



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

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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.