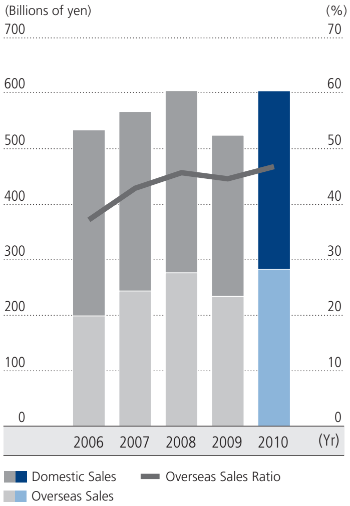
Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2010**	2009	2008	2007
For the year:				
Net sales	**¥604,549**	¥524,535	¥604,974	¥567,307
Cost of sales	**387,678**	334,249	412,824	368,783
Selling, general and administrative expenses	**169,300**	161,547	166,491	153,398
Operating income	**47,571**	28,739	25,659	45,126
Net income (loss)	**21,427**	9,093	1,021	19,499
Depreciation and amortization	**37,885**	37,425	35,475	30,165
Capital expenditures	**32,055**	32,484	49,601	53,205
Cash flows from operating activities	**69,725**	64,525	25,879	56,594
Cash flows from investing activities	**(35,400)**	(34,260)	(58,067)	(65,167)
Cash flows from financing activities	**(25,634)**	(22,781)	34,088	8,692
At year-end:				
Total assets	**¥622,243**	¥613,230	¥639,941	¥671,117
Net assets	**212,964**	209,052	202,642	250,799
Shareholders' equity	**—**	—	—	—
Interest-bearing debt	**241,250**	261,572	275,746	239,573
				Yen
Per share amounts:				
Net income (loss)	**¥ 81.67**	¥ 34.66	¥ 3.89	¥ 74.31
Net income—diluted	**—**	—	—	—
Cash dividends paid	**20.00**	18.00	18.00	20.00
				Percent
Key ratios:				
Operating income ratio	**7.9%**	5.5%	4.2%	8.0%
ROE	**11.4**	4.9	0.5	9.1
ROA (operating income base)	**7.6**	4.7	3.9	7.1
Equity ratio	**30.5**	30.5	28.3	33.9
Number of employees	**22,242**	20,832	20,369	18,410
Number of shares issued	**263,043,057**	263,043,057	263,043,057	263,043,057

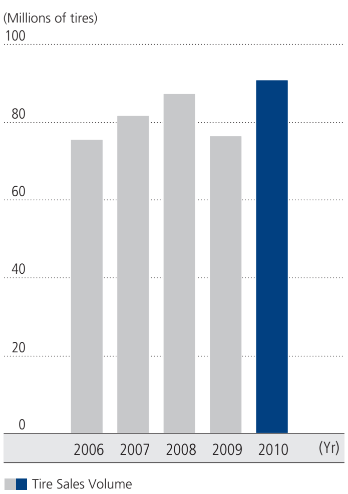
Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥81 per US$1.00, the approximate exchange rate prevailing at December 31, 2010.
2. In 2000, the Company changed the accounting policy for technical aid income and expense. As a result of these changes, net sales increased by ¥2,728 million and operating income increased by ¥1,665 million, however, there were no effects on net income.
3. From 2006, Sumitomo Rubber has applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) by the Accounting Standards Board of Japan (ASBJ) and the "Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" (ASBJ Guidance No. 8, December 9, 2005).
4. Depreciation and amortization, and capital expenditure figures include both tangible assets and intangible assets.

						Millions of yen	Thousands of U.S. dollars (Note 1)
2006	2005	2004	2003	2002	2001	2000	**2010**
¥534,086	¥512,838	¥470,562	¥450,491	¥447,893	¥434,463	¥423,247	**$7,463,568**
342,856	307,538	288,684	281,392	286,755	279,074	273,451	**4,786,148**
154,440	155,374	136,352	131,333	129,394	132,813	124,355	**2,090,124**
36,790	49,926	45,526	37,766	31,744	22,576	25,441	**587,296**
27,586	25,640	19,169	13,095	8,239	(7,207)	5,335	**264,531**
27,052	25,755	25,098	24,313	25,163	24,645	25,275	**467,716**
45,308	40,415	36,881	29,171	30,557	25,372	19,944	**395,741**
23,872	38,984	32,056	44,225	50,700	42,359	36,086	**860,800**
(33,923)	(42,878)	(37,622)	(28,545)	(31,269)	(25,284)	(21,685)	**(437,038)**
14,687	(3,376)	7,609	(20,821)	(19,628)	(15,172)	(25,690)	**(316,469)**
¥606,938	¥563,442	¥520,157	¥481,553	¥477,293	¥514,415	¥523,560	**$7,682,011**
223,852	—	—	—	—	—	—	**2,629,185**
—	174,267	145,492	110,395	101,633	107,391	109,995	**—**
219,372	205,751	201,929	210,681	220,085	241,600	252,143	**2,978,395**
						Yen	U.S. dollars (Note 1)
¥ 105.13	¥ 97.10	¥ 78.64	¥ 55.07	¥ 33.97	¥ (29.71)	¥ 23.24	**$ 1.008**
—	—	—	—	—	—	—	**—**
20.00	20.00	14.00	12.00	10.00	10.00	10.00	**0.247**
						Percent	
6.9%	9.7%	9.7%	8.4%	7.1%	5.2%	6.0%	
14.7	16.0	15.0	12.4	7.9	—	5.1	
6.3	9.2	9.1	7.9	6.4	4.4	5.3	
33.3	30.9	28.0	22.9	21.3	20.9	21.0	
16,031	17,433	16,737	15,573	15,312	15,123	15,348	
263,043,057	263,043,057	263,043,057	242,543,057	242,543,057	242,543,057	242,543,057	

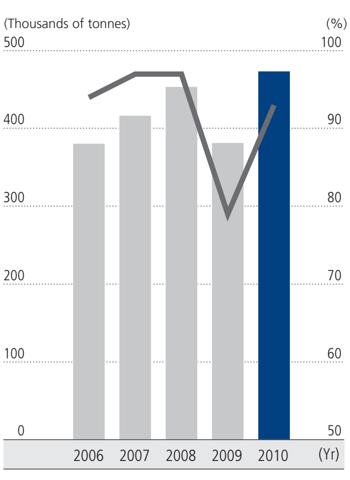
Domestic and Overseas Sales



Tire Sales Volume



Tire Production Volume



SCOPE OF CONSOLIDATION

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 63 consolidated subsidiaries, as well as 17 equity-method affiliates (8 nonconsolidated subsidiaries and 9 affiliated companies).

In fiscal 2010, ended December 31, 2010, three subsidiary companies were newly included in the Company's scope of consolidation, while fourteen were excluded. One of the three newly included subsidiary companies is a tire sales company in Latin America, and its newfound status as a consolidated subsidiary is due to its increased importance to Group business. The other two are a holdings company established to handle the Tire business and a newly established tire production company in China. As for the fourteen companies no longer included in the scope of consolidation, two, Dunlop Falken Tyres Ltd. and SRI Hybrid Limited, were absorbed into Sumitomo Rubber Industries, Ltd. In addition, Sumitomo Rubber (Suzhou) Co., Ltd. was merged with Sumitomo Rubber (Changshu) Co., Ltd., which continues as a consolidated subsidiary. The remaining eleven were excluded due to the restructuring of the domestic tire retail network.

BUSINESS ENVIRONMENT

Looking at the world economy in fiscal 2010, such emerging nations as China and India saw dynamic growth on the back of vigorous demand, while Europe and the United States witnessed signs of gradual recovery, due mainly to the positive effects of consumer incentive plans. The Japanese economy, on the other hand, remained sluggish due to the weakening effectiveness of the governmental incentive policy from the fourth quarter. Poor conditions persisted despite an uptick in capital investment buoyed by recovering exports as well as increased private-sector consumption thanks to a governmental policy encouraging new vehicle purchases and the introduction of the eco-point system, in which consumers can gain points for purchasing eco-friendly home electronic appliances.

The business environment surrounding the Group remained severe in the wake of the yen appreciation and natural rubber prices reaching a historic high even though demand for tires increased in emerging markets and automobile production topped the previous year's level, reflecting the Japanese government's policy of encouraging new vehicle purchases.

REVENUES AND EARNINGS

In fiscal 2010, net sales grew 15.3% from the previous fiscal year to ¥604,549 million. Overseas sales rose 20.9% to ¥282,968 million, raising the overseas sales ratio 2.2 percentage points to 46.8%.

The cost of sales increased 16.0% year on year to ¥387,678 million. The cost to sales ratio edged up 0.4 of a percentage point to 64.1%, owing to increases in prices of such raw materials as natural rubber. Gross operating profit rose 14.0% to ¥216,871 million. Selling, general and administrative expenses grew 4.8% year on year to ¥169,300 million, and the ratio of selling, general and administrative expenses to net sales was down 2.8 percentage points to 28.0%.

As a result, operating income for the fiscal year under review surged 65.5% to ¥47,571 million, while the operating income ratio was up 2.4 percentage points to 7.9%.

Net other income (expenses) improved slightly from a negative ¥11,443 million in fiscal 2009 to a negative ¥11,370 million. Major factors included the posting of a foreign exchange loss of ¥2,338 million compared with a gain on exchange of ¥244 million in the previous fiscal year; and positive equity in earnings of affiliates instead of the losses posted in the previous fiscal year due to the closure of a factory operated under a European joint venture with The Goodyear Tire & Rubber Company.

Reflecting these factors, income before income taxes and minority interests soared 109.3% year on year to ¥36,201 million. Income taxes jumped 87.0% to ¥11,735 million, representing an effective tax rate of 32.4%, a decrease of 3.9 percentage points. After deducting minority interests in income, net income expanded 135.6% to ¥21,427 million.

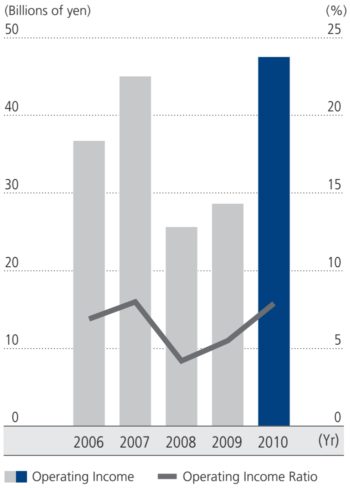
Net income per share was ¥81.67, and ROE (on a net income basis) grew 6.5 percentage points to 11.4%.

RESULTS BY INDUSTRY SEGMENT

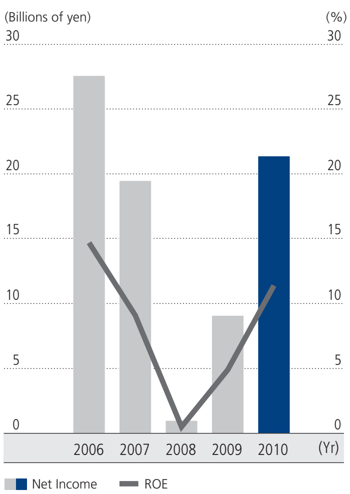
Tire Business

Sales in the Tire business rose 18.5% year on year to ¥513,775 million, while operating income surged 75.0% to ¥39,412 million. Despite the substantial increase in raw material prices, sales volume largely topped the previous fiscal year thanks to a recovery in demand that began in early 2010.

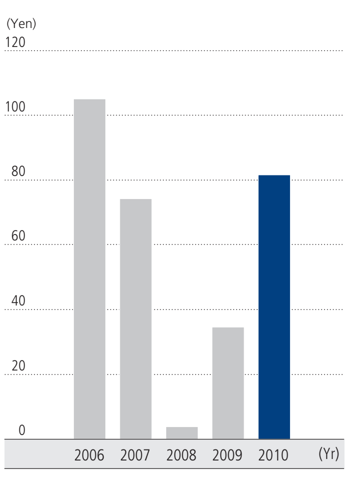
Operating Income



Net Income



Net Income per Share



As a result, although the Company recorded an approximately ¥30.6 billion increase in overall raw material costs, improvements in sales volume and product mix had a positive impact on profit, equivalent to approximately ¥39.8 billion. Against this backdrop, the Sumitomo Rubber Group strived to develop and commercialize new customer-oriented products, including those that raise the level of environmental and safety performance, while taking aggressive measures to expand sales in overseas markets. Furthermore, the Group made across-the-board efforts to enhance productivity and secure profit by streamlining business operations and reducing costs.

Sports Business

Sales in the Sports business declined 3.1% year on year to ¥63,225 million, while operating income climbed 29.1% to ¥6,114 million. During the fiscal year under review, the New XXIO—the sixth-generation of our flagship golf clubs—secured a high market share. Golf ball sales increased due to the positive effects of a Celebrity Endorsement Agreement entered into with popular professional golfer Ryo Ishikawa. Nevertheless, overall sales in the Sports business decreased due to stagnant market conditions; however, profit increased due to the Group's efforts to improve the product line and reduce costs.

Industrial and Other Products Business

Sales in the Industrial and Other Products business grew 6.4% from the previous fiscal year to ¥27,549 million, while operating income soared 49.6% to ¥2,123 million. This was mainly attributable to an increased supply of mainstay precision rubber parts for printers and photocopiers in response to increases in major clients' production volumes in the wake of economic recovery as well as healthy sales of medical rubber parts due to increased demand for generic drugs.

R&D EXPENSES

Research and development expenses increased 4.0% year on year to ¥18,698 million, and as a ratio of consolidated net sales was 3.1%, down 0.3 of a percentage point from the previous fiscal year. The Tire business accounted for ¥16,254 million of these expenses, up 9.1% from the previous fiscal year, the Sports business ¥1,269 million, down 7.4%, and the Industrial and Other Products business ¥1,175 million, down 31.6%.

DIVIDENDS

Sumitomo Rubber Industries recognizes the return of gains to shareholders to be a priority issue. Backed by the comprehensive assessment of dividend payout ratios on a consolidated basis, performance prospects and the level of retained earnings, the Company maintains a basic policy of steadily rewarding shareholders over the long term. In addition, in accordance with a resolution the Company distributes retained earnings twice a year as dividends. The year-end dividend payment is resolved at the General Shareholders' meeting, while the interim dividend payment is determined at the Board of Directors' meeting.

The full-year dividend for fiscal 2010 increased ¥2 per share from the previous fiscal year to ¥20 per share, which comprised an ¥8 interim dividend and a ¥12 year-end dividend. The dividend payout ratio on a consolidated basis was 24.5%.

FINANCIAL POSITION

Total assets as of December 31, 2010 were up 1.5% year on year to ¥622,243 million.

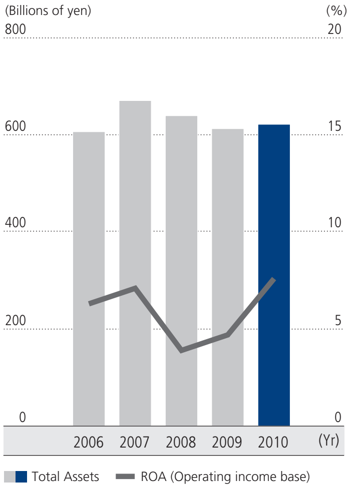
Total current assets rose 10.2% to ¥281,485 million, mainly reflecting increases in notes and accounts receivable as well as inventories.

Total noncurrent assets decreased 4.8% year on year to ¥340,758 million, reflecting a decrease in value of foreign-currency denominated assets due to a strong yen.

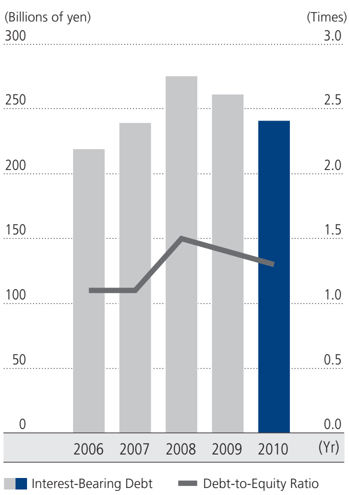
As of the end of the fiscal year under review, total liabilities were up 1.3% to ¥409,279 million. Interest-bearing debt as of the fiscal 2010 year-end decreased ¥20,322 million to ¥241,250 million, and the debt-to-equity ratio improved from 1.4 times as of the previous fiscal year-end to 1.3 times.

Total net assets at the fiscal year-end were up 1.9% to ¥212,964 million, and net assets per share were ¥723.04, up from ¥712.91 at the previous fiscal year-end. As a result, the equity ratio (total net assets minus minority interests to total assets) at the end of fiscal 2010 was 30.5%. ROA (on an operating income basis) climbed 2.9 percentage points to 7.6%.

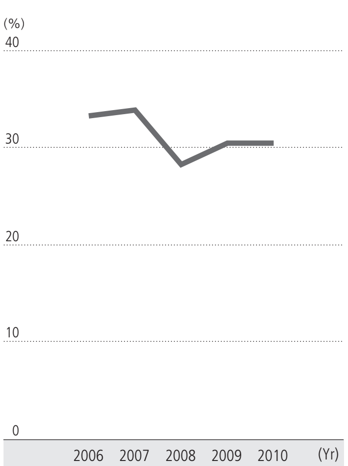
Total Assets



Interest-Bearing Debt



Equity Ratio



CAPITAL EXPENDITURES

During the fiscal year under review, the Sumitomo Rubber Group made capital expenditures of ¥32,055 million (including leased tangible assets), focusing mainly on the Tire business. This represented a 1.3% decrease from the previous fiscal year. The Tire business accounted for ¥28,166 million, down 4.1% year on year. This capital expenditure was used for facility renovation aimed at boosting and streamlining production and improving labor efficiency. The Sports business spent ¥1,708 million, up 42.9% from the previous fiscal year, for the improvement of golf ball production efficiency at SRI Sports Limited, and the Industrial and Other Products business used ¥2,181 million, up 14.2% year on year, to increase medical rubber parts production volume at the Kakogawa Factory. The necessary funds were furnished by a combination of cash on hand, borrowings and corporate bonds.

With the aim of addressing a significant decline in production due to rapidly deteriorating global demand, particularly from the fourth quarter of fiscal 2008, the Sumitomo Rubber Group has maintained a cap on capital expenditures over the past two years. In the fiscal year ending December 31, 2011, however, the Group intends to make capital expenditures totaling approximately ¥50,900 million to ensure its ability to meet sales growth overseas.

CASH FLOWS

Net cash provided by operating activities rose 8.1% year on year to ¥69,725 million, due mainly to increased income before income taxes and minority interests.

Net cash used in investing activities were ¥35,400 million, growing only 3.3% from the previous fiscal year, reflecting the Group's efforts to rein in capital expenditures in light of significant cutbacks in production following the financial crisis.

Net cash used in financing activities climbed 12.5% to ¥25,634 million. Fund procurement and repayment, including short-term loans, the redemption of bonds and long-term debt, yielded a net repayment of ¥20,647 million. Cash dividends paid of ¥4,197 million also contributed to the result.

These activities, along with the effect of exchange rate changes on cash and cash equivalents as well as changes in reporting entities, resulted in cash and cash equivalents at the end of the fiscal year under review increasing 24.1% to ¥34,157 million.

Free cash flow was a positive balance of ¥34,325 million. This was mainly attributable to income before income taxes and minority interests and cutbacks in capital expenditures. For the years ahead, the Sumitomo Rubber Group plans to increase capital expenditures mainly to meet increasing demand overseas. Simultaneously, the Group will aim to expand the inflow of cash from operating activities by increasing sales volumes and improving profitability. By doing so, the Group will make every effort to ensure both business growth and secured cash liquidity, as well as to enhance its financial standing.

OUTLOOK

Looking at the future of the world economy, emerging nations such as China and India are expected to maintain healthy growth, while the European and U.S. economies are anticipated to weaken due to the diminishing effect of governmental incentive policies. Also, the Japanese economy is projected to remain stagnant.

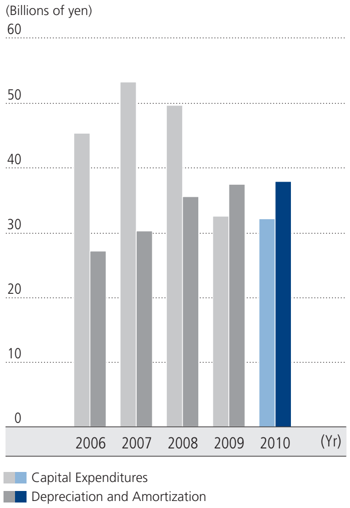
The business environment surrounding the Sumitomo Rubber Group continues to be harsh in the wake of a strong yen, with natural rubber prices hovering at an unprecedentedly high level and competitors in burgeoning tire markets in emerging nations making their full-scale market debuts.

With the aim of addressing issues related to this severe business environment, the Group will further promote across-the-board structural reform.

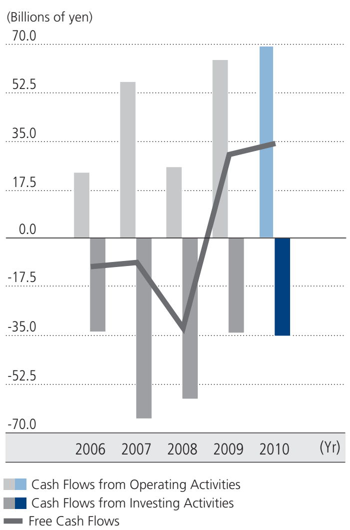
In the Tire business, the Group will strive to reinforce its leading position in the development and sale of low fuel consumption tires, a business that is currently undergoing full-scale expansion on a global scale. Together with this, the Group will introduce competitive products in emerging markets, while taking initiatives to grow sales and secure earnings. To this end, the Sumitomo Rubber Group will strive to reinforce production capacity and reduce costs across the board. In the Sports business, the Group will promote product development and sales strategies tailored to specific business regions in pursuit of increased market share for golf clubs and balls. In the Industrial and Other Products business, the Group will endeavor to increase sales of products with high growth potential, such as medical rubber parts.

The impact on the Group's future business results of the Great East Japan Earthquake, which struck on March 11, 2011, is unknown as of the issuance of this report, as is the how great the restoration

Capital Expenditures/ Depreciation and Amortization



Cash Flows



cost will be for the Shirakawa Factory and the extent of the losses due to the resulting production decrease. The Group will promptly disclose information should any significant impact be foreseen. The Sumitomo Rubber Group will make every effort to offset the negative influence of this earthquake and tsunami on business.

RISK INFORMATION

The Sumitomo Rubber Group has identified the following key risk factors that may affect its business performance and financial position.

Risk factors relating to future business results were determined based on information available to management as of the end of the fiscal year under review. The Group recognizes that such risks may occur, and it strives to address them accordingly.

Exchange Rate Fluctuations

Exchange rate fluctuations influence the value of the Group's exports, raw material procurement, foreign currency-denominated assets, liabilities and financial statements. The appreciation of the yen against foreign currencies such as the U.S. dollar may have an adverse effect on the Group's business performance and financial position. Since the Group has raised its consolidated overseas sales ratio from 25.2% in fiscal 2001 to 46.8% in fiscal 2010, the possibility exists that its results may be further affected by exchange rate fluctuations. The Sumitomo Rubber Group utilizes forward-exchange contracts and maintains a balance in its export and import activities on an individual currency basis with the aim of minimizing its exposure to exchange rate fluctuations. Such precautions, however, may not be sufficient to avoid all possible exchange rate fluctuation risks.

Changes in Raw Material Prices

The Sumitomo Rubber Group's principal raw materials are natural rubber, petrochemicals and metals. The Group's operating results may thus be affected by price increases in natural rubber, crude oil, steel and other related materials.

Changes in Interest Rates

Promoting the reduction of interest-bearing debt to improve its financial standing, the Group also implements countermeasures to minimize the risk of changes in interest rates by using diversified financing methods and interest rate swaps. Despite these efforts, the Group's operating results and financial position may be affected in the event of rising fund procurement costs due to an increase in interest rates in the medium and long term.

Product Quality

In accordance with prescribed quality standards, the Sumitomo Rubber Group undertakes full-scale measures to assure product quality. Yet it is difficult to reduce the number of defective products and customer complaints to zero. To offset the possibility of any claims for damages resulting from defective products, the Group retains appropriate indemnity insurance. Despite this initiative, there is the possibility that a claim may occur that cannot be compensated by insurance. Furthermore, costs associated with the resolution of claims as well as product recalls or exchanges may arise. Such incidents may affect the Group's operating results, financial position and social standing.

Alliance with Goodyear

Based on its alliance with Goodyear, the Group operates several joint ventures. Under the alliance, these joint ventures engage in tire production and sales in Europe and North America and tire sales in Japan, as well as the promotion of tire technology exchanges and procurement. The Group also maintains cross-shareholdings with Goodyear. As each joint venture is included in the Group's scope of consolidation as a consolidated subsidiary or an equity-method affiliate, changes in the alliance with Goodyear or the operating results of joint ventures may impact the Group's operating results.

Disasters

Concentrating on Japan and other Asian countries, the Sumitomo Rubber Group develops its business on a global scale. The Group's operating results may be affected directly or indirectly by such events as natural disasters, disease, war and terrorism. Such events may have a negative impact on the Group's operating results.

Consolidated Balance Sheets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
December 31	**2010**	2009	**2010**
Assets			
Current assets:			
Cash and time deposits (Notes 3 and 4)	**¥ 35,391**	¥ 28,222	**$ 436,926**
Notes and accounts receivable (Notes 4 and 15)—			
Trade	**130,399**	126,346	**1,609,864**
Other	**15,304**	13,978	**188,938**
Allowance for doubtful accounts	**(1,540)**	(1,900)	**(19,012)**
Securities	**—**	200	**—**
Inventories (Note 5)	**85,570**	74,444	**1,056,420**
Short-term loans (Note 15)	**307**	365	**3,790**
Deferred tax assets (Note 11)	**10,291**	9,082	**127,049**
Other	**5,763**	4,637	**71,148**
Total current assets	**281,485**	255,374	**3,475,123**
Investments and other assets:			
Investments in securities (Notes 4 and 6)	**15,362**	16,788	**189,654**
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 4 and 15)	**40,767**	47,410	**503,296**
Long-term loans	**3,115**	382	**38,457**
Deferred tax assets (Note 11)	**5,616**	5,415	**69,333**
Long-term prepaid expenses	**2,228**	3,376	**27,506**
Trademarks (Note 9)	**725**	1,099	**8,951**
Goodwill and other intangible assets	**15,554**	14,237	**192,025**
Prepaid pension cost (Note 12)	**24,009**	26,800	**296,407**
Other	**9,051**	9,776	**111,741**
Allowance for doubtful accounts	**(1,200)**	(1,400)	**(14,815)**
Total investments and other assets	**115,227**	123,883	**1,422,555**
Property, plant and equipment (Note 8):			
Land	**36,706**	35,877	**453,160**
Buildings and structures	**150,555**	149,967	**1,858,704**
Machinery and equipment	**446,451**	438,534	**5,511,741**
Leased assets	**4,063**	1,708	**50,160**
Construction in progress	**11,691**	11,181	**144,333**
Accumulated depreciation	**(423,935)**	(403,294)	**(5,233,765)**
Net property, plant and equipment	**225,531**	233,973	**2,784,333**
Total assets	**¥ 622,243**	¥613,230	**$ 7,682,011**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Notes 4 and 10)	**¥ 52,270**	¥ 63,592	**$ 645,309**
Current portion of long-term debt (Notes 4 and 10)	**36,459**	23,967	**450,111**
Notes and accounts payable (Notes 4 and 15)—			
Trade	**72,813**	60,495	**898,926**
Construction	**6,009**	5,482	**74,185**
Other	**26,957**	23,962	**332,802**
Accrued expenses	**12,591**	11,551	**155,444**
Allowance for sales returns	**2,656**	2,396	**32,790**
Accrued income taxes (Note 11)	**8,339**	4,196	**102,951**
Other	**8,080**	4,442	**99,753**
Total current liabilities	**226,174**	200,083	**2,792,271**
Long-term liabilities:			
Long-term debt (Notes 4 and 10)	**152,521**	174,013	**1,882,975**
Deferred tax liabilities (Note 11)	**9,192**	10,792	**113,481**
Accrued retirement benefits (Note 12)	**11,955**	10,989	**147,593**
Other	**9,437**	8,301	**116,506**
Total long-term liabilities	**183,105**	204,095	**2,260,555**
Contingent liabilities (Note 16)			
Net Assets			
Shareholders' equity:			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2010 and 2009	**42,658**	42,658	**526,642**
Capital surplus	**38,661**	38,661	**477,296**
Retained earnings	**127,595**	109,349	**1,575,247**
Less treasury stock, at cost—			
2010—704,248 shares			
2009—699,745 shares	**(537)**	(534)	**(6,630)**
Total shareholders' equity	**208,377**	190,134	**2,572,555**
Valuation and translation adjustments			
Net unrealized gains on available-for-sale securities	**3,421**	4,402	**42,235**
Deferred losses on hedges	**(137)**	(32)	**(1,691)**
Translation adjustments	**(21,977)**	(7,476)	**(271,321)**
Total valuation and translation adjustments	**(18,693)**	(3,106)	**(230,777)**
Minority interests	**23,280**	22,024	**287,407**
Total net assets	**212,964**	209,052	**2,629,185**
Total liabilities and net assets	**¥622,243**	¥613,230	**$7,682,011**

Consolidated Statements of Income

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2010**	2009	**2010**
Net sales (Note 15)	**¥604,549**	¥524,535	**$7,463,568**
Cost of sales (Note 15)	**387,678**	334,249	**4,786,148**
Gross profit	**216,871**	190,286	**2,677,420**
Selling, general and administrative expenses	**169,300**	161,547	**2,090,124**
Operating income	**47,571**	28,739	**587,296**
Other income (expenses):			
Interest and dividends income	**754**	1,156	**9,309**
Interest expenses	**(4,277)**	(4,722)	**(52,802)**
Loss on sales and retirement of noncurrent assets	**(820)**	(772)	**(10,123)**
Foreign exchange gains and losses	**(2,338)**	244	**(28,864)**
Equity in earnings and losses of affiliates	**1,284**	(3,519)	**15,852**
Impairment loss (Note 18)	**(1,699)**	(1,961)	**(20,975)**
Other, net	**(4,274)**	(1,869)	**(52,767)**
	(11,370)	(11,443)	**(140,370)**
Income before income taxes and minority interests	**36,201**	17,296	**446,926**
Income taxes (Note 11):			
Current	**14,097**	8,321	**174,037**
Deferred	**(2,362)**	(2,044)	**(29,160)**
	11,735	6,277	**144,877**
Income before minority interests	**24,466**	11,019	**302,049**
Minority interests in income	**(3,039)**	(1,926)	**(37,518)**
Net income	**¥ 21,427**	¥ 9,093	**$ 264,531**

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥81.67**	¥34.66	**$1.008**
Cash dividends paid	**20.00**	18.00	**0.247**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at December 31, 2008	¥42,658	¥38,661	¥112,601	¥(531)	¥ 957	¥(461)	¥(12,945)	¥21,702	¥202,642
Effect of changes in accounting policies applied to foreign subsidiaries			(293)						(293)
Disposal of treasury stock		(0)		0					0
Dividends from surplus			(4,722)						(4,722)
Net income			9,093						9,093
Purchase of treasury stock				(3)					(3)
Effect of change in reporting entities			(12)						(12)
Other			(7,318)		3,445	429	5,469	322	2,347
Balance at December 31, 2009	¥42,658	¥38,661	¥109,349	¥(534)	¥4,402	¥ (32)	¥ (7,476)	¥22,024	¥209,052

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at December 31, 2009	¥42,658	¥38,661	¥109,349	¥(534)	¥4,402	¥ (32)	¥ (7,476)	¥22,024	¥209,052
Disposal of treasury stock		**0**		**0**					**0**
Dividends from surplus			**(4,197)**						**(4,197)**
Net income			**21,427**						**21,427**
Purchase of treasury stock				**(3)**					**(3)**
Effect of change in reporting entities			**(104)**						**(104)**
Other			**1,120**		**(981)**	**(105)**	**(14,501)**	**1,256**	**(13,211)**
Balance at December 31, 2010	**¥42,658**	**¥38,661**	**¥127,595**	**¥(537)**	**¥3,421**	**¥(137)**	**¥(21,977)**	**¥23,280**	**¥212,964**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at December 31, 2009	$526,642	$477,296	$1,349,988	$(6,594)	$ 54,346	$ (395)	$ (92,296)	$271,901	$2,580,888
Disposal of treasury stock		**0**		**1**					**1**
Dividends from surplus			**(51,815)**						**(51,815)**
Net income			**264,531**						**264,531**
Purchase of treasury stock				**(37)**					**(37)**
Effect of change in reporting entities			**(1,284)**						**(1,284)**
Other			**13,827**		**(12,111)**	**(1,296)**	**(179,025)**	**15,506**	**(163,099)**
Balance at December 31, 2010	**$526,642**	**$477,296**	**$1,575,247**	**$(6,630)**	**$ 42,235**	**$(1,691)**	**$(271,321)**	**$287,407**	**$2,629,185**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2010**	2009	**2010**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 36,201**	¥ 17,296	**$ 446,926**
Depreciation and amortization	**37,885**	37,425	**467,716**
Impairment loss	**1,699**	1,961	**20,975**
Loss on sales and retirement of noncurrent assets	**820**	772	**10,123**
Equity in earnings and losses of affiliates	**(1,284)**	3,519	**(15,852)**
(Decrease) increase in allowance for doubtful accounts	**(125)**	248	**(1,543)**
Increase in provision for retirement benefits	**1,186**	238	**14,642**
Decrease in prepaid pension costs	**2,791**	851	**34,457**
Interest and dividends income	**(754)**	(1,156)	**(9,309)**
Interest expenses	**4,277**	4,722	**52,802**
Increase in notes and accounts receivable—trade	**(6,727)**	(5,224)	**(83,049)**
(Increase) decrease in inventories	**(14,906)**	21,312	**(184,025)**
Increase (decrease) in notes and accounts payable—trade	**12,805**	(20,850)	**158,086**
Increase in accounts payable—other	**4,171**	1,742	**51,494**
Other, net	**4,568**	6,456	**56,395**
Subtotal	**82,607**	69,312	**1,019,838**
Interest and dividends income received	**765**	1,177	**9,444**
Interest expenses paid	**(4,272)**	(4,867)	**(52,741)**
Income taxes paid	**(9,375)**	(1,097)	**(115,741)**
Net cash provided by operating activities	**69,725**	64,525	**860,800**
Cash flows from investing activities:			
Payments into time deposits	**(1,643)**	(747)	**(20,284)**
Proceeds from withdrawal of time deposits	**1,198**	1,715	**14,790**
Purchase of property, plant and equipment	**(31,430)**	(32,062)	**(388,025)**
Purchase of intangible assets	**(3,266)**	(3,050)	**(40,321)**
Proceeds from sales of noncurrent assets	**604**	699	**7,457**
Purchase of investments in subsidiaries	**(14)**	(194)	**(173)**
Purchase of investment securities	**(141)**	(15)	**(1,741)**
Purchase of stocks of subsidiaries and affiliates	**(1,086)**	(438)	**(13,407)**
Proceeds from sales of stocks of subsidiaries and affiliates	**62**	—	**765**
Net decrease in short-term loans receivable	**62**	19	**765**
Payments of long-term loans receivable	**(46)**	(59)	**(568)**
Collection of long-term loans receivable	**110**	88	**1,358**
Other, net	**190**	(216)	**2,346**
Net cash used in investing activities	**(35,400)**	(34,260)	**(437,038)**
Cash flows from financing activities:			
Net decrease in short-term loans payable	**(9,767)**	(20,653)	**(120,580)**
Proceeds from long-term debt and newly issued bonds	**12,762**	47,504	**157,556**
Repayments of long-term debt and redemption of bonds	**(23,642)**	(43,577)	**(291,877)**
Cash dividends paid	**(4,197)**	(4,722)	**(51,815)**
Cash dividends paid to minority shareholders	**(1,244)**	(923)	**(15,358)**
Net increase in treasury stock	**(4)**	(3)	**(49)**
Other, net	**458**	(407)	**5,654**
Net cash used in financing activities	**(25,634)**	(22,781)	**(316,469)**
Effect of exchange rate change on cash and cash equivalents	**(2,535)**	59	**(31,293)**
Net increase in cash and cash equivalents	**6,156**	7,543	**76,000**
Cash and cash equivalents at beginning of period	**27,527**	18,526	**339,840**
Increase in cash and cash equivalents due to change in reporting entities	**474**	1,458	**5,852**
Cash and cash equivalents at end of period (Note 3)	**¥ 34,157**	¥ 27,527	**$ 421,692**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Sumitomo Rubber Industries, Ltd. and Its Consolidated Subsidiaries
December 31, 2010 and 2009

1. Major Policies Applied in Preparing Consolidated Financial Statements

The accompanying consolidated financial statements are a translation of the financial statements publicly issued in Japan and have been modified to enhance foreign readers' understanding. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the notes to the consolidated financial statements include financial information that is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts appearing in the consolidated financial statements are included solely for convenience. These U.S. dollar translations should not be construed as representations that the Japanese yen amounts actually represent U.S. dollars or have been or could be converted into U.S. dollars. The rate of ¥81=U.S.$1.00, the approximate rate prevailing at December 31, 2010, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

2. Significant Accounting Policies

(1) Consolidation and accounting for investments in affiliates

The consolidated financial statements consist of the accounts of Sumitomo Rubber Industries, Ltd. (the "Company") and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet dates. All significant intercompany transactions and accounts are eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates (companies in which the Company has a 20% to 50% ownership interest) are, with minor exceptions, accounted for on an equity basis. Using an equity basis, investments are stated at cost plus/minus the Company's equity in undistributed earnings or losses. Consolidated net income includes the Company's equity in current earnings or losses of such companies after the elimination of unrealized intercompany profits.

SUMITOMO RUBBER MIDDLE EAST FREE ZONE ESTABLISHMENT and Falken Tyre Europe GmbH, whose operations became significant in 2009, were included in the 2009 consolidation. Also in 2009, Sumirubber Industries Shikoku, Ltd. was merged with Sumirubber Industries, Ltd., and Cleveland Golf Asia, Ltd. was liquidated.

Sumitomo Rubber Latin America Limitada, whose operations became significant in 2010, was included in the 2010 consolidation. Sumitomo Rubber (China) Co., Ltd. and Sumitomo Rubber (Hunan) Co., Ltd. were included in the 2010 consolidation due to their being founded during the year. In 2010, Dunlop Falken Tyres Ltd. and SRI Hybrid Limited were merged with Sumitomo Rubber Industries, Ltd. and 11 domestic tire wholesale subsidiaries were merged into 7 entities in 2010. Also in 2010, Sumitomo Rubber (Suzhou) Co., Ltd. was merged with Sumitomo Rubber (Changshu) Co., Ltd.

All consolidated subsidiaries are consolidated using the same fiscal period as that of the Company.

If there is a change in the reporting entity, the consolidated financial statements are not restated. The effect of the change is directly debited or credited to retained earnings during the period.

The differences between the cost of and the underlying net equity in investments in consolidated subsidiaries and affiliates accounted for on an equity basis are recognized when those companies are initially included in consolidation or accounted for by the equity method. Generally, such differences are amortized using the straight-line method within 20 years. Minor differences are charged or credited to income as incurred. The difference related to Goodyear Dunlop Tires Europe B.V. is being amortized over a 10-year period, and it has just been fully amortized during the fiscal year ended December 31, 2009.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.

(3) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at current rates at the balance sheet date, and the resulting translation gains or losses are charged to income to the extent that they are not hedged by forward exchange contracts.

In preparing the accompanying consolidated financial statements, the asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, and shareholders' equity is translated at historical exchange rates. Revenue and expense accounts of foreign subsidiaries and affiliates are translated at the average rates of exchange prevailing during the year. The resulting translation adjustments are shown as a component of net assets.

(4) Marketable securities and investments in securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains and losses, net of applicable taxes, recorded as a component of net assets. Securities with no fair market value are stated at cost. If securities decline in value significantly and the decline is not considered recoverable, the value of the securities is reduced to net realizable value by charges to income. The cost of securities sold is determined based on the average cost of all shares of the securities held at the time of sale.

(5) Derivative financial instruments and hedging

The Company and its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts, currency swap contracts and interest rate swap contracts, in order to offset risks associated with fluctuations in currency exchange rates and interest rates with respect to financial assets and liabilities in accordance with internal policies and procedures.

a. Hedge accounting

The Company and its consolidated subsidiaries have adopted a method for hedging instruments that defers the recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related gain or loss on the hedged item is recognized.

All derivatives are stated at fair value. However, when foreign exchange forward contracts meet certain conditions, accounts receivable and accounts payable covered by these contracts are translated using the contract rate. In addition, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged item.

Hedging instruments and hedged items are summarized as follows:

Hedging instruments	Hedged items
Foreign exchange forward contracts	Accounts receivable and accounts payable in foreign currencies and forecasted transactions
Interest rate swap contracts	Short-term borrowings and long-term debt, bonds

b. Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge market or interest rate fluctuation risks in accordance with their internal policies and procedures.

c. Method for assessing hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing the cumulative changes in fair value or the cumulative changes in cash flow on hedging instruments with those of the related hedged items from the commencement of the hedge.

(6) Inventories

Inventories are mainly stated at the lower of average cost or market.

In fiscal 2009, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Measurement of Inventories" ("ASBJ Statement No. 9" issued by the Accounting Standards Board of Japan on July 5, 2006). As a result of this change, operating income and income before income taxes and others were ¥694 million less than they would have been with the previous method.

(7) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts principally at an amount based on the historical bad debt ratio during certain reference periods plus the estimated uncollectible amount of certain individual accounts.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method, except for assets held at the Company's head office, the Nagoya factory, the Kakogawa factory and some domestic consolidated companies. These latter assets are depreciated using the declining balance method over the estimated useful life of the asset. The estimated useful lives of assets from the major classes of depreciable assets range from 3 to 60 years for buildings and structures and from 1 to 20 years for machinery and equipment.

In fiscal 2009, the Company and its domestic consolidated subsidiaries changed their estimates of the useful lives of machinery based on a reassessment of the useful lives in light of revisions in the Japanese Corporate Tax Law (the "Tax Law") in 2008. As a result of this change, operating income was ¥1,075 million less and income before income taxes and minority interests was ¥1,088 million less than they would have been with the previous method.

(9) Accounting for leases

Finance leases which transfer ownership are depreciated in the same manner as owned fixed assets. Finance leases which do not transfer title are accounted for as purchase and sale transactions and are depreciated by the straight-line method, in which it is assumed that the useful life is the lease period and that the residual value of the relevant asset at the end of the leased period is zero. Finance lease transactions which were executed on or before December 31, 2008 and which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

In fiscal 2009, in accordance with the Accounting Standard for Lease Transactions ("ASBJ Statement No.13" issued by the Accounting Standards Board of Japan on March 30, 2007) and the Implementation Guidance on the Accounting Standard for Lease Transactions ("ASBJ Guidance No.16" issued by the Accounting Standards Board of Japan on March 30, 2007), finance leases which do not transfer ownership were accounted for as purchase and sale transactions. They had been accounted for in the same manner as operating leases with the disclosure of certain "as if capitalized" information until fiscal 2008. This change had no material effect on income or segment information. Any effects from the above-mentioned change for fiscal 2009 have been insignificant.

(10) Intangible assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful life of the asset.

(11) Research and development expenses

Research and development expenses are charged to income when incurred.

(12) Allowance for sales returns
An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(13) Accrued retirement benefits
Liabilities and expenses for retirement and severance benefits are accounted for based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the balance sheet date. Accrued retirement benefits for directors and statutory auditors of certain consolidated subsidiaries, which are included in long-term liabilities other, are recorded at an amount equivalent to 100% of such benefits that the subsidiaries would be required to pay at the balance sheet date based on their internal rules. Payments of benefits are subject to resolution at the shareholders' meeting.

Because the number of employees exceeded 300 by the time of the amalgamation, a number of domestic consolidated subsidiaries have changed their calculation method for accrued retirement benefits from the prima facie method to the principal method since the third quarter of the 2010 fiscal year. As a result of this change, operating income was ¥31 million ($383 thousand) more and income before income taxes was ¥1,012 million ($12,494 thousand) less than they would have been with the previous method.

(14) Income taxes
The income statements of the Company and its consolidated subsidiaries include many items for financial reporting purposes that, in the case of costs and expenses, are not currently tax deductible and, in the case of income, are not currently taxable. The Company and its consolidated subsidiaries have adopted interperiod income tax allocation using the asset and liability method of accounting with respect to all such temporary differences, including tax loss carryforwards.

(15) Per share amounts
Net income per share is computed based on the average number of shares outstanding during each period. Diluted net income per share is not presented because there were no outstanding common stock equivalents as of December 31, 2010 or December 31, 2009.

(16) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(17) Reclassifications
Certain reclassifications of previously reported amounts have been made to conform to current classifications.

(18) Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
On May 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 provides that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. As a result of this change, the beginning balance of retained earnings in 2009 was ¥293 million ($3,185 thousand) less than it would have been without the change. The effect of the change on the income statement and segment information for fiscal 2009 was insignificant.

3. Cash Flow Information
Reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash and time deposits	**¥35,391**	¥28,222	**$436,926**
Securities	**—**	200	**—**
Time deposits with a maturity of over three months	**(1,234)**	(895)	**(15,234)**
Cash and cash equivalents	**¥34,157**	¥27,527	**$421,692**

4. Financial Instruments
a) Qualitative Information on Financial Instruments
(1) Policies for using financial instruments
The Company and its consolidated subsidiaries raise capital for investment in equipment and operating capital mainly through bank loans and bond issuances based on cash flow planning. Temporary excess cash is managed with low risk financial assets. The Company and its consolidated subsidiaries utilize derivative transactions only to hedge risks of future changes in cash flows and fair values and not for trading purpose.

(2) Financial instruments and exposure to risk

Trade notes and accounts receivable are exposed to the credit risks of customers. However, the Company and its consolidated subsidiaries seek to reduce the risk through the implementation of rules for credit controls. Operating receivables denominated in foreign currency are exposed to foreign exchange risk, but the risks are hedged using forward exchange contracts, etc., for the net position of foreign currency operating payables and foreign currency debt. Investment securities are mainly held to build and maintain good customer relationships. The Company and its consolidated subsidiaries periodically review the circumstances under which such securities are held and evaluate the fair value of the securities and/or the financial condition of the issuers, which are generally business counterparties.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credit, currency swap contracts and interest swap contracts to hedge the fluctuation risks associated with interest rates for and fair values of debt and bonds. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

b) Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at March 31, 2010 were as follows. Financial instruments whose fair values were hard to determine were not included in the table.

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	**¥ 35,391**	**¥ 35,391**	**¥ —**	**$ 436,926**	**$ 436,926**	**$ —**
Trade notes and accounts receivable	**130,399**	**130,399**	**—**	**1,609,864**	**1,609,864**	**—**
Investments in securities	**14,234**	**14,234**	**—**	**175,728**	**175,728**	**—**
Total assets	**180,024**	**180,024**	**—**	**2,222,518**	**2,222,518**	**—**
Trade notes and accounts payable	**(72,813)**	**(72,813)**	**—**	**(898,926)**	**(898,926)**	**—**
Short-term borrowings	**(52,270)**	**(52,270)**	**—**	**(645,309)**	**(645,309)**	**—**
Accrued accounts payable	**(32,440)**	**(32,440)**	**—**	**(400,494)**	**(400,494)**	**—**
Bonds	**(75,000)**	**(77,449)**	**(2,449)**	**(925,926)**	**(956,160)**	**(30,235)**
Long-term debt	**(109,851)**	**(111,795)**	**(1,944)**	**(1,356,185)**	**(1,380,185)**	**(24,000)**
Total liabilities	**(342,374)**	**(346,767)**	**(4,393)**	**(4,226,840)**	**(4,281,074)**	**(54,235)**
Derivative transactions						
Contracts for which hedge accounting was not adopted	**(207)**	**(207)**	**—**	**(2,556)**	**(2,556)**	**—**
Contracts for which hedge accounting was adopted	**(108)**	**(108)**	**—**	**(1,333)**	**(1,333)**	**—**

(1) Valuation approach for the fair value of financial instruments

Cash and time deposits, trade notes and accounts receivable:

The carrying amount approximates fair value because of the short maturity.

Investments in securities:

The carrying amount is only for listed stock that has quoted market value and is stated at fair market value.

Trade notes and accounts payable, construction notes and accounts payable:

The carrying amount approximates fair value because of the short maturity.

Short-term borrowings:

The carrying amount approximates fair value because of the short maturity.

Accrued accounts payable:

The carrying amount approximates fair value because of the short maturity.

Bonds and long-term debt:

For items with floating rates, book value is applied since the market interest rate will be reflected in a short period and the market value is an approximation of book value. For items with fixed rates, the value is stated based on present value with the interest added discounted based on the interest rate assumed for similar fund raising. For long-term borrowings used in interest rate swaps in which the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed, values are based on present value with interest added discounted based on the interest rate assumed for similar fund raising and are processed as a unit using the rate set by the interest rate swap.

Derivative transactions:

See Notes 7.

(2) Financial instruments whose fair value is difficult to determine

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Unlisted securities (available-for-sale securities)	**¥ 1,127**	**$ 13,914**
Unlisted investments in affiliates	**40,767**	**503,297**

The above financial instruments do not have quoted market values and their future cash flows cannot be estimated. Because the fair value is difficult to determine, these instruments are not included in "Investments in securities."

5. Inventories

Inventories as of December 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Finished goods	**¥54,601**	¥49,741	**$ 674,086**
Raw materials	**20,597**	15,153	**254,284**
Work-in-process	**4,755**	3,723	**58,704**
Supplies	**5,617**	5,827	**69,346**
	¥85,570	¥74,444	**$1,056,420**

6. Investments in Securities

As of December 31, 2010 and 2009, the cost, book value and related unrealized gains and losses pertaining to marketable equity securities classified as available-for-sale securities with readily determinable fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Available-for-sale securities:			
Cost	**¥ 8,743**	¥ 8,646	**$107,938**
Book value	**14,234**	15,822	**175,728**
Unrealized gains	**5,780**	7,571	**71,358**
Unrealized losses	**(289)**	(395)	**(3,568)**

7. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2010 and 2009 was as follows:

(a) Derivative transactions for which hedge accounting has not been applied

	Millions of yen						Thousands of U.S. dollars		
	2010			2009			**2010**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Currency related contracts:									
Forward foreign exchange contracts									
To buy foreign currencies	**¥ 243**	**¥ (11)**	**¥ (11)**	¥ 543	¥ 4	¥ 4	**$ 3,000**	**$ (136)**	**$ (136)**
To sell foreign currencies	**1,485**	**49**	**49**	6,062	(130)	(130)	**18,333**	**605**	**605**
Currency swap contracts	**8,580**	**(159)**	**(89)**	3,295	(71)	(71)	**105,926**	**(1,963)**	**(1,099)**
			¥ (51)			¥(197)			**$ (630)**
Interest rate related contracts:									
Interest rate swap contracts									
Receive variable rate, give fixed rate	**¥20,000**	**¥(267)**	**¥ 259**	¥20,552	¥(540)	¥ (60)	**$246,914**	**$(3,296)**	**$ 3,197**
Give variable rate, receive fixed rate	**24,600**	**180**	**(249)**	42,600	429	58	**303,704**	**2,222**	**(3,074)**
			¥ 10			¥ (2)			**$ 123**

(b) Derivative transaction for which hedge accounting has been applied

	Millions of yen		Thousands of U.S. dollars	
	2010		**2010**	
	Contract amount	Fair value	Contract amount	Fair value
Currency related contracts:				
Forward foreign exchange contracts				
Deferred hedges				
To buy foreign currencies	**¥ 3,316**	**¥(131)**	**$ 40,938**	**$(1,617)**
To sell foreign currencies	**15**	**(22)**	**185**	**272**
Designation method for forward foreign exchange contracts, etc.				
To buy foreign currencies	**¥ 574**	(Note)	**$ 7,086**	(Note)
To sell foreign currencies	**502**	(Note)	**6,198**	(Note)
Interest rate related contracts:				
Interest rate swap contracts				
Receive variable rate, give fixed rate	**¥35,200**	(Note)	**$434,568**	(Note)

Note: Fair value calculation method:
Because forward foreign exchange contracts, etc., and interest rate swap contracts subject to the designation method are recognized together with accounts receivable, accounts payable and long-term debt, which are hedged items, their fair values are included in accounts receivable, accounts payable and long-term debt.

8. Property, Plant and Equipment

Depreciation expense for the years ended December 31, 2010 and 2009 was ¥33,557 million ($414,284 thousand) and ¥33,378 million, respectively.

9. Trademarks

For the years ended December 31, 2010 and 2009, amortization expense for capitalized trademarks was ¥303 million ($3,741 thousand) and ¥351 million, respectively.

10. Short-Term Borrowings and Long-Term Debt

Short-term borrowings other than commercial paper of ¥52,270 million ($645,309 thousand) and ¥51,592 million as of December 31, 2010 and 2009 respectively bore interest ranging from 0.35% to 5.3% and from 0.05% to 4.62% per annum, respectively.

For the years ended December 31, 2010 and 2009, finance lease obligations, included in short-term borrowings, were ¥745 million ($9,198 thousand) and ¥299 million, respectively.

Long-term debt as of December 31, 2010 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
1.08% unsecured bonds due 2010 payable in Japanese yen	**¥ —**	¥ 10,000	**$ —**
0.74% unsecured bonds due 2011 payable in Japanese yen	**20,000**	20,000	**246,914**
1.83% unsecured bonds due 2013 payable in Japanese yen	**10,000**	10,000	**123,457**
1.84% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**123,457**
1.25% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**123,457**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**61,728**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**123,457**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	10,000	**123,457**
Loans payable to banks and other financial institutions due from 2010 to 2019 with interest of 0.64% to 5.41% for 2010 and 2009			
Secured	**—**	13,000	**—**
Unsecured	**109,851**	98,069	**1,356,184**
Current portion of long-term debt and finance lease obligations	**4,129**	1,911	**50,975**
	188,980	197,980	**2,333,086**
Less portion due within one year	**36,459**	23,967	**450,111**
	¥152,521	¥174,013	**$1,882,975**

The aggregate annual maturities of long-term debt as of December 31, 2010 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 36,459	$ 450,111
2012	20,253	250,037
2013	24,803	306,210
2014	54,495	672,778
2015	25,611	316,185
2016 and thereafter	27,359	337,766
	¥188,980	$2,333,087

Substantially all loans from banks and other financial institutions are under agreements which provide that under certain conditions a borrower may be required to provide collateral (or additional collateral) or guarantors with respect to the loans and that collateral, whether furnished as security for short-term or long-term loans or otherwise, may be treated by the lender as collateral for all indebtedness to that bank or financial institutions. Default provisions in the agreements grant certain rights of possession to the banks and other financial institutions.

As of December 31, 2009, property, plant and equipment amounting to ¥24,612 million ($267,522 thousand), net of accumulated depreciation, was pledged as collateral for long-term debt and short-term borrowings amounting to ¥13,000 million ($141,304 thousand).

11. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, indicate a normal cumulative statutory tax rate of approximately 40.4% for the years ended December 31, 2010 and 2009. Significant differences between the normal cumulative statutory tax rate and the effective tax rate in the consolidated statements of income for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Normal cumulative statutory tax rate	**40.4%**	40.4%
Undistributed benefits of consolidated subsidiaries	**3.1**	—
Expenses not deductible for tax purposes	**0.8**	1.8
Depreciation of goodwill	**0.6**	1.1
Difference in statutory tax rates of foreign subsidiaries	**(6.1)**	(9.2)
Valuation allowance	**(3.1)**	(0.4)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	**(1.4)**	8.2
Tax credits for research and development costs	**(1.4)**	(3.6)
Dividends, eliminated for consolidation, from foreign subsidiaries and affiliates	**—**	2.4
Foreign tax credits	**—**	(3.6)
Other	**(0.5)**	(0.8)
Effective tax rate for consolidated statements of income	**32.4%**	36.3%

Significant components of deferred tax assets and liabilities as of December 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Unrealized profits	**¥ 5,025**	¥ 5,562	**$ 62,037**
Tax loss carryforwards	**4,187**	6,325	**51,691**
Provision for accrued retirement benefits	**3,158**	1,851	**38,988**
Loss on impairment of fixed assets	**2,902**	2,297	**35,827**
Incentive bonuses	**1,217**	851	**15,025**
Inventories	**1,102**	1,101	**13,605**
Allowance for sales returns	**1,073**	968	**13,247**
Accrued bonuses	**1,038**	886	**12,815**
Advertising	**993**	804	**12,259**
Provision for doubtful accounts	**899**	1,126	**11,099**
Accrued business enterprise tax	**775**	349	**9,568**
Loss on impairment of investment securities	**619**	—	**7,642**
Depreciation	**542**	436	**6,691**
Loss on impairment of golf club memberships	**321**	339	**3,963**
Undistributed losses of consolidated subsidiaries	**—**	841	**—**
Foreign tax credits	**—**	320	**—**
Other	**4,070**	3,872	**50,247**
Total deferred tax assets	**¥ 27,921**	¥ 27,928	**$ 344,704**
Less valuation allowance	**(7,611)**	(9,694)	**(93,963)**
Net deferred tax assets	**¥ 20,310**	¥ 18,234	**$ 250,741**
Deferred tax liabilities:			
Provision for accrued retirement benefits	**¥ (5,507)**	¥ (5,783)	**$ (67,988)**
Deferred gains on sales of property, plant and equipment	**(2,240)**	(2,366)	**(27,654)**
Unrealized gains on available-for-sale securities	**(2,103)**	(2,814)	**(25,963)**
Unrealized gain on land of a consolidated subsidiary	**(1,328)**	(1,328)	**(16,395)**
Undistributed benefits of consolidated subsidiaries	**(845)**	—	**(10,432)**
Other	**(1,658)**	(2,240)	**(20,469)**
Total deferred tax liabilities	**¥(13,681)**	¥(14,531)	**$(168,901)**

Deferred income taxes, net as of December 31, 2010 were included in the following accounts:

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Current assets—deferred tax assets	**¥10,291**	**$ 127,049**
Investments and other assets—deferred tax assets	**5,616**	**69,333**
Current liabilities—deferred tax liabilities	**(86)**	**(1,062)**
Long-term liabilities—deferred tax liabilities	**(9,192)**	**(113,481)**

12. Accrued Retirement Benefits

Upon terminating employment, employees of the Company and the domestic consolidated subsidiaries are entitled, under most circumstances, to lump-sum indemnities or pension (annuity) payments. For an employee who voluntarily retires under normal circumstances, a minimum payment amount is calculated based on the rate of pay at the time of retirement, length of service and conditions under which the employee retires. In calculating the payment amount for an employee who retires involuntarily, including an employee who retires due to reaching the mandatory retirement age, the Company or the domestic consolidated subsidiaries may grant additional benefits.

Most of the foreign subsidiaries have defined benefit pension plans or severance indemnity plans that cover substantially all of their employees and under which the cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on rates of pay at the time of retirement and length of service.

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of December 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Benefit obligation	**¥(52,510)**	¥(48,852)	**$(648,272)**
Fair value of plan assets	**53,550**	55,389	**661,111**
Funded status:			
Benefit obligation in excess of plan assets	**1,040**	6,537	**12,839**
Unrecognized actuarial differences	**11,896**	11,760	**146,864**
Unrecognized prior service cost	**(882)**	(2,486)	**(10,889)**
Subtotal	**12,054**	15,811	**148,814**
Prepaid pension cost	**24,009**	26,800	**296,407**
Accrued retirement benefits	**¥(11,955)**	¥(10,989)	**$(147,593)**

The Company and certain consolidated subsidiaries abolished the retirement benefit plans for directors and statutory auditors in March 2005. The accrued retirement benefits for directors and statutory auditors, amounting to ¥304 million ($3,753 thousand) and ¥325 million as of December 31, 2010 and 2009 respectively, were excluded from the above table.

Retirement and pension costs of the Company and its consolidated subsidiaries for the years ended December 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	**¥2,451**	¥2,309	**$ 30,259**
Interest cost	**933**	834	**11,519**
Expected return on plan assets	**(942)**	(917)	**(11,630)**
Amortization of actuarial differences	**908**	1,388	**11,210**
Amortization of prior service cost	**(101)**	(287)	**(1,247)**
Other	**3,090**	—	**38,148**
Severance and retirement benefit expenses	**6,339**	3,327	**78,259**
Contributions to the defined contribution pension plan	**634**	633	**7,827**
Net periodic benefit costs	**¥5,705**	¥3,960	**$ 70,432**

The discount rate used by the Company and the domestic consolidated subsidiaries was mainly 2.0% in 2010 and 2009, and the expected return on plan assets was mainly 2.5% in 2010 and 2009. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial losses are recognized in the statements of income using the straight-line method, mainly over a period of 15 years. The amortization periods for prior service cost is mainly 15 years.

A number of domestic consolidated subsidiaries have changed their calculation method for the benefit obligation from the simplified method based on the amount that would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date to the principal method. The difference of ¥1,043 million ($12,877 thousand) due to the application of the changed calculation method was recorded under other expenses. In addition, a loss from prior term adjustments of ¥2,047 million ($25,272 thousand) due to a miscalculation by pension actuaries was recorded under other expenses.

13. Research and Development Expenses

Research and development expenses for the years ended December 31, 2010 and 2009 were ¥18,698 million ($230,840 thousand) and ¥17,983 million, respectively.

14. Segment Information

The Company and its consolidated subsidiaries operate principally in three industries: Tires, Sports and Industrial and Other Products. Operations in the Tires segment involve the production and sale of a wide range of tires for a variety of vehicles such as passenger cars, trucks, buses and motorcycles and applications such as industrial applications. Operations in the Sports segment involve the production and sale of a variety of sporting goods, principally golf balls, golf clubs, golf bags and tennis balls. Operations in the Industrial and Other Products segment involve the production and sale of a variety of rubber and rubber-based products, including vibration-control products, flooring for gymnasiums, all-weather tennis courts, track and field facilities, marine fenders, precision rubber parts for office machines and blankets for offset printing presses.

In accordance with Japanese accounting standards, capital expenditures included in the segment information comprise the acquisition of tangible assets, depreciable assets such as long-term prepaid expenses, trademarks and other intangible assets.

(1) Information by industry segment

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2010**	2009	**2010**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥513,775**	¥433,411	**$6,342,901**
Intersegment sales and transfers	**26**	61	**321**
	513,801	433,472	**6,343,222**
Sports—			
Sales to unaffiliated customers	**63,225**	65,220	**780,556**
Intersegment sales and transfers	**330**	345	**4,074**
	63,555	65,565	**784,630**
Industrial and Other Products—			
Sales to unaffiliated customers	**27,549**	25,904	**340,111**
Intersegment sales and transfers	**46**	670	**568**
	27,595	26,574	**340,679**
Adjustments and eliminations	**(402)**	(1,076)	**(4,963)**
	¥604,549	¥524,535	**$7,463,568**
Operating income:			
Tires	**¥ 39,412**	¥ 22,518	**$ 486,568**
Sports	**6,114**	4,735	**75,481**
Industrial and Other Products	**2,123**	1,419	**26,210**
	47,649	28,672	**588,259**
Adjustments and eliminations	**(78)**	67	**(963)**
	¥ 47,571	¥ 28,739	**$ 587,296**
Identifiable assets:			
Tires	**¥534,478**	¥521,233	**$6,598,494**
Sports	**51,344**	55,227	**633,877**
Industrial and Other Products	**23,805**	23,287	**293,887**
	609,627	599,747	**7,526,258**
Corporate assets and eliminations	**12,616**	13,483	**155,753**
	¥622,243	¥613,230	**$7,682,011**
Capital expenditures:			
Tires	**¥ 30,979**	¥ 30,031	**$ 382,457**
Sports	**1,656**	1,435	**20,444**
Industrial and Other Products	**2,231**	1,955	**27,543**
	34,866	33,421	**430,444**
Corporate assets and eliminations	**—**	—	**—**
	¥ 34,866	¥ 33,421	**$ 430,444**
Depreciation and amortization:			
Tires	**¥ 35,043**	¥ 34,588	**$ 432,630**
Sports	**1,656**	1,804	**20,444**
Industrial and Other Products	**1,186**	1,033	**14,642**
	37,885	37,425	**467,716**
Corporate assets and eliminations	**—**	—	**—**
	¥ 37,885	¥ 37,425	**$ 467,716**
Loss on asset impairment:			
Tires	**¥ 1,695**	¥ 1,618	**$ 20,926**
Sports	**4**	101	**49**
Industrial and Other Products	**—**	242	**—**
	1,699	1,961	**20,975**
Corporate assets and eliminations	**—**	—	**—**
	¥ 1,699	¥ 1,961	**$ 20,975**

a. Assets included in "Corporate assets and eliminations" of ¥12,810 million ($158,144 thousand) and ¥13,738 million at December 31, 2010 and 2009, respectively, consist mainly of cash and time deposits, investment securities and administration divisions owned by the Company.

b. Changes in Accounting Policies and Estimates

As stated in "Notes to Consolidated Financial Statements" Note 2(13), in fiscal 2010, a number of domestic consolidated subsidiaries changed their calculation method for accrued retirement benefits from the prima facie method to the principal method. The effect of this change was to increase operating income by ¥31 million ($385 thousand) in the Tires segment compared to the amounts that would have been recorded without the change.

As stated in "Notes to Consolidated Financial Statements" Note 2(6), in fiscal 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 5, 2006). The effect of this change was to decrease operating income by ¥672 million in the Tires segment and ¥22 million in the Industrial and Other Products segment in fiscal 2009 compared to the amounts that would have been recorded without the adoption.

As stated in "Notes to Consolidated Financial Statements" Note 2(8), in fiscal 2009, the Company and its domestic consolidated subsidiaries changed their estimates of the useful lives of machinery. The effect of this change was to decrease operating income by ¥1,012 million in the Tires segment, ¥34 million in the Sports segment and ¥29 million in the Industrial and Other Products segment in fiscal 2009 compared to the amounts that would have been recorded without the change.

(2) Information by geographic area

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2010**	2009	**2010**
Net sales:			
Japan—			
Sales to unaffiliated customers	**¥ 414,968**	¥ 395,245	**$ 5,123,062**
Sales between geographic areas	**99,885**	59,203	**1,233,148**
	514,853	454,448	**6,356,210**
Asia—			
Sales to unaffiliated customers	**76,265**	53,782	**941,543**
Sales between geographic areas	**56,088**	45,208	**692,444**
	132,353	98,990	**1,633,987**
Other—			
Sales to unaffiliated customers	**113,315**	75,507	**1,398,951**
Sales between geographic areas	**1,370**	1,172	**16,914**
	114,685	76,679	**1,415,865**
	761,891	630,117	**9,406,062**
Adjustments and eliminations	**(157,342)**	(105,582)	**(1,942,494)**
	¥ 604,549	¥ 524,535	**$ 7,463,568**
Operating income:			
Japan	**¥ 32,732**	¥ 20,278	**$ 404,099**
Asia	**8,017**	8,897	**98,975**
Other	**6,156**	(94)	**76,000**
	46,905	29,081	**579,074**
Adjustments and eliminations	**666**	(342)	**8,222**
	¥ 47,571	¥ 28,739	**$ 587,296**
Identifiable assets:			
Japan	**¥ 616,951**	¥ 607,671	**$ 7,616,679**
Asia	**138,539**	125,946	**1,710,358**
Other	**68,414**	55,046	**844,616**
	823,904	788,663	**10,171,653**
Corporate assets and eliminations	**(201,661)**	(175,433)	**(2,489,642)**
	¥ 622,243	¥ 613,230	**$ 7,682,011**

Changes in Accounting Policies and Estimates

As stated in "Notes to Consolidated Financial Statements" Note 2(13), in fiscal 2010, a number of domestic consolidated subsidiaries changed their calculation method for accrued retirement benefits from the prima facie method to the principal method. The effect of this change was to increase operating income by ¥31 million ($385 thousand) in Japan compared to the amounts that would have been recorded without the change.

As stated in "Notes to Consolidated Financial Statements" Note 2(6), in fiscal 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 5, 2006). In the fiscal year ended December 31, 2009, the effect of this change was to decrease operating income by ¥694 million in Japan compared to the amount that would have been recorded without the adoption.

As stated in "Notes to Consolidated Financial Statements" Note 2(8), in fiscal 2009, the Company and domestic consolidated subsidiaries changed their estimates of the useful lives of machinery. The effect of this change was to decrease operating income by ¥1,075 million in Japan compared to the amount that would have been recorded without the change.

(3) Sales outside Japan by the Company and its consolidated subsidiaries

Years ended December 31	Millions of yen 2010	2009	Thousands of U.S. dollars 2010
Net sales:			
North America	**¥ 81,501**	¥ 74,545	**$1,006,185**
Europe	**35,785**	23,739	**441,790**
Asia	**87,519**	65,356	**1,080,481**
Other areas	**78,163**	70,315	**964,975**
Total	**¥282,968**	¥233,955	**$3,493,431**

	Percentage 2010	2009
Percentage of such sales in consolidated net sales	**46.8%**	44.6%

15. Related Party Transactions

Significant balances and transactions with a principal shareholder and unconsolidated subsidiaries and affiliates as of December 31, 2010 and 2009 and for the years then ended were as follows:

	Millions of yen 2010	2009	Thousands of U.S. dollars 2010
Notes and accounts receivable:			
Trade	**¥ 905**	¥ 1,043	**$ 11,173**
Other	**382**	226	**4,716**
	1,287	1,269	**15,889**
Short-term loans	**239**	118	**2,951**
Long-term loans (included in investments in and advances to unconsolidated subsidiaries and affiliates)	**2,821**	2,871	**34,827**
Notes and accounts payable:			
Trade	**4,327**	4,311	**53,420**
Other	**236**	262	**2,913**
	4,563	4,573	**56,333**
Sales	**2,522**	2,611	**31,136**
Purchases	**¥11,933**	¥11,788	**$147,321**

(Supplementary Information)

ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures," and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures," issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after April 1, 2008. Pursuant to the new accounting standards, a financial summary of Goodyear Dunlop Tires Europe B.V., a significant affiliated company, is disclosed for the year ended December 31, 2010 and 2009.

A summary of the financial statements of Goodyear Dunlop Tires Europe B.V. is as follows:

	Millions of yen 2010	2009
Current assets	**$1,994**	$1,855
Noncurrent assets	**870**	875
Current liabilities	**1,244**	941
Noncurrent liabilities	**1,088**	1,334
Shareholders' equity	**532**	455
Net sales	**5,165**	5,044
Income (loss) before income taxes	**96**	(49)
Net income (loss)	**54**	(72)

16. Contingent Liabilities

As of December 31, 2010 and 2009, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Trade notes discounted	**¥740**	¥3,194	**$9,136**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**85**	161	**1,049**

17. Leases

The original costs of leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee and the related accumulated depreciation and accumulated impairment loss, assuming they were calculated using the straight-line method over the term of the lease, as of December 31, 2010 and 2009 were as follows:

As of December 31, 2010	Millions of yen				Thousands of U.S. dollars			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery and equipment	**¥7,448**	**¥3,760**	**¥355**	**¥3,333**	**$ 91,951**	**$46,420**	**$4,383**	**$41,148**
Other	**689**	**276**	**—**	**413**	**8,506**	**3,407**	**—**	**5,099**
Total	**¥8,137**	**¥4,036**	**¥355**	**¥3,746**	**$100,457**	**$49,827**	**$4,383**	**$46,247**

As of December 31, 2009	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥8,756	¥3,910	¥4,846
Other	762	253	509
Total	¥9,518	¥4,163	¥5,355

Finance lease transactions executed on or before December 31, 2008 which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

Lease payments under finance lease transactions which do not transfer ownership of the leased assets to the lessee for the years ended December 31, 2010 and 2009 amounted to ¥1,203 million ($14,852 thousand) and ¥1,554 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 991**	¥1,228	**$12,235**
Due later	**3,109**	4,127	**38,382**
	¥4,100	¥5,355	**$50,617**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 823**	¥ 805	**$10,160**
Due later	**2,054**	2,427	**25,359**
	¥2,877	¥3,232	**$35,519**

18. Impairment Loss

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2010.

Group	Location	Assets	Millions of yen	Thousands of U.S. dollars
			Impairment loss	
Rental property	Shunan City, Yamaguchi and other	Land and buildings	**¥ 128**	**$ 1,580**
Idle assets	Izumiotsu City, Osaka and other	Buildings, leases and other	**1,278**	**15,778**
Assets to be disposed of	Izumiotsu City, Osaka and other	Buildings, tools and other	**293**	**3,617**

The Company and its consolidated subsidiaries group their assets at the lowest level for which cash flows are independently identifiable. Rental properties, unused assets, and assets to be disposed of as decided by the Board of the Directors are tested for recoverability on an individual basis.

The book values of certain assets were reduced to recoverable amounts and impairment losses were recognized because (1) the market price of assets in certain asset groups fell significantly; (2) the fair value of assets in certain idle asset groups declined substantially; and (3) the Company decided to dispose of certain assets. The recoverable amount for the assets in each group of assets is the higher of net realizable value or use value. The recoverable amount of certain business assets was measured at the net realizable value of the memorandum value since it was difficult to calculate the selling price. The recoverable amount for land was measured mainly at net realizable value based on the publicly assessed land value.

The Company and its consolidated subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2009.

Group	Location	Assets	Millions of yen Impairment loss
Rental property	Ono City, Hyogo and other	Land and building	¥ 308
Idle assets	Izumiotsu City, Osaka and other	Buildings, structures and other	73
Assets to be disposed of	Izumiotsu City, Osaka and other	Buildings, structures and other	1,580

19. Loss on Voluntary Recall of Products

To provide for direct expenses and related expenses for the voluntarily recall of products, an amount based upon the loss already incurred and the loss that can be reasonably estimated to be incurred after the current period is recorded.

20. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings of the Company were proposed and approved at the general meeting of shareholders held on March 30, 2011:

	Millions of yen	Thousands of U.S. dollars
Balance at December 31, 2010	**¥99,608**	**$1,229,728**
Appropriations—		
Cash dividends (¥12 per share outstanding at December 31, 2010)	**(3,148)**	**(38,864)**
Balance after appropriations	**¥96,460**	**$1,190,864**

Effects of the Great East Japan Earthquake in 2011

The Shirakawa factory, logistic facilities and business office located in the Tohoku region were damaged in the Great East Japan Earthquake that struck on March 11, 2011. The damaged assets are accounted for under inventories and facilities. At present, it is difficult to estimate recovery cost, removal cost, and other losses that will be incurred over the current fiscal year. Having confirmed the safety of certain facilities and recovered electrical power at the Shirakawa factory, the logistic facilities and business office have resumed operations. As of December 31, 2010, the Shirakawa factory accounted for approximately 23% of the Sumitomo Rubber Group's overall production capacity on a production weight basis; therefore, the effect of several days' shutdown on the business operations of the Sumitomo Rubber Group has been limited.

In order to minimize the impact of this situation on our customers and Sumitomo Rubber Group, we are making heartfelt companywide efforts toward the prompt restoration of full operations.

Independent Auditors' Report

To the Board of Directors of
Sumitomo Rubber Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Rubber Industries, Ltd. and consolidated subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated 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 present fairly, in all material respects, the financial position of Sumitomo Rubber Industries, Ltd. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) Note 2(6) to the consolidated financial statements, effective as of the fiscal year ended December 31, 2009, Sumitomo Rubber Industries, Ltd. and its domestic consolidated subsidiaries have adopted new accounting standards for measurement of inventories.

(2) "Effects of The Great East Japan Earthquake" in Note 20, "Subsequent Events," of the Notes to the consolidated financial statements.

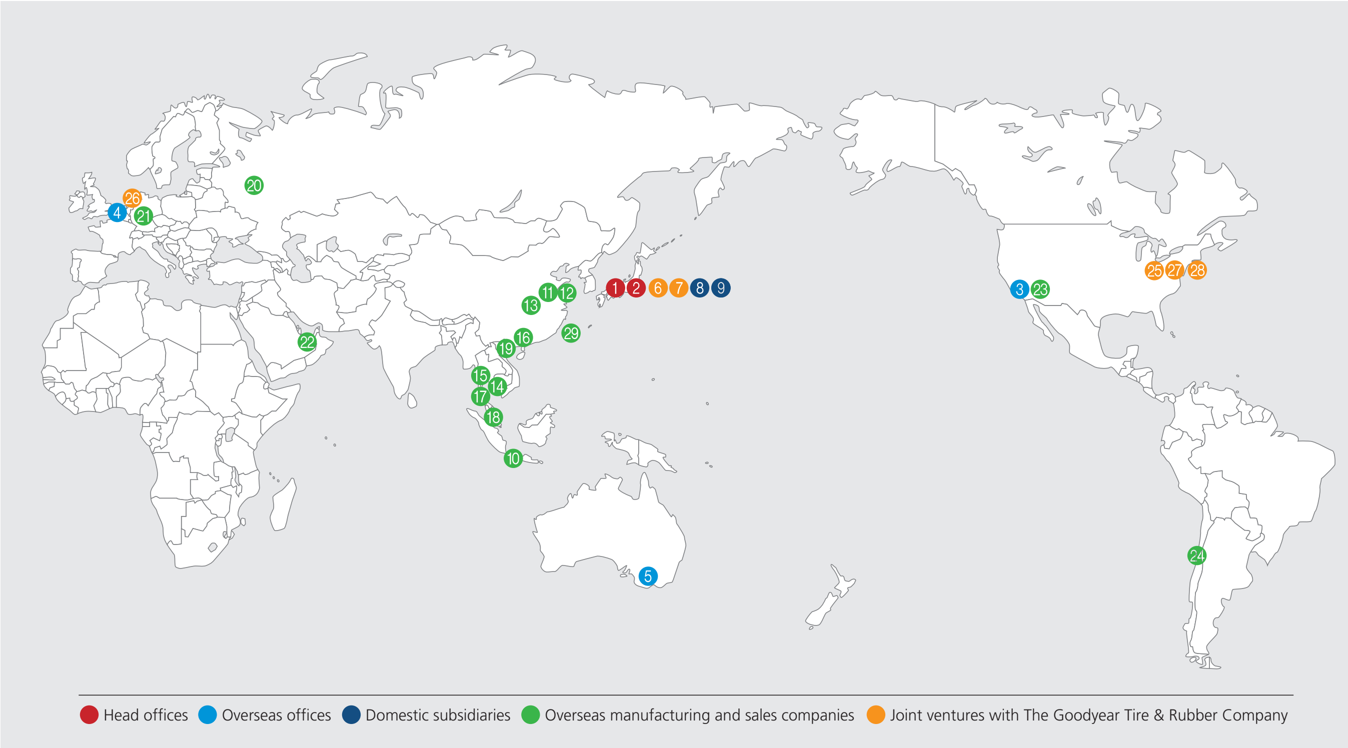
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Kobe, Japan
March 30, 2011

Global Network

(As of March 31, 2011)



Domestic Offices and Facilities

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Hyogo 651-0072, Japan
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Fax: (078) 265-3111

2 **Tokyo Head Office**
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Tokyo 135-6005, Japan
Tel: (03) 5546-0111
Fax: (03) 5546-0140

Facilities
Nagoya Factory
Shirakawa Factory
Izumiotsu Factory
Miyazaki Factory
Ichijima Factory
Kakogawa Factory
Tyre Technical Center
Golf Science Center
Okayama Tire Proving Ground
Nayoro Tire Proving Ground
Asahikawa Tire Proving Ground
Central Training Center
Shirakawa Manufacturing Training Center

Overseas Offices

3 **Los Angeles Office**
California, U.S.A.

4 **Brussels Office**
Diegem, Belgium

5 **Melbourne Office**
Somerton, Victoria, Australia

Major Subsidiaries

6 **Goodyear Japan Ltd.**
Minato-ku, Tokyo, Japan

7 **Dunlop Goodyear Tires Ltd.**
Koto-ku, Tokyo, Japan

8 **SRI Tire Trading Ltd.**
Koto-ku, Tokyo, Japan

9 **SRI Sports Ltd.**
Chuo-ku, Kobe, Japan

10 **P.T. Sumi Rubber Indonesia**
Jakarta, Indonesia

11 **Sumitomo Rubber (China) Co., Ltd.**
Jiangsu Province, China

12 **Sumitomo Rubber (Changshu) Co., Ltd.**
Jiangsu Province, China

13 **Sumitomo Rubber (Hunan) Co., Ltd.**
Hunan Province, China

14 **Sumitomo Rubber (Thailand) Co., Ltd.**
Rayong, Thailand

15 **Dunlop Tire (Thailand) Co., Ltd.**
Bangkok, Thailand

16 **Zhongshan Sumirubber Precision Rubber Ltd.**
Guangdong Province, China

17 **Sumirubber Malaysia Sdn. Bhd.**
Sungai Petani, Kedah, Malaysia

18 **Sumitomo Rubber Asia (Tyre) Pte, Ltd.**
Singapore, Singapore

19 **Sumirubber Vietnam, Ltd.**
Haiphong, Vietnam

20 **Dunlop Tire CIS LLC**
Moscow, Russia

21 **Falken Tyre Europe GmbH**
Offenbach, Germany

22 **Sumitomo Rubber Middle East FZE**
Dubai, UAE

23 **Falken Tire Corporation**
California, U.S.A.

24 **Sumitomo Rubber Latin America Limitada**
Santiago, Chile

Major Affiliates

25 **Goodyear Dunlop Tires North America, Ltd.**
Ohio, U.S.A.

26 **Goodyear Dunlop Tires Europe B.V.**
Amsterdam, Netherlands

27 **Goodyear-SRI Global Purchasing Company**
Ohio, U.S.A.

28 **Goodyear-SRI Global Technology LLC**
Ohio, U.S.A.

29 **Kuo Chu Rubber Co., Ltd.**
Taipei, Taiwan

Investor Information

(As of December 31, 2010)

Paid-in Capital

¥42,658,014 thousand

Number of Shares of Common Stock

Authorized: 800,000,000

Issued: 263,043,057

Number of Shareholders

19,115

Major Shareholders

Sumitomo Electric Industries, Ltd.	26.81%
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.14%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4.65%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.16%
Sumitomo Corporation	3.66%
National Mutual Insurance Federation of Agricultural Cooperatives	2.52%
Sumitomo Mitsui Banking Corporation	1.99%
The Nomura Trust and Banking Company, Limited (Investment Trust Account)	1.42%
The Goodyear Tire & Rubber Company	1.30%
Trust & Custody Services Bank, Ltd. (Pension Specified Money Trust Account)	1.20%

Note: The percentage of shares in the above list was calculated using the total number of shares of common stock, excluding 704,248 shares of treasury stock.

Stock Exchange Listings

Tokyo, Osaka

Ticker Symbol

5110

Transfer Agent and Special Account Management Institution

The Sumitomo Trust & Banking Co., Ltd.
5-33, 4-chome,
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Osaka 541-0041, Japan

Independent Auditors

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Chuo-ku, Osaka
541-0048, Japan

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(Tokyo Stock Exchange 1st Section,
Ticker Symbol: 7825)
Corporate Planning Department
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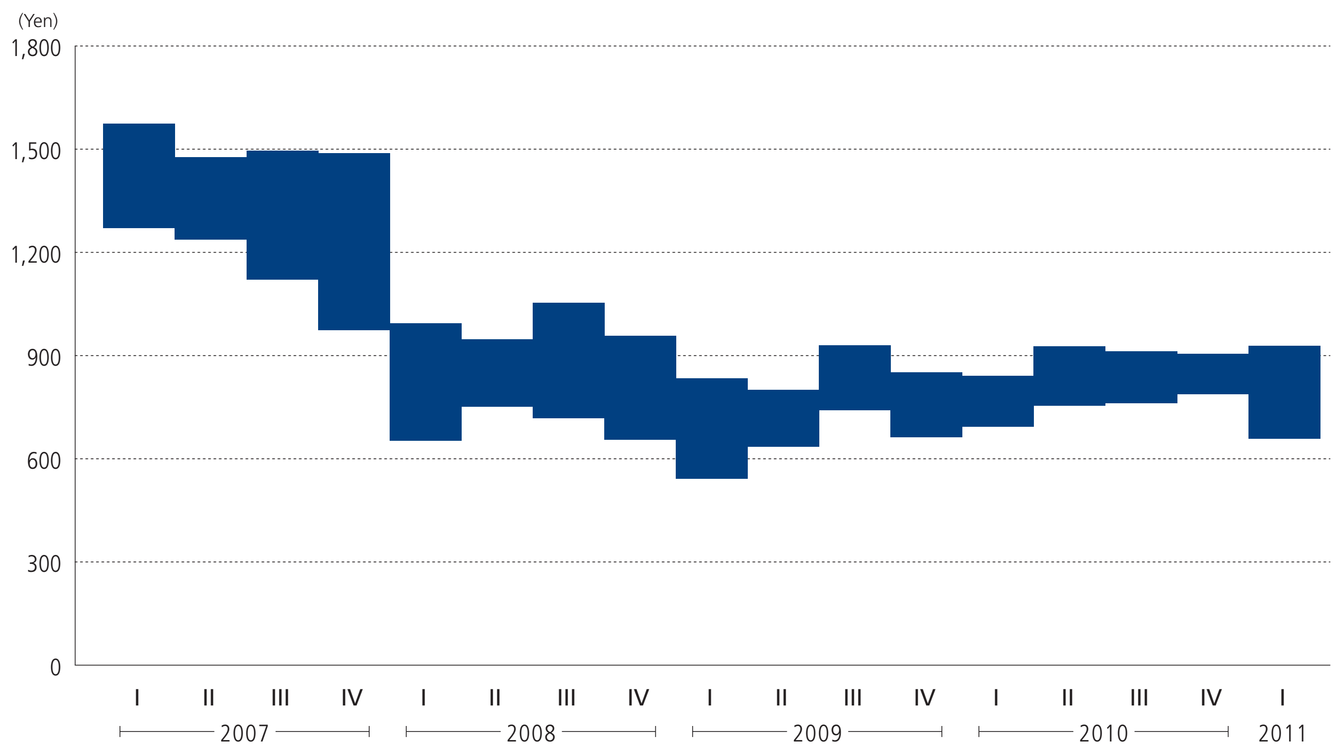
Tel: (078) 265-3040
Fax: (078) 265-3135
e-mail: sri-sports.ir@sri-sports.co.jp
http://www.sri-sports.co.jp/

Stock Price



SUMITOMO RUBBER GROUP

ECO FIRST 環境大臣認定
環境問題に先進的に取り組む
エコ・ファースト企業として
環境大臣より認定を受けました。

Received the Eco-First Company certification from the Minister of the Environment

SUMITOMO RUBBER INDUSTRIES, LTD.

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