

Corporate Governance

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 an auditing system that is driven by its Board of Auditors. This Board is composed of five corporate auditors, three of whom are external appointments. This effectively facilitates a fair and objective system and enhances the overall audit function. The Company's Board of Directors deliberates and determines matters of managerial importance and supervises the execution of operations. As of March 27, 2009, the Board of Directors was comprised of 12 members, two of whom were external directors. In an effort to better promote the separation of supervisory and executive management functions and to clarify the responsibilities and authority of each business, Sumitomo Rubber Industries also introduced an executive officer system in March 2003. Through these means, the Company has established the organizational tools to promptly and appropriately respond to changes in its operating environment.

Internal Audit and Audit by Corporate Auditors

Sumitomo Rubber Industries' internal audit function is effectively the responsibility of the Audit Office. Under the direct control of the president, the Audit Office is comprised of six staff. In accordance with audit policies and

annual internal audit plans, the Audit Office implements on-site audits of the Group as a whole, including 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 companies. On 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. In addition, reporting meetings are held on a periodic basis or as needs require among corporate auditors, the Audit Office and independent auditors to facilitate the exchange of information as well as closer collaboration.

Accounting Audit

The Company entered into an audit agreement with KPMG AZSA & Co. for the implementation of accounting audits under the Corporation Law and the Financial Instruments and Exchange Law. For the fiscal year ended December 31, 2008, the Company's accounting audit was conducted by three certified public accountants (CPAs). These three CPAs were supported by ten additional CPAs and eight others.

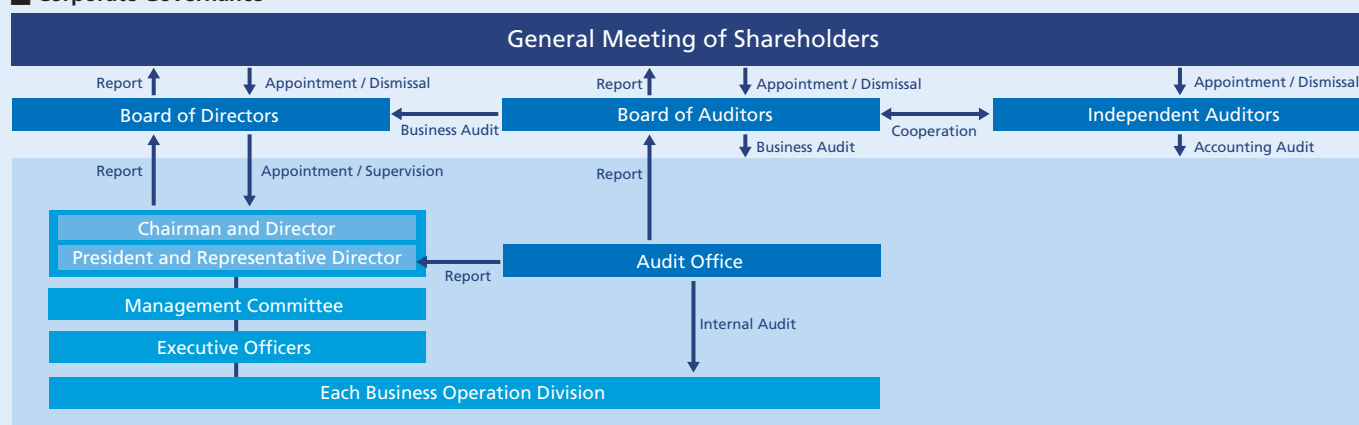
Relationships with External Directors and Corporate Auditors

Norio Okayama, one of the Company's external directors, is special advisor of Sumitomo Electric

Industries, Ltd. Kimio Toma, one of Sumitomo Rubber Industries' external corporate auditors, is also an advisor for Sumitomo Electric Industries as well as an external corporate auditor for Sumitomo Densetsu Co., Ltd. Although Sumitomo Rubber Industries purchases products from the two companies, terms and conditions of trading are not affected by their concurrent positions. While Hiroshi Izumitani, another external corporate auditor, holds the concurrent positions of advisor to Murata Manufacturing Co., Ltd. and of external corporate auditor for Nomura Research Institute, Ltd., there is no special interest between the said two companies and the Company. Furthermore, Tadao Kagono, the Company's external corporate auditor, is an external corporate auditor to both Santen Pharmaceutical Co., Ltd. and NTN Corporation. These companies also have no special interests with Sumitomo Rubber Industries.

Keizo Kosaka, the Company's external director appointed at its annual general meeting of shareholders on March 27, 2009, also serves as external director for Toyo Aluminium K.K. and Keyence Corporation, given his knowledge of corporate legal affairs as a lawyer. These companies also have no special interests with Sumitomo Rubber Industries.

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■ **Major Activities of External Directors and Corporate Auditors**
(April 1, 2008 to December 31, 2008)

Name	Status	Major activities
Norio Okayama	Director	Attendance at the Board of Directors meetings: 11 times out of 12 meetings Offering advice and comments based on a wealth of knowledge as an experienced business manager
Kimio Toma	Corporate auditor	Attendance at the Board of Directors meetings: 10 times out of 12 meetings Attendance at the Board of Auditors meetings: 10 times out of 12 meetings Offering advice and comments based on a wealth of knowledge, mainly regarding corporate auditing
Hiroshi Izumitani	Corporate auditor	Attendance at the Board of Directors meetings: 12 times out of 12 meetings Attendance at the Board of Auditors meetings: 12 times out of 12 meetings Offering advice and comments based on a wealth of knowledge, primarily regarding business management, finance and accounting
Tadao Kagono	Corporate auditor	Attendance at the Board of Directors meetings: 10 times out of 12 meetings Attendance at the Board of Auditors meetings: 11 times out of 12 meetings Offering advice and comments based on a wealth of knowledge, mainly as an academic expert

Implementation and Status of the Internal Control System

The Sumitomo Rubber Group is establishing a corporate structure to address the development and operation of an internal control system as stipulated in the Corporation Law, as well as internal control regarding financial reporting as required by the Financial Instruments and Exchange Law. To this end, the Group set up an Internal Control Project Management Office in January 2007 to promote all employees' understanding of internal control matters, while sharing information across the board. Together with this, the Group is reinforcing its information security system, reviewing its risk control structure and establishing related regulations.

Compliance and Risk Management 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 ensure that those employees who come forward are not penalized. Furthermore, the Company pays close attention to legal aspects by taking advice from a corporate attorney as circumstances demand.

Risk Management System

In the conduct of its business activities, the Sumitomo Rubber Group constantly confronts a variety of risks. These include but are not limited to risks relating to the Group's business operations, legal requirements, the environment, accidents and disasters. With regard to factors that have the potential to materially impact the Group's business activities, each division and department undertakes an analysis of potential risks and formulates appropriate countermeasures, which are discussed at management meetings. With regard to the environment, accidents and disasters, the Occupational Health and Safety Management Committee formulates appropriate countermeasures, which are deliberated at management meetings as and when required. In support of its risk management activities, the Group also receives advice from specialists such as corporate attorneys when necessary.