



To secure a position as a corporate group with “genuine value” that meets society’s expectations over the next 100 years, we will carry out structural reforms that enable us to firmly grasp the changing times. In so doing, we will make steady progress in achieving our Long-Term Vision.

Fiscal 2009 Overview

Q. Please give us your thoughts on the business environment and an overview of fiscal 2009 performance.

In the fiscal year under review, the Sumitomo Rubber Group was confronted with a business environment of unprecedented severity. In addition to a 30% year-on-year decrease in domestic automobile production that had a major impact on the sales of original equipment tires, demand in the replacement tire market also dropped substantially both in Japan and overseas. Furthermore, our Sports and Industrial and Other Products businesses were significantly affected by weak private-sector consumption and a slump in corporate capital investment.

Under such circumstances, the Group took urgent measures to boost profits to promptly bolster earnings. Such measures included: “drastic cutbacks of capital investment” based on reevaluation of

each project’s priority; “review of product lineups” in consideration of profitability; taking a creative approach to “enhance cost reduction”; the “improvement of administrative sections’ productivity” by conducting operational improvement activities; and “cutbacks in spending” by thoroughly reviewing current business operations. At the same time, we commenced structural reform to secure profit amid conditions of sluggish sales volume.

As a result of our efforts, although consolidated net sales for fiscal 2009 fell 13.3% year on year to ¥524,535 million, on the consolidated earnings front, operating income grew 12.0% to ¥28,739 million, and net income rose ¥8,072 million, up from ¥1,021 million in the previous fiscal year, to ¥9,093 million.

Q. Please provide details of the structural reform conducted in the fiscal year under review.

In conditions that are changing at breathtaking speed, we endeavored to further reinforce earnings capabilities by undertaking a comprehensive review of our conventional systems, organization and operational processes. During the fiscal year under review, we took the following measures to realize structural reform.

1. Reorganization and reinforcement of the sales network structure in the domestic replacement tire market

In pursuit of enhanced customer services and strengthened sales and earnings capabilities, we decided to streamline the number of domestic sales agencies that serve the domestic replacement tire market. The number of these agencies, which operate under our subsidiary, Dunlop Falken Tyres Ltd., was reduced in stages: from 22 to 19 on January 1, 2010, and then to 11 agencies on July 1 of the same year.

2. Merger of consolidated subsidiaries

On January 1, 2010, we absorbed the abovementioned subsidiary,

Dunlop Falken Tyres Ltd., as well as SRI Hybrid Limited, a subsidiary that handled production and sales of industrial products. Our intent was to further enhance operational efficiencies and business structure by concentrating management resources.

3. Production shift of main items from the Izumiotsu Factory

As countermeasures against such risks as large earthquakes, we decided to transfer production of radial passenger-car tires from the Izumiotsu Factory to three other domestic factories. All employees involved in production at the Izumiotsu Factory will keep their jobs by transferring to other business sites based on discussions held with the labor union.

Making ongoing efforts to implement comprehensive structural reform, the Group will realize a more agile and flexible organization to maximize operational efficiencies and reduce fixed costs. Together with this, we will strive to cut various expenditures through IT-based business streamlining.

Medium- to Long-Term Management Strategies

Q. Please tell us about the objectives and outline of the medium-term management plan announced recently.

▶ NUMERICAL TARGETS IN THE MEDIUM-TERM MANAGEMENT PLAN AND THE LONG-TERM VISION				
	2008 Result	2009 Result	2012 Target	2015 Target
Net sales	605.0	524.5	700.0	800.0
Operating income	25.7	28.7	62.0	10% or greater
Operating income ratio	4.2%	5.5%	8.9%	
Net income	1.0	9.1	28.0	5% or greater
Net income ratio	0.2%	1.7%	4.0%	
Interest-bearing debt	275.7	261.6	260.0	200.0
Equity ratio	28.3%	30.5%	35.0%	40.0%
Debt-to-equity ratio	1.5 times	1.4 times	1.1 times	0.7 times
ROA (operating income base)	3.9%	4.7%	9.0%	10.0% or greater
ROE	0.5%	4.9%	13.0%	15.0% or greater

We established the Sumitomo Rubber Group Long-Term Vision in 2006 as our 10-year strategy for growth. In this plan we set numerical targets that include consolidated net sales of ¥800 billion, an operating income ratio of 10% or greater and a net income ratio of 5% or greater in 2015. However, as we are all aware, the global recession from the second half of fiscal 2008 through fiscal 2009 caused intense market turbulence, and our sales, particularly in the Tire business, dropped substantially. Given this situation, we reviewed the growth strategies in our Long-Term Vision and established a medium-term management plan.

In this medium-term management plan, we aim to achieve consolidated net sales of ¥700 billion, an operating income ratio of 8.9% and

ACTION PLANS TO REALIZE THE MEDIUM-TERM MANAGEMENT PLAN

Tire Business

- (1) Acceleration of development and commercialization of fuel-efficient tires
- (2) Establishment of an optimal global tire production structure
- (3) Cost reduction from new perspectives
- (4) Securing the quality and stable procurement of natural rubber

Sports Business

Development of overseas businesses through synergy with Cleveland

Industrial and Other Products Business

Acceleration of business development for damping rubber and medical rubber parts

net income ratio of 4.0%. This is based on our anticipation that demand for tires, which fell from 2008 to 2009, will bounce back in 2010 to the 2008 level. Consequently, we expect that by 2012 we will see sales growth in the Tire, Sports and Industrial and Other Products businesses.

I believe that achieving our numerical targets stated in the Long-Term Vision is a distinct possibility so long as we are able to accomplish the goals set out in this medium-term management plan by fiscal 2012, its final year. The biggest challenge will be how to recover our earnings—which have fallen over the last two years—by 2012. To that end, we will strive to improve our earnings by strengthening products and cost competitiveness. Simultaneously, as the key to realizing this objective is the promotion of structural reform, we have positioned structural reform as a tenet of the medium-term management plan and set up action plans for each business.

Q. Please provide details of the Tire business action plan.

In the Tire business, we will focus on accelerating the development and commercialization of fuel-efficient tires; establishing an optimal global production structure; taking cost reduction measures from new perspectives; and securing the quality and stable procurement of natural rubber.

Acceleration of the Development and Commercialization of Fuel-Efficient Tires

Against the backdrop of a new tire labeling system commencing in January 2010 in Japan, it is obvious that the spread of fuel-efficient tires will gain momentum. We also anticipate growing demand for better-performing fuel-efficient tires in the original equipment market. We are fully aware that winning the competition to develop these tires is absolutely vital to our future as a tire manufacturer. Given this situation, we will strive to improve our capabilities in material development and production technology and to accelerate the development and commercialization of eco-friendly tires, including those that are fuel-efficient and fossil resource-free. A specific instance of such initiatives is the Material Development Headquarters, established in 2010. (For details of our strategy for eco-tires, please see pages 7-9.)

Establishment of an Optimal Global Tire Production Structure

It is critical to establish our advantage in overseas markets so as to realize future growth. Indeed, we have already launched sales subsidiaries

and commenced full-scale sales activities in such areas as Russia, Latin America and the Middle East, where demand expansion is anticipated. In North America, we will further reinforce the marketing capabilities of Falken Tire Corporation, while establishing Falken Tyre Europe GmbH in Germany in pursuit of expanded product sales under the Falken brand in Europe.

In line with strengthening our overseas sales network structure, we will promote the shift of production bases to overseas locations. As a major global business growth strategy, we are advancing a plan to double sales in the Asian replacement market by 2015. This plan will be underpinned by enhanced production at our factory in Thailand. Aiming for sales expansion in growth markets, Sumitomo Rubber Industries will make ongoing efforts in various fields to realize an optimal supply and demand balance and strengthened cost competitiveness, while eyeing the establishment of new supply bases mainly in emerging nations such as the BRICs.

Cost Reduction from New Perspectives

For the reduction of fixed costs, we will take across-the-board measures, including action to be taken at the head office, sales offices and factories, by promoting “problem visualization.” We firmly intend to cut costs dramatically for small-inch tires, which are expected to achieve growth in Japan and the rest of Asia.

Securing the Quality and Stable Procurement of Natural Rubber

In the development of eco-friendly tires, it is essential to secure the high quality and stable procurement of natural rubber. With this in mind, at the end of 2009 we decided to establish a natural rubber plantation and a processing factory jointly with a local company in Thailand. This is expected to further accelerate our R&D activities for eco-friendly tires, including the development of new rubber materials for fuel-efficient tires.

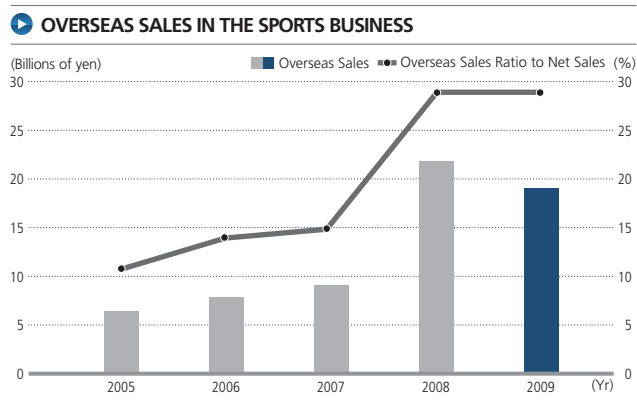


Q. Please give us an overview of the Sports business action plan.

In December 2007, Group company SRI Sports Limited acquired the U.S. golf club maker, Roger Cleveland Golf Company, Inc. and its five group companies in order to accelerate business growth in overseas markets. In the United States, the world's largest golf market, we are concentrating on sales expansion for SRIXON golf balls by leveraging Cleveland's marketing channels. Owing to such efforts, we doubled our market share to 4%*¹ in 2009. Gaining further momentum, we will strive to increase our share.

In the Long-Term Vision, our target for the Sports business is to achieve net sales of ¥100 billion by 2015. It is our conviction that achieving this goal will cement our position as one of the top three global golf goods companies. We will aggressively work toward this objective by making maximum use of Sumitomo Rubber Group's product development capabilities to introduce the industry's top

XXIO brand for the Japanese market as well as Cleveland's marketing capabilities in the United States.



*¹ Research conducted by Golf Datatech, LLC

CSR Initiatives

Q. Please provide us with an overview of your CSR activities.

Addressing corporate social responsibility (CSR) is indispensable for us to realize our Long-Term Vision. We have therefore positioned CSR activities as a key management issue. In February 2008, we established our CSR Activities' Fundamental Philosophy. Based on the philosophy underlying the implementation of our G-E-N-K-I activities, which proactively contribute to the environment and communities, we are 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."

Particularly for our environmental preservation activities, we have achieved zero emissions*² at all factories in Japan and overseas, switched the fuel used at tire factories to natural gas, and developed eco-friendly products including tires comprised 97% of fossil

resource-free materials. These achievements have received wide recognition, and accordingly, we have been certified as an Eco-First Company.*³ In addition, in the 13th Environmental Management Survey, conducted by Nikkei, Inc. and announced in December 2009, we moved up from the 29th position in the previous fiscal year to 13th place in the manufacturing industry category.

Furthermore, we adopted a corporate slogan for our CSR activities: “for you, for the earth” on the occasion of our 100th anniversary in

October 2009. With this in mind, we will make ongoing efforts to contribute to the environment and communities in order to become a trusted corporate citizen and part of a sustainable society—proactively disclosing details of our CSR activities both inside and outside the Group. (For details of CSR activities, please see pages 17-19.)

*² Zero emissions is achieved when the total landfill waste is less than 1% of total waste, and more than 99% of total waste is recycled.

*³ Companies that were certified by the Environment Minister for their commitment and achievements in playing a leading role in environmental activities in their industry

To Our Shareholders

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

During the fiscal year under review, we announced that annual cash dividends were set at ¥18 per share, comprising ¥10 per share for the interim dividend, which included ¥2 per share as a commemorative dividend for our 100th anniversary, and ¥8 per share for the year-end dividend.

The Sumitomo Rubber Group positioned fiscal 2010 as its key year to embark on a path toward new growth over the next 100 years. The Group’s business environment is expected to remain harsh against the backdrop of a further appreciation of the yen and raw material price hikes. Despite such adverse circumstances, we will make Groupwide efforts to carry out structural reform that paves the way for accomplishing the medium-term management plan and the Long-Term Vision.

Promoting dialogues with society and stakeholders, the Sumitomo Rubber Group will aim to remain as a corporate

group that can meet society’s expectations through its “genuine value.” We sincerely ask for your continued understanding and support.

