

Against the backdrop of a harsh economic environment with intensified global competition and soaring raw material prices, Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries (“Sumitomo Rubber Group” or “the Group”) will make across-the-board efforts to follow a sustainable growth path to realize its long-term vision.



INCREASE IN REVENUE AND EARNINGS

Consolidated net sales for the fiscal year ended December 31, 2007, rose 6.2% year on year to ¥567,307 million mainly due to increased revenue from the overseas tire business. Consolidated operating income increased 22.7% to ¥45,126 million. This was the result of increased tire sales, the Group’s tire price revisions and a weaker yen, which offset increased costs due to sharp rises in raw material prices. Consolidated net income, on the other hand, declined 29.3% compared with the previous fiscal year to ¥19,499 million. This was attributable to the absence of gain on sales of investments in subsidiaries relating to the listing of SRI Sports Limited and other special profit recorded in the previous fiscal year.

From a financial standing perspective, the Group’s interest-bearing debt at the end of fiscal 2007 amounted to ¥239,573 million, up ¥20,201 million year on year, reflecting the impact of the acquisition of a U.S. golf goods company. However, the debt-to-equity ratio remained unchanged from the previous fiscal year-end at 1.1 times. The ratio of equity to total assets grew 0.6 percentage point to 33.9%, showing a steady increase.

RETURNING PROFITS TO SHAREHOLDERS

Sumitomo Rubber Industries regards the return of profits to shareholders as a priority issue. In light of this, the Company has established a basic policy to ensure long-term sustainable returns to shareholders while comprehensively reviewing the levels of dividend payout ratios on a consolidated basis, performance prospects and retained earnings. Furthermore, with the aim of enhancing the future earnings base, the Company will make effective use of retained earnings for capital investments and R&D activities. Based on this policy, annual cash dividends for the fiscal year under review were set at ¥20 per share, remaining unchanged from the previous fiscal year.

NUMERICAL TARGETS OF LONG-TERM VISION

(Millions of yen)

	2005 Result	2006 Result	2007 Result	2015 Target
Net Sales	¥512,838	¥534,086	¥567,307	¥800,000
Tire Business	¥398,170	¥430,620	¥478,483	¥630,000
Sports Business	¥54,748	¥57,649	¥59,518	¥100,000
Industrial and Other Products Business	¥59,920	¥45,817	¥29,306	¥70,000
Operating Income Ratio	9.7%	6.9%	8.0%	10% or greater
Net Income Ratio	5.0%	5.2%	3.4%	5% or greater
ROA (operating income base)	9.2%	6.3%	7.1%	10% or greater
ROE	16.0%	14.7%	9.1%	15% or greater
Interest-Bearing Debt	¥205,751	¥219,372	¥239,573	¥200,000
Equity Ratio	30.9%	33.3%	33.9%	40.0%
Debt-to-Equity Ratio	1.2 times	1.1 times	1.1 times	0.7 times

EARNINGS IMPROVEMENT EFFORTS

Business enterprises have entered an era in which they must plan their business with a view toward constantly soaring raw material prices. Against this backdrop, the Sumitomo Rubber Group will make comprehensive efforts to improve and reinforce its profit structure in order to increase earnings. These initiatives will be taken due to the impact of historic price hikes in natural rubber, the chief material of tires, and in crude oil.

On the production front, the Group will enhance its cost competitiveness by reviewing optimal production location from the production and marketing perspective and reducing overall costs, including distribution costs and currency exchange. In the development phase, the Group will launch products most appropriate to the diversifying market in order to steadily enhance its earnings capability. In sales, to increase profits, the Group will accurately grasp changes in the market environment and boost its marketing capabilities through efficient and effective sales methods and through pricing strategies that reflect soaring raw material prices.

Having each division play its appropriate role and carry out its responsibilities, the Sumitomo Rubber Group will strengthen its competitiveness in order to succeed in today's severe economic environment.

PROMOTING GROWTH STRATEGIES

Tire Business

The global demand for tires is expected to show a constant increase over the long term. The number of cars owned and tire sales volumes are expected to climb at an average of approximately 3% annually. In order to meet such a robust demand trend, the Sumitomo Rubber Group is carrying out aggressive capital expenditures to increase production, mainly overseas. During the fiscal year under review, a second factory in Thailand commenced operations in November 2007, following the first factory start-up in Thailand that came on stream in November 2006. In addition, the factory in Changshu, China, was expanded. In sales, the Group established a sales company in Russia, where automobile market expansion is anticipated, while implementing proactive sales promotion activities in Asia, North America, Europe and the Middle East.

The Group set targets for the year 2015 of reaching an overseas tire production ratio of 60% and doubling overseas sales in the replacement markets, compared with figures in 2005. The Sumitomo Rubber Group will continue investment activities in a proactive manner to consolidate a unique and firm position in the global tire industry.

Sports Business

Amid sluggish domestic demand, the Group positions the expansion of overseas sales as a key issue in its growth strategy in the Sports business. In December 2007, SRI Sports Limited, which has taken on a major role in the Group's Sports business, acquired the U.S. golf club maker Roger Cleveland Golf Company, Inc. and its five group companies ("Cleveland"). SRI Sports Limited currently enjoys the top share in the Japanese golf club market. The acquisition of Cleveland, which boasts the fifth largest share in the U.S. golf club market, enables SRI Sports



Limited to reinforce and strengthen its business foundation in the United States, the world's largest golf market.

In addition, SRI Sports Limited established a hard tennis ball manufacturing company jointly with Vega Balls Manufacturing Co., Ltd., a sport ball production and sales company in Thailand in August 2007. This was for the purpose of reinforcing its cost competitiveness and production capacity. Listed on the First Section of the Tokyo Stock Exchange in October 2006, SRI Sports Limited has steadily consolidated its business foundation to become a company that can succeed in the global market.

Industrial and Other Products Business

In the Industrial and Other Products business segment, the precision rubber parts business has shown steady growth, having commenced production at and shipments from our factory in Vietnam, launching the GRAST brand (for vibration-control technology that uses high damping rubber) and expanding sales of such devices loaded with high damping rubber in the bridge, housing and building sectors.

ACTIVITY TO ENHANCE SOCIAL VALUE



The Sumitomo Rubber Group Long-Term Vision, announced in 2006, envisions a corporation that “continuously offers the world’s top value in diverse business fields by pursuing value for all stakeholders in light of the Group’s long-term sustainable growth.” In addition to “economic value,” the Long-Term Vision aims to develop businesses of high social value in each field. As a part of activities to realize this vision, the Group established the Sumitomo Rubber Group CSR Activities’ Fundamental Philosophy. This was in view of the need to clarify its code of conduct for the Group’s overall CSR activities and to further accelerate business operations in pursuit of social value amid growing concerns about CSR.

The Sumitomo Rubber Group CSR Activities' Fundamental Philosophy consists of the "CSR Philosophy" and "CSR Guidelines." The former outlines the Group's enthusiasm to become a corporate group that is relied on and whose operations are appreciated by society through its CSR activities. The latter proposes five behavioral guidelines, starting with the initials "G-E-N-K-I," representing "*GENKI* (vigor)" activities. These in-house activities started as part of a commemoration of the Group's 80th anniversary with themes of "fostering friendliness between employees," "communications with local communities" and "social contribution."

"G" for Green: Greening Activities

With the two themes of "contribution to prevent global warming by nurturing forests" and "communications with local communities through forest nurturing," the Sumitomo Rubber Group carries out proactive greening activities at its business sites across Japan.

"E" for Ecology: Reducing Environmental Burden from Business Activities

To reduce CO₂ emissions, the Group has promoted comprehensive energy conservation activities, including operation of the *Taiyo* production system, a new tire production system that can cut approximately 35% of energy consumption compared with the conventional production method, and the completion of the installation of cogeneration systems at all of the tire factories in Japan. The Group aims to reduce its total CO₂ emissions in 2010 to 80% or below compared with the 1990 level.

For the promotion of global environmental management, the Group achieved complete zero emissions for the second consecutive year at each of its six factories in Japan, while achieving zero emissions at its four overseas factories. Furthermore, the Group plans to complete acquisition of globally integrated ISO 14001 certification, covering 32 business facilities both in Japan and overseas by 2010 based on ISO 14001 certifications that have already been acquired individually for 11 sites, including Group factories and affiliated companies in Japan and overseas.

"N" for Next: Development of Next-Generation Technology and Products

In the development of environmentally friendly products, the Group leverages its unique technological capabilities to aggressively promote projects that make environmental contributions. For example, following on the success of the ENASAVE ES801 eco-tire for passenger cars, which was made from 70% non-petroleum-based materials and released in March 2006, the Group completed the development of the ENASAVE 97 eco-tire that raises the ratio of non-petroleum-based materials to 97%. The new ENASAVE 97 will be commercialized in 2008. Furthermore, the Group engages in the development of tires that halve rolling resistance compared with conventional tires.

In the pursuance of safety, comfort, economic efficiency and quality, the Group also promotes the development of runflat tires as an important technological challenge. Realizing weight and ride comfort almost equivalent to the existing normal tires, the Group's proprietary CTT runflat tires are adopted as tires for original equipment markets.



“K” for Kindness: Employee-Friendly Measures

The Group set up several targets, including “human resource development and increase of job satisfaction,” “development of safe and comfortable workplaces,” and “work-life balance promotion” to let each employee harmonize his or her personal life and work. In meeting these challenges, the Group strives to build a better working environment.

“I” for Integrity: Showing Integrity to Stakeholders

Establishing the objectives of “enhancement of corporate governance,” “ensuring thorough compliance,” “fostering communication with stakeholders” and “promotion of social contribution activities,” the Group will further enhance the soundness and transparency of its business operations. Simultaneously, the Group is proactively implementing social contribution activities through employees’ volunteer activities at local communities in which the Group’s business sites are located.

The Sumitomo Rubber Group will commemorate its 100th anniversary in October 2009. On this occasion, the Group will review its overall CSR activities to make further advancements.

Go for Value: **FASTER AND MORE AGGRESSIVELY**

In the fiscal year ending December 31, 2008, the Group will make across-the-board efforts to consolidate its footing with the aim of moving onto a path of higher sustained growth to attain the goals outlined in the Long-Term Vision. Amid rapidly changing modern society, the Group will strive to gain opportunities by promptly dealing with such ongoing changes. In this light, the Group will accelerate its business operations by exercising each employee’s skills in aiming for further prosperity for the entire Group in an aggressive manner.

We gratefully ask for your continued support.

April 2008

Tetsuji Mino
President