

On the occasion of our 100th anniversary, we will give full scope to our ability to make acrossthe-board structural reforms, and by doing so, we will make this the starting point of a new step forward for the next 100 years.

> Tetsuji Mino Tetsuji Mino President

Fiscal 2008 Overview



Looking back on fiscal 2008, ended December 31, 2008, please give us your thoughts on the business environment and an overview of your results.

In the fiscal year ended December 31, 2008, the Sumitomo Rubber Group faced drastic changes in its business environment. In the first half of fiscal 2008, prices of raw materials such as crude oil and natural rubber hovered at a historically high level. However, in the second half of the year, demand for all products dropped, and the fall in demand for automobiles was particularly notable. In addition, the abrupt appreciation of the yen substantially impacted our export business.

Under these conditions, the Group strived to develop and release new products, while taking sales expansion measures in overseas markets. We also promoted the streamlining of product distribution and the enhancement of manufacturing capacity at overseas factories, in addition to our efforts to pass the excess portion of the surging raw material procurement costs on to

As a result, consolidated net sales for fiscal 2008 rose 6.6% year on year to ¥604,974 million. Consolidated operating income, however, was affected by a sudden worsening of the earnings environment and decreased 43.1% to ¥25,659 million, while consolidated net income dropped 94.8% to ¥1,021 million.

Numerical Targets in the Long-Term Vision

(Millions of yen)

	2005 Result	2006 Result	2007 Result	2008 Result	2015 Target
Net Sales	¥512,838	¥534,086	¥567,307	¥604,974	¥800,000
Tire Business	¥398,170	¥430,620	¥478,483	¥501,063	¥630,000
Sports Business	¥54,748	¥57,649	¥59,518	¥74,289	¥100,000
Industrial and Other Products Business	¥59,920	¥45,817	¥29,306	¥29,622	¥70,000
Operating Income Ratio	9.7%	6.9%	8.0%	4.2%	10% or greater
Net Income Ratio	5.0%	5.2%	3.4%	0.2%	5% or greater
ROA (operating income base)	9.2%	6.3%	7.1%	3.9%	10% or greater
ROE	16.0%	14.7%	9.1%	0.5%	15% or greater
Interest-Bearing Debt	¥205,751	¥219,372	¥239,573	¥275,746	¥200,000
Equity Ratio	30.9%	33.3%	33.9%	28.3%	40.0%
Debt-to-Equity Ratio	1.2 times	1.1 times	1.1 times	1.5 times	0.7 times

Tire Business



Please provide an overview of the Tire business and your future strategies.

Like other sectors, the tire industry has also been impacted by the global economic downturn. We experienced a substantial drop in sales in the fourth quarter of fiscal 2008 due to the rapid fall in global demand. Recognizing tires as consumable products, we are still hoping for steady demand in the replacement market. However, the outlook for demand in the original equipment market remains uncertain, given ongoing, large-scale production cuts by automakers.

In the midst of such a crisis, we will implement structural reform based on the following three key measures, and through these efforts, we will recover from the current predicament and strengthen our business foundation.

- 1. Grasp market changes to streamline product development through selection and concentration
- 2. Establish a manufacturing system that will prevail in the current low factory utilization environment
- 3. Review our organizational structure with a particular focus on profitability

Furthermore, to increase earnings, we will implement six urgent measures that will take effect in fiscal 2009.

(1) Reduction of capital investment

In the last five years, we have made capital investments—mainly for the establishment and expansion of factories in China and Thailand—that far exceeded the total amount of depreciation. Looking ahead, we will for the foreseeable future review our production systems commensurate with the level of current tire demand. To that end, we decided to postpone capital spending aimed at increasing production capacity at the factory in Thailand. By doing so, we will reduce total capital investment for fiscal 2009 to ¥38 billion.

(2) Promotion of cost-cutting measures at production departments

Despite the decline in production, we will realize expenditure cuts through the implementation of cost-reduction activities across all manufacturing facilities, including overseas factories.

(3) Optimization of tire production systems both in Japan and overseas

We will accelerate a production shift to overseas factories with the aim of further reducing distribution costs and mitigating currency exchange risks.

(4) Drastic review of product line to maximize earnings

The Group will strive to maximize profits, mainly by streamlining unsuccessful businesses.

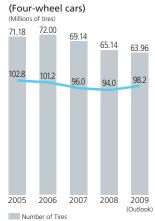
(5) Reduction of personnel costs

We will also cut compensation to managers, in addition to reducing directors' bonuses and remuneration. Simultaneously, we will enhance operational efficiency at administrative sections.

(6) Cutbacks in spending

We will make cutbacks in marketing costs while streamlining our distribution system. Additionally, we will implement across-the-board cost-reduction measures at Head Office administration divisions.

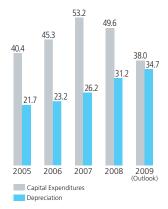
SALES VOLUME IN THE DOMESTIC TIRE REPLACEMENT MARKET



Source: Japan Automotive Tyre Manufacturers Association

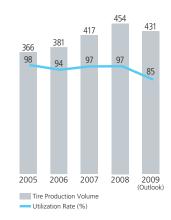
Year-on-Year Change (%)

CAPITAL EXPENDITURES AND **DEPRECIATION** (Tangible assets)



TIRE PRODUCTION VOLUME

(Thousands of tonnes)



Sports Business



Please give us an overview of the Sports business and future strategies for this segment.

SRI Sports is striving to expand its business in the global market with the aim of achieving net sales of over ¥100 billion as early as possible. After the acquisition of major U.S. golf club maker Cleveland in December 2007, SRI Sports completed the integration of its sales network. Currently, the company is forming new systems for material procurement, distribution and administration. On the domestic front, The XXIO fifth-generation golf goods under SRI Sports' mainstay XXIO brand recorded the highest level of domestic sales* for both golf clubs and irons in 2008.

The golf goods markets in Japan and North America are anticipated to be stagnant against the backdrop of the global economic slowdown. Under such circumstances, we will concentrate on increasing the market share of our golf goods both in Japan and overseas. Simultaneously, SRI Sports will strive to create synergies from its business integration with Cleveland as well as to commence full-scale operations at a tennis ball factory in Thailand. On top of its thorough cost-reduction measures, SRI Sports will improve profitability through these efforts.

* Based on a survey by GfK Marketing Services Japan Ltd.

Industrial and Other Products Business



What is the current situation in the Industrial and Other Products business?

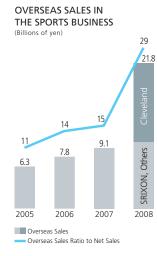
Sales of civil engineering/marine facility-related products, such as marine fenders, as well as medical rubber parts were strong. In addition, artificial turf for sporting use and GRAST vibration-control technology using extra-high damping rubber enjoyed brisk demand. However, sales of this segment's mainstay precision rubber parts for printers and photocopiers were stagnant on the back of the global economic recession. In order to overcome these adverse conditions, SRI Hybrid will implement across-the-board cost-reduction measures to secure profit. Together with this, the company will cultivate new businesses and develop new products by leveraging its expertise in rubber materials and processing technology to further reinforce its business foundation.

For the Next 100 Years



The Sumitomo Rubber Group will commemorate its 100th anniversary in October 2009. With regard to this momentous occasion, please tell us your plans for further growth.

Over the past 100 years, we faced a number of downturns and challenges, learning how to respond to the changing times with an innovative, entrepreneurial spirit. While prospering through the fruits of such successes, we also added a new imaginative strength in establishing a firm corporate foundation. Aiming for the next 100 years, what we need to do is to pass down the keys to the Group's corporate value: namely, our established technological capabilities, our *monozukuri* (manufacturing) spirit and our well of human resources, all of which will create new worth. With this in mind, we will promote schemes on this occasion to facilitate the passing on of the following three key elements to the next generation, to create new impetus for creativity.









Succession and Creation of Technological Capabilities: Tyre Technical Center

We have completed the first construction phase of the Tyre Technical Center, which is a part of the Group's 100th anniversary project. This center will become the core of the Group's R&D activities for tire technology. In particular, we are going to promote the development of environment-conscious products such as fuel-efficient tires. For our eco-friendly tire development activities, please refer to the special feature section on pages 8–9 of this report.

Succession and Creation of the Monozukuri Spirit: Shirakawa Manufacturing Training Center

We established the Shirakawa Manufacturing Training Center within the premises of the Shirakawa factory. The main objectives at this center will be: (1) to pass our proprietary tire manufacturing technology and philosophy on to the next generation, as the baby boomers begin to retire at domestic factories; and (2) to have a shared vision for monozukuri at domestic and at overseas factories, given the rapid expansion of overseas facilities in recent years.

Succession and Creation of Human Resources: Love Your Work! Project

With the aim of having the same target shared among all employees for the purpose of achieving its long-term vision, the Sumitomo Rubber Group launched an in-house campaign called the "Love Your Work! Project." Marking the third year since its start, we will implement business operations with the slogan of "Friendly to People and Realizing Dreams" in 2009. This slogan was created after across-the-board discussions about the uniqueness of the Sumitomo Rubber Group. Specifically, we will carry out this project by focusing on three themes: products, the environment, and work/life balance. For products, we will commercialize new products based on ideas accumulated through a contest; for the environment, we will promote environmental contribution activities in areas surrounding our operations; and for the work/life situation, we aim to strike a proper balance between work and personal life through enhanced business efficiency.

To Our Shareholders



Finally, do you have a message you would like to deliver to shareholders and investors?

First, we regret to announce that annual cash dividends for the fiscal year under review were set at ¥18 per share, down ¥2 from the previous fiscal year, reflecting deteriorated performance results. We respectfully ask for the understanding of all shareholders and investors.

Currently, the Sumitomo Rubber Group is facing severe business conditions. However, we have overcome a number of previous crises, including the Great Hanshin-Awaji Earthquake in 1995. Based on our daring spirit, cultivated through a long history of success, we will give full scope to our ability to cope with the current situation by effecting across-the-board structural reforms. By doing so, we will turn our 100th anniversary into the starting point for a new step forward. We sincerely ask for your continued understanding and support.

CASH DIVIDENDS PER SHARE

