Financial Section

11-Year Summary of Consolidated Financial Data

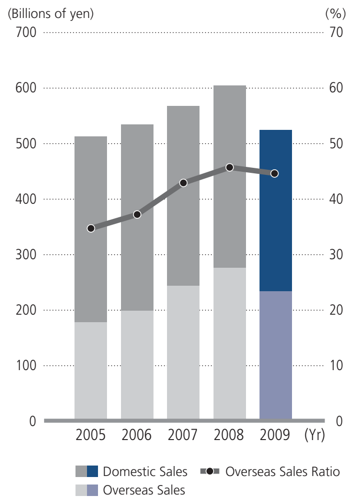
Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2009**	2008	2007	2006
For the year:				
Net sales	**¥524,535**	¥604,974	¥567,307	¥534,086
Cost of sales	**334,249**	412,824	368,783	342,856
Selling, general and administrative expenses	**161,547**	166,491	153,398	154,440
Operating income	**28,739**	25,659	45,126	36,790
Net income (loss)	**9,093**	1,021	19,499	27,586
Depreciation and amortization	**37,425**	35,475	30,165	27,052
Capital expenditures	**32,484**	49,601	53,205	45,308
Cash flows from operating activities	**64,525**	25,879	56,594	23,872
Cash flows from investing activities	**(34,260)**	(58,067)	(65,167)	(33,923)
Cash flows from financing activities	**(22,781)**	34,088	8,692	14,687
At year-end:				
Total assets	**¥613,230**	¥639,941	¥671,117	¥606,938
Net assets	**209,052**	202,642	250,799	223,852
Shareholders' equity	**—**	—	—	—
Interest-bearing debt	**261,572**	275,746	239,573	219,372
				Yen
Per share amounts:				
Net income (loss)	**¥ 34.66**	¥ 3.89	¥ 74.31	¥ 105.13
Net income—diluted	**—**	—	—	—
Cash dividends paid	**18.00**	18.00	20.00	20.00
				Percent
Key ratios:				
Operating income ratio	**5.5%**	4.2%	8.0%	6.9%
ROE	**4.9**	0.5	9.1	14.7
ROA (operating income base)	**4.7**	3.9	7.1	6.3
Equity ratio	**30.5**	28.3	33.9	33.3
Number of employees	**20,832**	20,369	18,410	16,031
Number of shares issued	**263,043,057**	263,043,057	263,043,057	263,043,057

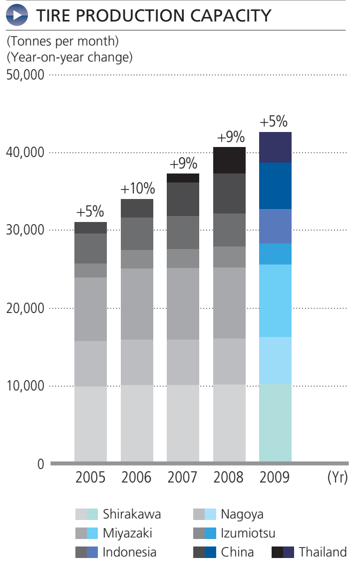
Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥92 per US$1.00, the approximate exchange rate prevailing at December 31, 2009.
2. In 1999, the Company changed its reporting entity due to the global alliance in the Tire business with Goodyear. The change reduced its net sales, operating income, total assets and interest-bearing debt but the effect to net income and shareholders' equity was immaterial. The Company changed its amortization method for past service liability of the contributory defined pension plan. This change reduced net income by ¥3,545 million.
3. In 2000, the Company changed the accounting policy for technical aid income and expense. As a result of these changes, net sales increased by ¥2,728 million and operating income increased by ¥1,665 million, however, there were no effects on net income.
4. From 2006, Sumitomo Rubber has applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) by the Accounting Standards Board of Japan (ASBJ) and the "Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" (ASBJ Guidance No. 8, December 9, 2005).
5. Depreciation and amortization, and capital expenditure figures include both tangible assets and intangible assets.

						Millions of yen	Thousands of U.S. dollars (Note 1)
2005	2004	2003	2002	2001	2000	1999	**2009**
¥512,838	¥470,562	¥450,491	¥447,893	¥434,463	¥423,247	¥509,215	**$5,701,467**
307,538	288,684	281,392	286,755	279,074	273,451	351,492	**3,633,141**
155,374	136,352	131,333	129,394	132,813	124,355	133,971	**1,755,946**
49,926	45,526	37,766	31,744	22,576	25,441	23,752	**312,380**
25,640	19,169	13,095	8,239	(7,207)	5,335	4,929	**98,837**
25,755	25,098	24,313	25,163	24,645	25,275	32,911	**406,794**
40,415	36,881	29,171	30,557	25,372	19,944	41,634	**353,087**
38,984	32,056	44,225	50,700	42,359	36,086	20,327	**701,359**
(42,878)	(37,622)	(28,545)	(31,269)	(25,284)	(21,685)	43,403	**(372,391)**
(3,376)	7,609	(20,821)	(19,628)	(15,172)	(25,690)	(64,559)	**(247,620)**
¥563,442	¥520,157	¥481,553	¥477,293	¥514,415	¥523,560	¥441,707	**$6,665,543**
—	—	—	—	—	—	—	**2,272,304**
174,267	145,492	110,395	101,633	107,391	109,995	97,475	**—**
205,751	201,929	210,681	220,085	241,600	252,143	223,727	**2,843,174**
						Yen	U.S. dollars (Note 1)
¥ 97.10	¥ 78.64	¥ 55.07	¥ 33.97	¥ (29.71)	¥ 23.24	¥ 22.57	**$ 0.377**
—	—	—	—	—	—	20.63	**—**
20.00	14.00	12.00	10.00	10.00	10.00	9.00	**0.196**
						Percent	
9.7%	9.7%	8.4%	7.1%	5.2%	6.0%	4.7%	
16.0	15.0	12.4	7.9	—	5.1	5.1	
9.2	9.1	7.9	6.4	4.4	5.3	4.5	
30.9	28.0	22.9	21.3	20.9	21.0	22.1	
17,433	16,737	15,573	15,312	15,123	15,348	—	
263,043,057	263,043,057	242,543,057	242,543,057	242,543,057	242,543,057	218,288,751	

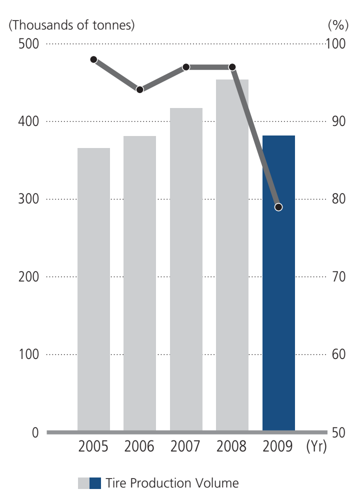
DOMESTIC AND OVERSEAS SALES



TIRE PRODUCTION CAPACITY



TIRE PRODUCTION VOLUME



SCOPE OF CONSOLIDATION

The Sumitomo Rubber Group's consolidated financial statements include those of Sumitomo Rubber Industries and its 74 consolidated subsidiaries, as well as 19 equity-method affiliates (9 nonconsolidated subsidiaries and 10 affiliated companies).

In fiscal 2009, ended December 31, 2009, two subsidiary companies were newly included in the Company's scope of consolidation, while two subsidiary companies were excluded. The newly consolidated subsidiaries are tire sales companies in the Middle East and Europe, and their new status as consolidated subsidiaries is due to their increased importance to Group business. As for the exclusion from consolidation of two subsidiaries, one was due to the restructuring of domestic sales subsidiaries in the Industrial and Other Products business, and the other was due to the realignment of overseas sales subsidiaries in the Sports business.

During the fiscal year under review, the number of the Group's equity-method affiliates declined by 19 due to the restructuring of the domestic tire retail network.

BUSINESS ENVIRONMENT

The world economy remained harsh in the beginning of fiscal 2009, reflecting the financial crisis and global recession. However, newly emerging nations such as China and India were a step ahead on the path to business recovery, and industrialized nations gradually followed suit after bottoming out. On the other hand, the Japanese economy was substantially impacted by the slowdown of the world economy due to its high degree of dependence on exports, resulting in sub-zero growth in the first quarter of fiscal 2009. This decline was followed by a recovery thanks to the overseas economic rebound and the Japanese government's measures to boost the economy. However, the second half of fiscal 2009 marked the sharpest appreciation of the yen against the U.S. dollar in 14 years. Therefore, the overall Japanese economy remained weak in the fiscal year under review.

The environment surrounding the Group remained harsh, as demonstrated by a large negative impact on the sales of tires for original equipment markets due to a 30% year-on-year drop in automobile production in Japan. Demand in the replacement tire market substantially dropped both in Japan and overseas. Furthermore, the Sports business and the Industrial and Other Products business also faced a decline in demand of unprecedented severity due to weak private-sector consumption and cutbacks in corporate capital investment.

REVENUES AND EARNINGS

In fiscal 2009, consolidated net sales fell 13.3% from the previous fiscal year to ¥524,535 million. Overseas sales declined 15.3% to ¥233,955 million, and the overseas sales ratio was down 1.1 percentage points to 44.6%.

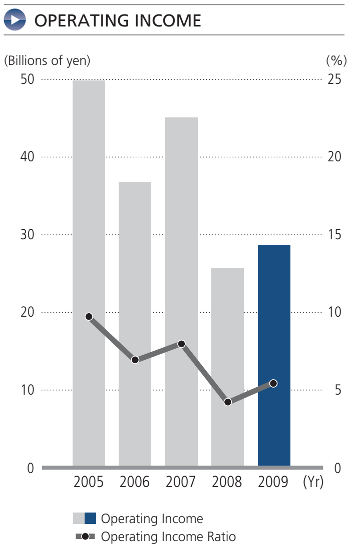
Cost of sales dropped 19.0% year on year to ¥334,249 million. The cost to sales ratio was down 4.5 percentage points to 63.7% due to the decline in raw material prices, while gross operating profit decreased 1.0% to ¥190,286 million. Selling, general and administrative expenses fell 3.0% year on year to ¥161,547 million. The ratio of selling, general and administrative expenses to net sales climbed 3.3 percentage points to 30.8%.

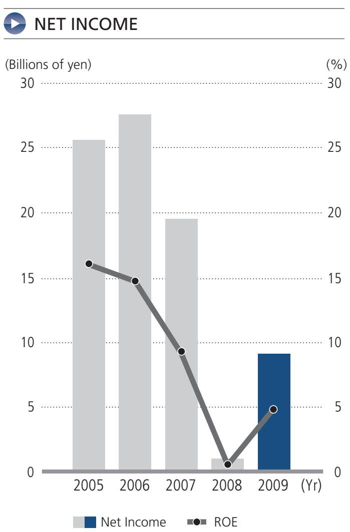
As a result, operating income for the fiscal year under review grew 12.0% to ¥28,739 million, while the operating income ratio rose 1.3 percentage points to 5.5%.

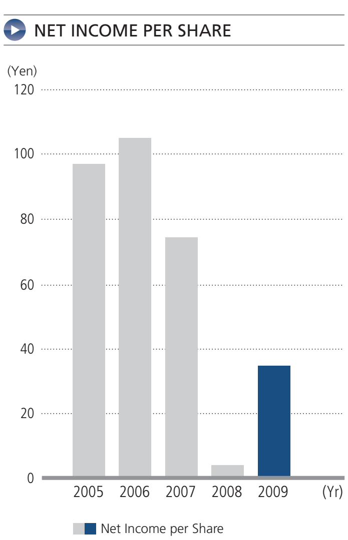
Net other income (expenses) declined from a negative ¥12,789 million in fiscal 2008 to a negative ¥11,443 million. Major factors included the posting of a gain on exchange compared to an exchange loss in the previous fiscal year. Furthermore, in addition to an increased equity in loss of unconsolidated subsidiaries and affiliates, which resulted from losses in line with the closure of the factory operated under a European joint venture with The Goodyear Tire & Rubber Company, the Company posted a ¥1,961 million loss on fixed asset impairment, reflecting the decision to shift production of main items from the Izumiotsu Factory.

Reflecting these factors, income before income taxes and minority interests in consolidated subsidiaries jumped 34.4% year on year to ¥17,296 million. Income taxes dropped 39.4% to ¥6,277 million, representing an effective tax rate of 36.3%, a decrease of 44.2 percentage points. After deducting minority interests in consolidated subsidiaries, net income surged 790.6% to ¥9,093 million.

Net income per share was ¥34.66, and ROE (net income base) grew 4.4 percentage points to 4.9%.







RESULTS BY INDUSTRY SEGMENT

Tire Business

Sales in the Tire business fell 13.5% year on year to ¥433,411 million, while operating income jumped 42.1% to ¥22,518 million. Despite the decrease in raw material prices, sales volume dropped significantly from the previous fiscal year due to sluggish demand from the second half of 2008. In order to address this situation, the Company strived to develop and commercialize new customer-oriented products, including those that raise the level of environmental and safety performance, while taking aggressive measures to expand sales in overseas markets. Furthermore, the Company made across-the-board efforts to secure profit by streamlining business operations and reducing costs.

Sports Business

Sales in the Sports business declined 12.2% year on year to ¥65,220 million, and operating income dropped 38.7% to ¥4,735 million. During the fiscal year under review, The XXIO—the fifth-generation of top-selling golf clubs—enjoyed ongoing popularity. However, the Sports business recorded a decrease in revenues and earnings due to the sluggish economy, despite efforts to leverage advantages from the business alliance with Cleveland in the Company's sales expansion activities.

Industrial and Other Products Business

Sales in the Industrial and Other Products business fell 12.6% to ¥25,904 million, and operating income dropped 21.7% to ¥1,419 million. Precision rubber parts for printers and photocopiers as well as building materials recorded a decrease in revenues and earnings due to stagnant private-sector consumption and corporate capital investment.

R&D EXPENSES

Research and development expenses declined 7.1% year on year to ¥17,983 million, and its ratio to consolidated net sales was 3.4%, up 0.2 of a percentage point from the previous fiscal year. The Tire business accounted for ¥14,896 million of these expenses, down 7.0% from the previous fiscal year, the Sports business ¥1,370 million, down 3.3%, and the Industrial and Other Products business ¥1,717 million, down 10.6%.

DIVIDENDS

Sumitomo Rubber Industries recognizes the return of gains to shareholders as a priority issue. While comprehensively assessing the standards for dividend payout ratios on a consolidated basis, performance prospects and retained earnings, the Group has adopted a basic policy of steadily rewarding shareholders over the long term. In addition, the Company has decided to distribute retained earnings twice a year as dividends. The year-end dividend payment is resolved at the General Shareholders' meetings, while the interim dividend payment is determined by the Board of Directors.

The full-year dividend for fiscal 2009 was ¥18.00 per share, which was comprised of a ¥10 interim dividend, including ¥2 per share as commemorative dividend, and ¥8 per share for the year-end dividend. The dividend payout ratio on a consolidated basis was 51.9%.

FINANCIAL POSITION

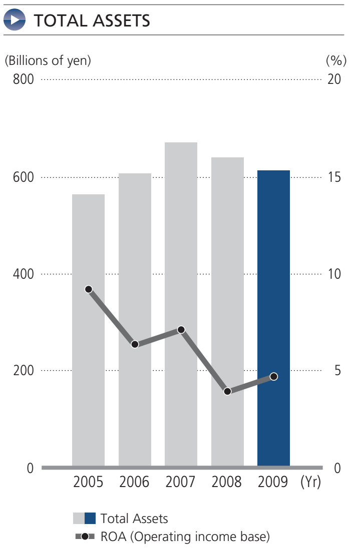
Total assets as of December 31, 2009 were down 4.2% year on year to ¥613,230 million.

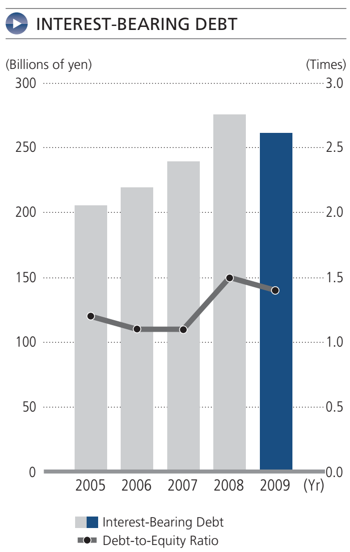
Total current assets declined 6.1% to ¥255,374 million, mainly reflecting the decrease in inventories.

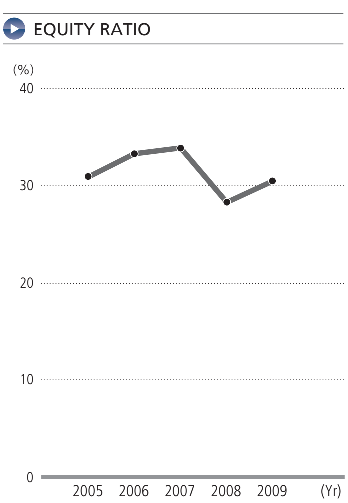
Total noncurrent assets decreased 2.8% year on year to ¥357,856 million due to the decrease in property, plant and equipment caused by restrained capital investment in such items as machinery and equipment.

As of the end of the fiscal year under review, total liabilities fell 7.6% to ¥404,178 million. Interest-bearing debt as of the fiscal 2009 year-end decreased ¥14,374 million to ¥261,572 million, and the debt-to-equity ratio improved from 1.5 times as of the previous fiscal year-end to 1.4 times.

Total net assets at the fiscal year-end rose 3.2% to ¥209,052 million, and net assets per share were ¥712.91, up from ¥689.70 at the previous fiscal year-end. As a result, the equity ratio (total net assets minus minority interests to total assets) at the end of fiscal 2009 grew 2.2 percentage points to 30.5%. ROA (operating income base) edged up 0.8 of a percentage point to 4.7%.







CAPITAL EXPENDITURES

During the fiscal year under review, the Sumitomo Rubber Group made capital expenditures of ¥32,484 million (including leased tangible assets), focusing mainly on the Tire business. This represented a 34.5% decrease from the previous fiscal year. The Tire business accounted for ¥29,379 million, down 37.5% year on year. This capital expenditure was used for facility renovation aimed at boosting and streamlining production and improving labor efficiency. The Sports business spent ¥1,195 million, down 29.6% from the previous fiscal year, for the improvement of golf ball production efficiency at SRI Sports Limited, and the Industrial and Other Products business used ¥1,910 million, up 108.7% year on year, to improve the production facilities of precision medical rubber parts at SRI Hybrid Limited. The necessary funds were furnished by a combination of cash on hand, borrowings and corporate bonds.

With the aim of addressing a significant decline in production due to rapidly deteriorated global demand since October 2008, the Sumitomo Rubber Group reviewed investments made to increase production in the Tire business over the past few years, and shrank the size of its capital expenditures. The Group will also curb investments in fiscal 2010, planning for capital expenditures of ¥36,400 million.

CASH FLOWS

Net cash provided by operating activities surged 149.3% year on year to ¥64,525 million, due mainly to increased income before income taxes and minority interests as well as decreased inventories and income taxes paid.

Net cash used in investing activities dropped 41.0% to ¥34,260 million. This was mainly attributable to the capital expenditure cutback implemented in order to respond to significantly reduced production in the Tire business.

Net cash used in financing activities was ¥22,781 million, a turnaround from net cash provided by financing activities of ¥34,088 million in the previous fiscal year. Net fund procurement and repayment, including short-term borrowings, the redemption of bonds and long-term debt, was a net repayment of ¥16,726 million. Dividends paid of ¥4,722 million also contributed to the result.

These activities, along with the effect of exchange rate changes on cash and cash equivalents as well as changes in the scope of consolidation and reporting entities, resulted in cash and cash equivalents at the end of the fiscal year under review jumping 48.6% to ¥27,527 million.

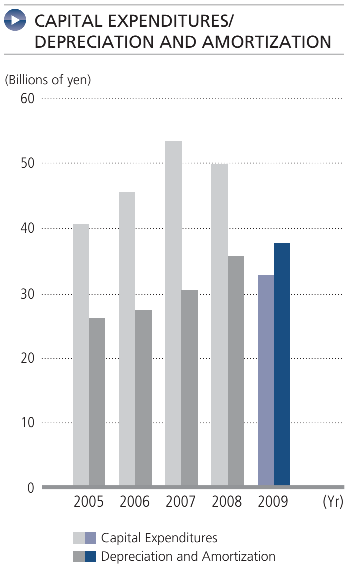
Free cash flow (net cash provided by operating activities less net cash used in investing activities) was a positive balance of ¥30,265 million. This was mainly attributable to income before income taxes and minority interests; decreased inventories and capital investment cutbacks to meet significant production reduction. The Sumitomo Rubber Group will aim to expand the inflow of cash from operating activities by increasing sales volumes and improving profitability at the same time. By doing so, the Group will make every effort to ensure both business growth and secured cash liquidity, as well as to enhance its financial standing.

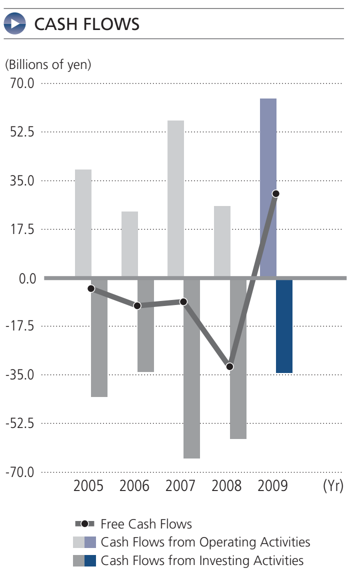
OUTLOOK

Looking at the future of the world economy, China and India are expected to be back on track for vigorous business growth. On the other hand, it is anticipated that the real economy in Europe and the United States will remain sluggish. The business environment surrounding the Sumitomo Rubber Group is also anticipated to remain harsh on the back of further appreciation of the yen and raw material price hikes.

With the aim of addressing such a severe business environment, the Group will further promote its across-the-board structural reform. This initiative will be undertaken to realize a more agile and flexible organization to maximize operational efficiencies and reduce fixed costs. In addition, we will strive to cut various expenditures through IT-based business streamlining.

In the Tire business, the Group will consolidate its leading position in the fuel-efficient tire market, which is currently showing a full-scale expansion, by highlighting its superior innovations accomplished through cooperation between the technical and sales divisions. In the Sports business, the Group will strive to develop its overseas businesses through the synergy of its business alliance with Cleveland, while accelerating the development of products that drive growth in the Industrial and Other Products business.





RISK INFORMATION

The Sumitomo Rubber Group has identified the following key risk factors that may affect its business performance and financial position.

Risk factors relating to future business results were determined based on information available to management as of the end of the fiscal year under review. The Group recognizes that such risks may occur, and it strives to address them accordingly.

Exchange Rate Fluctuations

Exchange rate fluctuations influence the value of the Group's exports, raw material procurement, foreign currency-denominated assets, liabilities and financial statements. The appreciation of the yen against foreign currencies such as the U.S. dollar may have an adverse effect on the Group's business performance and financial position. Since the Group has raised its consolidated overseas sales ratio from 25.2% in fiscal 2001 to 44.6% in fiscal 2009, the possibility exists that its results may be further affected by exchange rate fluctuations. The Sumitomo Rubber Group utilizes forward-exchange contracts and maintains a balance in its export and import activities on an individual currency basis with the aim of minimizing its exposure to exchange rate fluctuations. Such precautions, however, may not be sufficient to avoid all possible exchange rate fluctuation risks.

Changes in Raw Material Prices

The Sumitomo Rubber Group's principal raw materials are natural rubber, petrochemicals and metals. The Group's operating results may thus be affected by price increases in natural rubber, crude oil, steel and other related materials.

Changes in Interest Rates

Promoting the reduction of interest-bearing debt to improve its financial standing, the Group also implements countermeasures to minimize the risk of changes in interest rates by using diversified financing methods and interest rate swaps. Despite these efforts, the Group's operating results and financial position may be affected in the event of rising fund procurement costs due to an increase in interest rates in the medium and long term.

Product Quality

In accordance with prescribed quality standards, the Sumitomo Rubber Group undertakes full-scale measures to assure product quality. Yet it is difficult to reduce the number of defective products and customer complaints to zero. To offset the possibility of any claims for damages resulting from defective products, the Group retains appropriate indemnity insurance. Despite this initiative, there is the possibility that a claim may occur that cannot be compensated by insurance. Furthermore, costs associated with the resolution of claims as well as product recalls or exchanges may arise. Such incidents may affect the Group's operating results, financial position and social standing.

Alliance with Goodyear

Based on its alliance with Goodyear, the Group operates several joint ventures. Under the alliance, these joint ventures engage in tire production and sales in Europe and North America and tire sales in Japan, as well as the promotion of tire technology exchanges and procurement. The Group also maintains cross-shareholdings with Goodyear. As each joint venture is included in the Group's scope of consolidation as a consolidated subsidiary or an equity-method affiliate, changes in the alliance with Goodyear or the operating results of joint ventures may impact the Group's operating results.

Disasters

Concentrating on Japan and other Asian countries, the Sumitomo Rubber Group develops its business on a global scale. The Group's operating results may be affected directly or indirectly by such events as natural disasters, disease, war and terrorism. Such events may have a negative impact on the Group's operating results.

Consolidated Balance Sheets

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
December 31	**2009**	2008	**2009**
Assets			
Current assets:			
Cash and time deposits (Note 3)	**¥ 28,222**	¥ 19,187	**$ 306,761**
Notes and accounts receivable (Note 14)—			
Trade	**126,346**	117,451	**1,373,326**
Other	**13,978**	21,882	**151,935**
Allowance for doubtful accounts	**(1,900)**	(1,800)	**(20,652)**
Securities	**200**	1,000	**2,174**
Inventories (Note 4)	**74,444**	95,049	**809,174**
Short-term loans (Note 14)	**365**	6,384	**3,967**
Deferred tax assets (Note 10)	**9,082**	8,628	**98,717**
Other	**4,637**	4,131	**50,402**
Total current assets	**255,374**	271,912	**2,775,804**
Investments and other assets:			
Investments in securities (Note 5)	**16,788**	11,276	**182,478**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	**47,410**	57,757	**515,326**
Long-term loans	**382**	457	**4,152**
Deferred tax assets (Note 10)	**5,415**	5,153	**58,859**
Long-term prepaid expenses	**3,376**	4,076	**36,696**
Trademarks (Note 8)	**1,099**	1,397	**11,946**
Goodwill and other intangible assets	**14,237**	15,334	**154,750**
Prepaid pension cost (Note 11)	**26,800**	27,652	**291,304**
Other	**9,776**	9,986	**106,260**
Allowance for doubtful accounts	**(1,400)**	(1,350)	**(15,217)**
Total investments and other assets	**123,883**	131,738	**1,346,554**
Property, plant and equipment (Notes 7 and 9)**:**			
Land	**35,877**	37,125	**389,967**
Buildings and structures	**149,967**	139,335	**1,630,076**
Machinery and equipment	**438,534**	419,637	**4,766,674**
Leased assets	**1,708**	—	**18,565**
Construction in progress	**11,181**	14,732	**121,533**
Accumulated depreciation	**(403,294)**	(374,538)	**(4,383,630)**
Net property, plant and equipment	**233,973**	236,291	**2,543,185**
Total assets	**¥ 613,230**	¥ 639,941	**$ 6,665,543**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Note 9)	**¥ 63,592**	¥ 83,648	**$ 691,217**
Current portion of long-term debt (Note 9)	**23,967**	43,539	**260,511**
Notes and accounts payable (Note 14)—			
Trade	**60,495**	81,380	**657,554**
Construction	**5,482**	7,148	**59,587**
Other	**23,962**	22,475	**260,457**
Accrued expenses	**11,551**	10,720	**125,554**
Allowance for sales returns	**2,396**	1,820	**26,043**
Accrued income taxes (Note 10)	**4,196**	3,823	**45,609**
Other	**4,442**	4,482	**48,284**
Total current liabilities	**200,083**	259,035	**2,174,815**
Long-term liabilities:			
Long-term debt (Note 9)	**174,013**	148,559	**1,891,446**
Deferred tax liabilities (Note 10)	**10,792**	11,753	**117,304**
Accrued retirement benefits (Note 11)	**10,989**	10,593	**119,446**
Other	**8,301**	7,359	**90,228**
Total long-term liabilities	**204,095**	178,264	**2,218,424**
Contingent liabilities (Note 15)			
Net Assets			
Shareholders' equity (Note 19)**:**			
Common stock—			
Authorized: 800,000,000			
Issued: 263,043,057 shares in 2009 and 2008	**42,658**	42,658	**463,674**
Capital surplus	**38,661**	38,661	**420,228**
Retained earnings	**109,349**	112,601	**1,188,576**
Less treasury stock, at cost—			
2009—699,745 shares			
2008—696,200 shares	**(534)**	(531)	**(5,804)**
Total shareholders' equity	**190,134**	193,389	**2,066,674**
Valuation and translation adjustments			
Net unrealized gains on available-for-sale securities	**4,402**	957	**47,848**
Deferred losses on hedges	**(32)**	(461)	**(348)**
Translation adjustments	**(7,476)**	(12,945)	**(81,261)**
Total valuation and translation adjustments	**(3,106)**	(12,449)	**(33,761)**
Minority interests	**22,024**	21,702	**239,391**
Total net assets	**209,052**	202,642	**2,272,304**
Total liabilities and net assets	**¥613,230**	¥639,941	**$6,665,543**

Consolidated Statements of Income

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2009**	2008	**2009**
Net sales (Note 14)	**¥524,535**	¥604,974	**$5,701,467**
Cost of sales (Note 14)	**334,249**	412,824	**3,633,141**
Gross profit	**190,286**	192,150	**2,068,326**
Selling, general and administrative expenses	**161,547**	166,491	**1,755,946**
Operating income	**28,739**	25,659	**312,380**
Other income (expenses):			
Interest and dividend income	**1,156**	1,220	**12,565**
Interest expense	**(4,722)**	(4,766)	**(51,326)**
Loss on sales or disposal of property, plant, and equipment, net	**(772)**	(759)	**(8,391)**
Exchange loss, net	**244**	(4,757)	**2,652**
Equity in loss of unconsolidated subsidiaries and affiliates	**(3,519)**	(182)	**(38,250)**
Loss on fixed asset impairment (Note 17)	**(1,961)**	(590)	**(21,315)**
Group restructuring expenses	**—**	(573)	**—**
Other, net	**(1,869)**	(2,382)	**(20,315)**
	(11,443)	(12,789)	**(124,380)**
Income before income taxes and minority interests in consolidated subsidiaries	**17,296**	12,870	**188,000**
Income taxes (Note 10)**:**			
Current	**8,321**	7,269	**90,446**
Deferred	**(2,044)**	3,093	**(22,217)**
	6,277	10,362	**68,229**
Income before minority interests in consolidated subsidiaries	**11,019**	2,508	**119,771**
Minority interests in consolidated subsidiaries	**(1,926)**	(1,487)	**(20,934)**
Net income	**¥ 9,093**	¥ 1,021	**$ 98,837**

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥34.66**	¥3.89	**$0.377**
Cash dividends paid	**18.00**	18.00	**0.196**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at December 31, 2007	¥42,658	¥38,661	¥109,673	¥(524)	¥ 8,585	¥(314)	¥ 29,041	¥23,019	¥250,799
Disposal of treasury stock		0		2					2
Cash dividends			(5,247)						(5,247)
Net income			1,021						1,021
Repurchase of treasury stock				(9)					(9)
Effect of change in reporting entities			(5)						(5)
Increase due to merger of non-consolidated subsidiaries, net			43						43
Other			7,116		(7,628)	(147)	(41,986)	(1,317)	(43,962)
Balance at December 31, 2008	¥42,658	¥38,661	¥112,601	¥(531)	¥ 957	¥(461)	¥(12,945)	¥21,702	¥202,642

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at December 31, 2008	¥42,658	¥38,661	¥112,601	¥(531)	¥ 957	¥(461)	¥(12,945)	¥ 21,702	¥202,642
Effect arising from the change in accounting policies of foreign subsidiaries			**(293)**						**(293)**
Disposal of treasury stock		**(0)**		**0**					**0**
Cash dividends			**(4,722)**						**(4,722)**
Net income			**9,093**						**9,093**
Repurchase of treasury stock				**(3)**					**(3)**
Effect of change in reporting entities			**(12)**						**(12)**
Other			**(7,318)**		**3,445**	**429**	**5,469**	**322**	**2,347**
Balance at December 31, 2009	**¥42,658**	**¥38,661**	**¥109,349**	**¥(534)**	**¥ 4,402**	**¥ (32)**	**¥ (7,476)**	**¥ 22,024**	**¥209,052**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred losses on hedges	Translation adjustments	Minority interests	Total net assets
Balance at December 31, 2008	$463,674	$420,228	$1,223,924	$(5,771)	$ 10,402	$(5,011)	$(140,707)	$ 235,891	$2,202,630
Effect arising from the change in accounting policies of foreign subsidiaries			**(3,185)**						**(3,185)**
Disposal of treasury stock		**(0)**		**0**					**0**
Cash dividends			**(51,326)**						**(51,326)**
Net income			**98,837**						**98,837**
Repurchase of treasury stock				**(33)**					**(33)**
Effect of change in reporting entities			**(130)**						**(130)**
Other			**(79,543)**		**37,446**	**4,663**	**59,446**	**3,500**	**25,511**
Balance at December 31, 2009	**$463,674**	**$420,228**	**$1,188,576**	**$(5,804)**	**$ 47,848**	**$ (348)**	**$ (81,261)**	**$ 239,391**	**$2,272,304**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2009**	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests in consolidated subsidiaries	**¥ 17,296**	¥ 12,870	**$ 188,000**
Adjustments to reconcile income before income taxes and minority interests in consolidated subsidiaries to net cash provided by operating activities—			
Depreciation and amortization	**37,425**	35,475	**406,794**
Loss on fixed asset impairment	**1,961**	590	**21,315**
Loss on sales or disposal of property, plant and equipment, net	**772**	759	**8,391**
Equity in loss of unconsolidated subsidiaries and affiliates	**3,519**	182	**38,250**
Provision for allowance for doubtful accounts	**248**	351	**2,696**
Increase in accrued retirement benefits, net of payment	**238**	569	**2,587**
Decrease (Increase) in prepaid pension costs, net of payment	**851**	(1,044)	**9,250**
Interest and dividend income	**(1,156)**	(1,220)	**(12,565)**
Interest expense	**4,722**	4,766	**51,326**
(Increase) Decrease in notes and accounts receivable	**(5,224)**	9,292	**(56,783)**
Decrease (Increase) in inventories	**21,312**	(22,044)	**231,652**
(Decrease) Increase in notes and accounts payable—trade	**(20,850)**	10,935	**(226,630)**
Increase (Decrease) in accounts payable—other	**1,742**	(3,991)	**18,935**
Other	**6,456**	(2,112)	**70,174**
Subtotal	**69,312**	45,378	**753,392**
Interest and dividends received	**1,177**	6,100	**12,793**
Interest paid	**(4,867)**	(4,680)	**(52,902)**
Income taxes paid	**(1,097)**	(20,919)	**(11,924)**
Net cash provided by operating activities	**64,525**	25,879	**701,359**
Cash flows from investing activities:			
Capital expenditures	**(35,112)**	(56,238)	**(381,652)**
Proceeds from sales of property, plant and equipment, net of related outstanding receivables	**699**	450	**7,598**
Additional acquisition of shares in consolidated subsidiaries and affiliates from minority interests	**(194)**	(472)	**(2,109)**
Acquisition of shares of newly consolidated subsidiaries	**—**	(284)	**—**
Acquisition of investments in securities	**(15)**	(699)	**(163)**
Proceeds from sales of investments in securities	**—**	7	**—**
Acquisition of shares in unconsolidated subsidiaries and affiliates	**(438)**	(1,107)	**(4,761)**
Net decrease in short-term loans	**19**	661	**207**
Payments for long-term loans	**(59)**	(90)	**(641)**
Proceeds from collection of long-term loans	**88**	88	**957**
Proceeds from withdrawal of time deposits	**1,715**	969	**18,641**
Payments for purchase of time deposits	**(747)**	(1,043)	**(8,120)**
Other	**(216)**	(309)	**(2,348)**
Net cash used in investing activities	**(34,260)**	(58,067)	**(372,391)**
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	**(20,653)**	26,996	**(224,489)**
Proceeds from long-term debt and newly issued bonds	**47,504**	39,019	**516,348**
Repayments of long-term debt and redemption of bonds	**(43,577)**	(25,802)	**(473,663)**
Dividends paid	**(4,722)**	(5,247)	**(51,326)**
Dividends paid to minority interests	**(923)**	(870)	**(10,033)**
Net increase in treasury stock	**(3)**	(7)	**(33)**
Other	**(407)**	(1)	**(4,424)**
Net cash (used in) provided by financing activities	**(22,781)**	34,088	**(247,620)**
Effect of exchange rate changes on cash and cash equivalents	**59**	(2,969)	**641**
Net increase (decrease) in cash and cash equivalents	**7,543**	(1,069)	**81,989**
Cash and cash equivalents at beginning of year	**18,526**	18,361	**201,370**
Increase in cash and cash equivalents due to change in reporting entities	**1,458**	1,234	**15,848**
Cash and cash equivalents at end of year (Note 3)	**¥ 27,527**	¥ 18,526	**$ 299,207**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries
December 31, 2009 and 2008

1. Major Policies Applied in Preparing Consolidated Financial Statements

The accompanying consolidated financial statements are a translation of the financial statements publicly issued in Japan and have been modified to enhance foreign readers' understanding. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the notes to the consolidated financial statements include financial information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts appearing in the consolidated financial statements are included solely for convenience. These U.S. dollar translations should not be construed as representations that the Japanese yen amounts actually represent U.S. dollars or have been or could be converted into U.S. dollars. The rate of ¥92=U.S.$1.00, the approximate rate prevailing at December 31, 2009, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

2. Significant Accounting Policies

(1) Consolidation and accounting for investments in affiliates

The consolidated financial statements consist of the accounts of Sumitomo Rubber Industries, Ltd. (the "Company") and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet dates. All significant intercompany transactions and accounts are eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates (companies in which the Company has a 20% to 50% ownership interest) are, with minor exceptions, accounted for on an equity basis. Using an equity basis, investments are stated at cost plus/minus the Company's equity in undistributed earnings or losses. Consolidated net income includes the Company's equity in current earnings or losses of such companies after the elimination of unrealized intercompany profits.

DUNLOP TIRE CIS Limited Liability Company, whose operations became significant in 2008, is included in the 2008 consolidation. In 2008, SRI Research and Development Ltd. was merged with Sumitomo Rubber Industries, Ltd.; Dunlop Sports Kyusyu Co., Ltd. was merged with Dunlop Sports Co., Ltd.; and Srixon Sports USA Inc. was merged with Roger Cleveland Golf Company, Inc. Also in 2008, Riviera S.A.S., Belfry Golf, Ltd. and Cleveland Deutschland GmbH transferred their business to Srixon Sports Europe Ltd., and Riviera S.A.S. was liquidated. The Company decided to exclude Belfry Golf, Ltd. and Cleveland Deutschland GmbH from consolidation because their operations became insignificant in 2008.

SUMITOMO RUBBER MIDDLE EAST FREE ZONE ESTABLISHMENT and Falken Tyre Europe GmbH, whose operations became significant in 2009, are included in the 2009 consolidation. Also in 2009, Sumirubber Industries Shikoku, Ltd. was merged with Sumirubber Industries, Ltd., and Cleveland Golf Asia, Ltd. was liquidated.

All consolidated subsidiaries are consolidated using the same fiscal period as that of the Company.

If there is a change in the reporting entity, the consolidated financial statements are not restated. The effect of the change is directly debited or credited to retained earnings during the period.

The differences between the cost of and the underlying net equity in investments in consolidated subsidiaries and affiliates accounted for on an equity basis are recognized when those companies are initially included in consolidation or accounted for by the equity method. Generally, such differences are amortized using the straight-line method within 20 years. The difference related to Goodyear Dunlop Tires Europe B.V. is being amortized over a 10-year period, and it has just been fully amortized during the fiscal year ended December 31, 2009. The difference related to Cleveland Golf Group is scheduled to be amortized over 15 years from 2008. Minor differences are charged or credited to income as incurred.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.

(3) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at current rates at the balance sheet date, and the resulting translation gains or losses are charged to income to the extent that they are not hedged by forward exchange contracts.

In preparing the accompanying consolidated financial statements, the asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates, and shareholders' equity is translated at historical exchange rates. Revenue and expense accounts of foreign subsidiaries and affiliates are translated at the average rates of exchange prevailing during the year. The resulting translation adjustments are shown as a component of net assets.

(4) Marketable securities and investments in securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains and losses, net of applicable taxes, recorded as a component of net assets. Securities with no fair market value are stated at cost. Losses on significant declines in the fair value of securities that are not temporary are charged to income. The cost of securities sold is determined based on the average cost of all shares of the securities held at the time of sale.

(5) Derivative financial instruments and hedging

The Company and its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts, currency swap contracts and interest rate swap contracts, in order to offset risks associated with fluctuations in currency exchange rates and interest rates with respect to financial assets and liabilities in accordance with internal policies and procedures.

a. Hedge accounting

The Company and its consolidated subsidiaries have adopted a method for hedging instruments that defers the recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related gain or loss on the hedged item is recognized.

All derivatives are stated at fair value. However, when foreign exchange forward contracts meet certain conditions, accounts receivable and accounts payable covered by these contracts are translated using the contract rate. In addition, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged item.

Hedging instruments and hedged items are summarized as follows:

Hedging instruments	Hedged items
Foreign exchange forward contracts	Accounts receivable and accounts payable in foreign currencies and forecasted transactions
Currency swap contracts	Short-term borrowings and long-term debt
Interest rate swap contracts	Short-term borrowings and long-term debt, bonds

b. Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge market or interest rate fluctuation risks in accordance with their internal policies and procedures.

c. Method for assessing hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing the cumulative changes in fair value or the cumulative changes in cash flow on hedging instruments with those of the related hedged items from the commencement of the hedge.

(6) Inventories

Inventories are mainly stated at the lower of average cost or market. Effective as of the fiscal year ended December 31, 2009, the Company and its domestic consolidated subsidiaries have adopted the “Accounting Standard for Measurement of Inventories” (“ASBJ Statement No. 9” issued by the Accounting Standards Board of Japan on July 5, 2006). As a result of this change, operating income and income before income taxes and others were ¥694 million ($7,543 thousand) less than they would have been with the previous method.

(7) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts principally at an amount based on the historical bad debt ratio during certain reference periods plus the estimated uncollectible amount of certain individual accounts.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method, except for assets held at the Company’s head office, the Nagoya factory and some domestic consolidated companies. These latter assets are depreciated using the declining balance method over the estimated useful lives of the assets.

The estimated useful lives of assets from the major classes of depreciable assets range from 2 to 60 years for buildings and structures and from 2 to 20 years for machinery and equipment.

In fiscal 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery based on a reassessment of the useful lives in light of revisions in the Japanese Corporate Tax Law (the “Tax Law”) in 2008. As a result of this change, operating income was ¥1,075 million ($11,685 thousand) less and income before income taxes and others was ¥1,088 million ($11,826 thousand) less than they would have been with the previous method.

In fiscal 2008, in accordance with the revised Tax Law, for tangible fixed assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries started to depreciate the remaining balance of an asset over a five-year period using the straight-line method from the year following the fiscal year when the book value decreases to 5% of the acquisition cost determined by the method of depreciation under the Tax Law before revision. As a result of this change, operating income was ¥1,968 million less and income before income taxes and others was ¥1,974 million less than they would have been with the previous method.

(9) Accounting for leases

Leased assets are accounted for using the straight-line method in which it is assumed that the useful life is the lease period and that the residual value of the relevant asset is zero at the end of the leased period. Finance lease transactions executed on or before December 31, 2008 which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

In fiscal 2009, in accordance with the Accounting Standard for Lease Transactions (“ASBJ Statement No.13” issued by the Accounting Standards Board of Japan on March 30, 2007) and the Implementation Guidance on the Accounting Standard for Lease Transactions (“ASBJ

Guidance No.16" issued by the Accounting Standards Board of Japan on March 30, 2007), finance leases which do not transfer ownership were accounted for as purchase and sale transactions. They had been accounted for in the same manner as operating leases with the disclosure of certain "as if capitalized" information until fiscal 2008. This change had no material effect on income or segment information. Any effects from the above-mentioned change for this fiscal year have been insignificant.

(10) Intangible assets
Intangible assets are stated at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful life of the asset.

(11) Research and development expenses
Research and development expenses are charged to income when incurred.

(12) Allowance for sales returns
An allowance for sales returns is provided for losses incurred on the return of snow tires sold during the fiscal year but returned subsequent to the balance sheet date. The allowance is based on an estimate using the average rate of such returns in prior years.

(13) Accrued retirement benefits
Liabilities and expenses for retirement and severance benefits are accounted for based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the balance sheet date. Accrued retirement benefits for directors and statutory auditors of certain consolidated subsidiaries, which are included in long-term liabilities—other, are recorded at an amount equivalent to 100% of such benefits that the subsidiaries would be required to pay at the balance sheet date based on their internal rules. Payments of benefits are subject to resolution at the shareholders' meeting.

(14) Income taxes
The income statements of the Company and its consolidated subsidiaries include many items for financial reporting purposes which, in case of costs and expenses, are not currently tax deductible and, in the case of income, are not currently taxable. The Company and its consolidated subsidiaries have adopted interperiod income tax allocation using the asset and liability method of accounting with respect to all such temporary differences, including tax loss carryforwards.

(15) Per share amounts
Net income per share is computed based on the average number of shares outstanding during each period. Diluted net income per share is not presented because there were no outstanding common stock equivalents as of December 31, 2009 or December 31, 2008.

(16) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(17) Reclassifications
Certain reclassifications of previously reported amounts have been made to conform with current classifications.

(18) Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
On May 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 provides that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. As a result of this change, the beginning balance of retained earnings was ¥293 million ($3,185 thousand) less than it would have been without the change. The effect of the change on the income statement and segment information for this fiscal year was insignificant.

3. Cash Flow Information

Reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and time deposits	**¥28,222**	¥19,187	**$306,761**
Securities	**200**	1,000	**2,174**
Time deposits with a maturity of over three months	**(894)**	(1,661)	**(9,717)**
Cash and cash equivalents	**¥27,527**	¥18,526	**$299,207**

4. Inventories

Inventories as of December 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished goods	**¥49,741**	¥59,341	**$540,663**
Raw materials	**15,153**	24,322	**164,707**
Work-in-process	**3,723**	5,568	**40,467**
Supplies	**5,827**	5,818	**63,337**
	¥74,444	¥95,049	**$809,174**

5. Investments in Securities

As of December 31, 2009 and 2008, the cost, book value and related unrealized gains and losses pertaining to available-for-sale securities with readily determinable fair values of marketable equity securities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Available-for-sale securities:			
Cost	**¥ 8,646**	¥ 8,647	**$ 93,978**
Book value	**15,822**	10,199	**171,978**
Unrealized gains	**7,571**	2,940	**82,293**
Unrealized losses	**(395)**	(1,388)	**(4,293)**

6. Derivative Financial Instruments

Fair value information regarding derivative financial instruments as of December 31, 2009 and 2008 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			**2009**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Currency related contracts:									
Forward foreign exchange contracts									
To buy foreign currencies	**¥ 543**	**¥ 4**	**¥ 4**	¥170	¥152	¥(18)	**$ 5,902**	**$ 43**	**$ 43**
To sell foreign currencies	**6,062**	**(130)**	**(130)**	626	594	31	**65,891**	**(1,413)**	**(1,413)**
Currency swap contracts:	**3,295**	**(71)**	**(71)**	—	—	—	**35,815**	**35,043**	**(772)**
			¥ (197)			¥ 13			**$ (2,142)**

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			**2009**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain	Contract amount	Fair value	Unrealized gain (loss)
Interest rate related contracts:									
Interest rate swap contracts									
Receive variable rate, give fixed rate	**¥20,552**	**¥(540)**	**¥ (60)**	¥21,820	¥(474)	¥ 70	**$223,391**	**$(5,870)**	**$(651)**
Give variable rate, receive fixed rate	**42,600**	**429**	**58**	59,600	371	50	**463,043**	**4,663**	**630**
			¥ (2)			¥120			**$ (22)**

7. Property, Plant and Equipment

Depreciation expenses for the years ended December 31, 2009 and 2008 were ¥33,378 million ($362,804 thousand) and ¥31,201 million, respectively.

8. Trademarks

For the years ended December 31, 2009 and 2008, amortization expenses for capitalized trademarks were ¥351 million ($3,815 thousand) and ¥341 million, respectively.

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings, other than commercial paper, of ¥51,592 million ($560,782 thousand) and ¥67,648 million as of December 31, 2009 and 2008 bore interest ranging from 0.05% to 4.62% and from 0.95% to 7.76% per annum, respectively.

Commercial paper, included in short-term borrowings, of ¥12,000 million ($130,435 thousand) as of December 31, 2009 and ¥16,000 million as of December 31, 2008 bore interest ranging from 0.125% to 0.129% and from 1.21% to 1.60% per annum, respectively.

Finance lease obligations, included in short-term borrowings, were ¥299 million ($3,250 thousand) as of December 31, 2009.

Long-term debt as of December 31, 2009 and 2008 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
1.15% unsecured bonds due 2009 payable in Japanese yen	**—**	¥ 20,000	**—**
1.08% unsecured bonds due 2010 payable in Japanese yen	**¥ 10,000**	10,000	**$ 108,696**
0.74% unsecured bonds due 2011 payable in Japanese yen	**20,000**	20,000	**217,391**
1.83% unsecured bonds due 2013 payable in Japanese yen	**10,000**	10,000	**108,696**
1.84% unsecured bonds due 2014 payable in Japanese yen	**10,000**	10,000	**108,696**
1.25% unsecured bonds due 2014 payable in Japanese yen	**10,000**	—	**108,696**
2.19% unsecured bonds due 2017 payable in Japanese yen	**5,000**	5,000	**54,348**
2.17% unsecured bonds due 2018 payable in Japanese yen	**10,000**	10,000	**108,696**
2.07% unsecured bonds due 2019 payable in Japanese yen	**10,000**	—	**108,696**
Loans payable to banks and other financial institutions due from 2010 to 2019, with interest of 0.64% to 5.41% for 2009 and 2008			
Secured	**13,000**	16,112	**141,304**
Unsecured	**98,069**	90,986	**1,065,965**
Current portion of long-term debt and finance lease obligations	**1,911**	—	**20,772**
	197,980	192,098	**2,151,956**
Less portion due within one year	**23,967**	43,539	**260,511**
	¥174,013	¥148,559	**$1,891,445**

The aggregate annual maturities of long-term debt as of December 31, 2009 were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 23,967	$ 260,511
2011	36,038	391,717
2012	19,832	215,565
2013	24,387	265,076
2014	51,793	562,967
2015 and thereafter	41,963	456,120
	¥197,980	$2,151,956

Substantially all loans from banks and other financial institutions are under agreements which provide that under certain conditions a borrower may be required to provide collateral (or additional collateral) or guarantors with respect to the loans and that collateral, whether furnished as security for short-term or long-term loans or otherwise, may be treated by the lender as collateral for all indebtedness to that bank or financial institutions. Default provisions in the agreements grant certain rights of possession to the banks and other financial institutions.

As of December 31, 2009, property, plant and equipment amounting to ¥24,612 million ($267,522 thousand), net of accumulated depreciation, was pledged as collateral for long-term debt and short-term borrowings amounting to ¥13,000 million ($141,304 thousand).

10. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes in Japan which, in the aggregate, indicate a normal cumulative statutory tax rate of approximately 40.4% for the years ended December 31, 2009 and 2008.

Significant differences between the normal cumulative statutory tax rate and the effective tax rate in the consolidated statements of income for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Normal cumulative statutory tax rate	**40.4%**	40.4%
Equity in loss of unconsolidated subsidiaries and affiliates	**8.2**	—
Dividends, eliminated for consolidation, from foreign subsidiaries and affiliates	**2.4**	23.7
Expenses not deductible for tax purposes	**1.8**	2.7
Depreciation of goodwill	**1.1**	—
Difference in statutory tax rates of foreign subsidiaries	**(9.2)**	(3.8)
Foreign tax credits	**(3.6)**	(23.5)
Tax credits for research and development costs	**(3.6)**	(5.1)
Valuation allowance	**(0.4)**	48.5
Other	**(0.8)**	(2.4)
Effective tax rate per consolidated statements of income	**36.3%**	80.5%

Significant components of deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Provision for doubtful accounts	**¥ 1,126**	¥ 1,073	**$ 12,239**
Unrealized profits	**5,562**	6,190	**60,457**
Tax loss carryforwards	**6,325**	5,842	**68,750**
Provision for accrued retirement benefits	**1,851**	1,649	**20,120**
Loss on impairment of fixed assets	**2,297**	1,669	**24,967**
Accrued business enterprise tax	**349**	713	**3,793**
Accrued bonuses	**886**	859	**9,630**
Allowance for sales returns	**968**	735	**10,522**
Unrealized intercompany profits on inventories	**1,101**	886	**11,967**
Loss on impairment of investment securities	**—**	548	**—**
Advertising	**804**	669	**8,739**
Undistributed losses of consolidated subsidiaries	**841**	—	**9,141**
Depreciation	**436**	—	**4,739**
Write-down of investment in affiliates	**—**	304	**—**
Incentive bonuses	**851**	811	**9,250**
Foreign tax credits	**320**	727	**3,478**
Loss on impairment of golf club memberships	**339**	341	**3,685**
Other	**3,872**	4,103	**42,088**
Total deferred tax assets	**¥ 27,928**	¥ 27,119	**$ 303,565**
Less valuation allowance	**(9,694)**	(10,551)	**(105,369)**
Net deferred tax assets	**¥ 18,234**	¥ 16,568	**$ 198,196**
Deferred tax liabilities:			
Deferred gains on sales of property, plant and equipment	**¥ (2,366)**	¥ (2,547)	**$ (25,717)**
Unrealized gains on available-for-sale securities	**(2,814)**	(619)	**(30,587)**
Provision for accrued retirement benefits	**(5,783)**	(7,656)	**(62,859)**
Unrealized gain on land of a consolidated subsidiary	**(1,328)**	(1,384)	**(14,435)**
Other	**(2,240)**	(2,541)	**(24,348)**
Total deferred tax liabilities	**¥(14,531)**	¥(14,747)	**$(157,946)**

Deferred income taxes, net, as of December 31, 2009 are included in the following accounts:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Current assets—deferred tax assets	**¥ 9,082**	**$ 98,717**
Investments and other assets—deferred tax assets	**5,415**	**58,859**
Current liabilities—deferred tax liabilities	**(2)**	**(22)**
Long-term liabilities—deferred tax liabilities	**(10,792)**	**(117,304)**

11. Accrued Retirement Benefits

Upon terminating employment, employees of the Company and the domestic consolidated subsidiaries are entitled, under most circumstances, to lump-sum indemnities or pension (annuity) payments. For an employee who voluntarily retires under normal circumstances, a minimum payment amount is calculated based on the rate of pay at the time of retirement, length of service and conditions under which the employee retires. In calculating the payment amount for an employee who retires involuntarily, including an employee who retires due to reaching the mandatory retirement age, the Company or the domestic consolidated subsidiaries may grant additional benefits.

Most of the foreign subsidiaries have defined benefit pension plans or severance indemnity plans that cover substantially all of their employees and under which the cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on rates of pay at the time of retirement and length of service.

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of December 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Benefit obligation	**¥(48,852)**	¥(48,548)	**$(531,000)**
Fair value of plan assets	**55,389**	49,904	**602,054**
Funded status:			
Benefit obligation in excess of plan assets	**6,537**	1,356	**71,054**
Unrecognized actuarial differences	**11,760**	18,472	**127,826**
Unrecognized prior service cost	**(2,486)**	(2,769)	**(27,022)**
Subtotal	**15,811**	17,059	**171,858**
Prepaid pension cost	**26,800**	27,652	**291,304**
Accrued retirement benefits	**¥(10,989)**	¥(10,593)	**$(119,446)**

The Company and certain consolidated subsidiaries abolished the retirement benefit plans for directors and statutory auditors in March, 2005. The accrued retirement benefits for directors and statutory auditors, amounting to ¥325 million ($3,533 thousand) and ¥343 million as of December 31, 2009 and 2008 respectively, were excluded from the above table.

Retirement and pension costs of the Company and its consolidated subsidiaries for the years ended December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service cost	**¥2,309**	¥ 2,205	**$25,098**
Interest cost	**834**	844	**9,065**
Expected return on plan assets	**(917)**	(1,083)	**(9,967)**
Amortization of actuarial differences	**1,388**	(36)	**15,087**
Amortization of prior service cost	**(287)**	(288)	**(3,120)**
Severance and retirement benefit expenses	**¥3,327**	¥ 1,642	**$36,163**
Contributions to the defined contribution pension plan	**633**	616	**6,880**
Net periodic benefit costs	**¥3,960**	¥ 2,258	**$43,043**

The discount rate used by the Company and the domestic consolidated subsidiaries was mainly 2.0% in 2009 and 2008, and the expected return on plan assets was mainly 2.5% in 2009 and 2008. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial losses are recognized in the statements of income using the straight-line method, mainly over a period of 15 years. The amortization periods for prior service cost is mainly 15 years.

12. Research and Development Expenses

Research and development expenses for the years ended December 31, 2009 and 2008 were ¥17,983 million ($195,467 thousand) and ¥19,351 million, respectively.

13. Segment Information

The Company and its consolidated subsidiaries operate principally in three industries: Tires, Sports and Industrial and Other Products.

Operations in the Tires segment involve the production and sale of a wide range of tires for a variety of vehicles and applications such as passenger cars, trucks, buses, motorcycles and industrial applications. Operations in the Sports segment involve the production and sale of a variety of sporting goods, principally golf balls, golf clubs, golf bags and tennis balls. Operations in the Industrial and Other Products segment involve the production and sale of a variety of rubber and rubber-based products, including vibration-control products, flooring for gymnasiums, all-weather tennis courts, track and field facilities, marine fenders, precision rubber parts for office machines, and blankets for offset printing presses.

In accordance with Japanese accounting standards, capital expenditures included in the segment information comprise the acquisition of tangible assets, depreciable assets such as long-term prepaid expenses, trademarks and other intangible assets.

(1) Information by industry segment

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2009**	2008	**2009**
Net sales:			
Tires—			
Sales to unaffiliated customers	**¥433,411**	¥501,063	**$4,710,989**
Intersegment sales and transfers	**61**	283	**663**
	433,472	501,346	**4,711,652**
Sports—			
Sales to unaffiliated customers	**65,220**	74,289	**708,913**
Intersegment sales and transfers	**345**	400	**3,750**
	65,565	74,689	**712,663**
Industrial and Other Products—			
Sales to unaffiliated customers	**25,904**	29,622	**281,565**
Intersegment sales and transfers	**670**	1,559	**7,283**
	26,574	31,181	**288,848**
Adjustments and eliminations	**(1,076)**	(2,242)	**(11,696)**
	¥524,535	¥604,974	**$5,701,467**
Operating income:			
Tires	**¥ 22,518**	¥ 15,849	**$ 244,761**
Sports	**4,735**	7,719	**51,467**
Industrial and Other Products	**1,419**	1,813	**15,424**
	28,672	25,381	**311,652**
Adjustments and eliminations	**67**	278	**728**
	¥ 28,739	¥ 25,659	**$ 312,380**
Identifiable assets:			
Tires	**¥521,233**	¥547,914	**$5,665,576**
Sports	**55,227**	58,309	**600,293**
Industrial and Other Products	**23,287**	23,648	**253,120**
	599,747	629,871	**6,518,989**
Corporate assets and eliminations	**13,483**	10,070	**146,554**
	¥613,230	¥639,941	**$6,665,543**
Capital expenditures:			
Tires	**¥ 30,031**	¥ 49,651	**$ 326,424**
Sports	**1,435**	1,995	**15,598**
Industrial and Other Products	**1,955**	910	**21,250**
	33,421	52,556	**363,272**
Corporate assets and eliminations	**0**	0	**0**
	¥ 33,421	¥ 52,556	**$ 363,272**
Depreciation and amortization:			
Tires	**¥ 34,588**	¥ 32,542	**$ 375,957**
Sports	**1,804**	1,750	**19,609**
Industrial and Other Products	**1,033**	1,183	**11,228**
	37,425	35,475	**406,794**
Corporate assets and eliminations	**0**	0	**0**
	¥ 37,425	¥ 35,475	**$ 406,794**

Years ended December 31	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Loss on asset impairment:			
Tires	**¥ 1,618**	¥ 522	**$ 17,587**
Sports	**101**	68	**1,098**
Industrial and Other Products	**242**	0	**2,630**
	1,961	590	**21,315**
Corporate assets and eliminations	**0**	0	**0**
	¥ 1,961	¥ 590	**$ 21,315**

a. Assets included in "Corporate assets and eliminations" of ¥13,738 million ($149,326 thousand) and ¥10,314 million at December 31, 2009 and 2008, respectively, consist mainly of cash and time deposits, investment securities and administration divisions owned by the Company.

b. Changes in accounting policies and estimates

As stated in "Notes to Consolidated Financial Statements" Note 2(6), in fiscal 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" ("ASBJ Statement No. 9" issued by the Accounting Standards Board of Japan on July 5, 2006). The effect of this change was to decrease operating income by ¥672 million ($7,304 thousand) in the Tires segment and ¥22 million ($239 thousand) in the Industrial and Other Products segment in fiscal 2009 compared to the amounts that would have been recorded without the adoption.

As stated in "Notes to Consolidated Financial Statements" Note 2(8), in fiscal 2009, the Company and its domestic consolidated subsidiaries changed the estimate of the useful lives of machinery. The effect of this change was to decrease operating income by ¥1,012 million ($11,000 thousand) in the Tires segment, ¥34 million ($370 thousand) in the Sports segment and ¥29 million ($315 thousand) in the Industrial and Other Products segment in fiscal 2009 compared to the amounts that would have been recorded without the change.

In fiscal 2008, in accordance with the revised Tax Law, for the tangible fixed assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries started to depreciate the remaining balance of an assets over five years after the book value of the asset decreases to 5% of the acquisition cost determined by the method of depreciation under the Tax Law before revision. The effect of this change was to decrease operating income by ¥1,839 million in the Tires segment, ¥45 million in the Sports segment and ¥84 million in the Industrial and Other Products segment in fiscal 2008 compared to the amounts that would have been recorded with the previous method.

(2) Information by geographic area

Years ended December 31	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Net sales:			
Japan—			
Sales to unaffiliated customers	**¥ 395,245**	¥ 496,644	**$ 4,296,141**
Sales between geographic areas	**59,203**	39,717	**643,511**
	454,448	536,361	**4,939,652**
Asia—			
Sales to unaffiliated customers	**53,782**	55,079	**584,587**
Sales between geographic areas	**45,208**	56,315	**491,391**
	98,990	111,394	**1,075,978**
Other—			
Sales to unaffiliated customers	**75,507**	53,252	**820,728**
Sales between geographic areas	**1,172**	912	**12,739**
	76,679	54,164	**833,467**
	630,117	701,919	**6,849,097**
Adjustments and eliminations	**(105,582)**	(96,945)	**(1,147,630)**
	¥ 524,535	¥ 604,974	**$ 5,701,467**
Operating income:			
Japan	**¥ 20,278**	¥ 18,753	**$ 220,413**
Asia	**8,897**	3,720	**96,707**
Other	**(94)**	3,225	**(1,022)**
	29,081	25,698	**316,098**
Adjustments and eliminations	**(342)**	(39)	**(3,718)**
	¥ 28,739	¥ 25,659	**$ 312,380**
Identifiable assets:			
Japan	**¥ 607,671**	¥ 643,804	**$ 6,605,120**
Asia	**125,946**	118,728	**1,368,978**
Other	**55,046**	43,776	**598,326**
	788,663	806,308	**8,572,424**
Corporate assets and eliminations	**(175,433)**	(166,367)	**(1,906,881)**
	¥ 613,230	¥ 639,941	**$ 6,665,543**

Changes in Accounting Policies and Estimates

As stated in "Notes to Consolidated Financial Statements" Note 2(6), in fiscal 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" ("ASBJ Statement No. 9" issued by the Accounting Standards Board of Japan on July 5, 2006). In the fiscal year ended December 31, 2009, the effect of this change was to decrease operating income by ¥694 million ($7,543 thousand) in Japan compared to the amounts that would have been recorded without the adoption.

As stated in the "Notes to Consolidated Financial Statements" Note 2(8), in fiscal 2009, the Company and domestic consolidated subsidiaries have changed the estimate of the useful lives of machinery. The effect of this change was to decrease operating income by ¥1,075 million ($11,685 thousand) in Japan compared to the amounts that would have been recorded with the previous method.

In fiscal 2008, in accordance with the revised Tax Law, for the tangible fixed assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries started to depreciate the remaining balance of an asset over five years after the book value of the asset decreases to 5% of the acquisition cost determined by the method of depreciation under the Tax Law before revision. The effect of this change was to decrease operating income by ¥1,968 million and increase operating expense by the same amount in Japan compared to the amount that would have been recorded with the previous method.

(3) Sales outside Japan by the Company and its consolidated subsidiaries

		Millions of yen	Thousands of U.S. dollars
Years ended December 31	**2009**	2008	**2009**
Net sales:			
North America	**¥ 74,545**	¥ 85,870	**$ 810,272**
Europe	**23,739**	33,273	**258,033**
Asia	**65,356**	72,810	**710,391**
Other areas	**70,315**	84,316	**764,293**
Total	**¥ 233,955**	¥276,269	**$ 2,542,989**

		Percentage
Percentage of such sales in consolidated net sales	**44.6%**	45.7%

14. Related Party Transactions

Significant balances and transactions with a principal shareholder, unconsolidated subsidiaries and affiliates as of December 31, 2009 and 2008 and for the years then ended were as follows:

		Millions of yen	Thousands of U.S. dollars
	2009	2008	**2009**
Notes and accounts receivable:			
Trade	**¥ 1,043**	¥ 3,904	**$ 11,337**
Other	**226**	485	**2,456**
	1,269	4,389	**13,793**
Short-term loans	**118**	5,755	**1,283**
Long-term loans (included in investments in and advances to unconsolidated subsidiaries and affiliates)	**2,871**	2,871	**31,207**
Notes and accounts payable:			
Trade	**4,311**	5,650	**46,859**
Other	**262**	496	**2,848**
	4,573	6,146	**49,707**
Sales	**2,611**	19,255	**28,380**
Purchases	**¥11,788**	¥25,986	**$128,130**

(Supplementary information)

ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures," and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures," issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after April 1, 2008. Pursuant to the new accounting standards, a financial summary of Goodyear Dunlop Tires Europe B.V., a significant affiliated company, is disclosed for the year ended December 31, 2009.

The summary of the financial statements of Goodyear Dunlop Tires Europe B.V. was as follows:

	Millions of U.S. dollars
Current assets	$1,855
Noncurrent assets	875
Current liabilities	941
Noncurrent liabilities	1,334
Shareholders' equity	455
Net sales	5,044
Loss before income taxes	(49)
Net loss	(72)

15. Contingent Liabilities

As of December 31, 2009 and 2008, the Company and its consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Trade notes discounted	**¥3,194**	¥2,283	**$34,717**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**161**	182	**1,750**

16. Leases

The original costs of leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee and the related accumulated depreciation, assuming they were calculated using the straight-line method over the term of the lease, as of December 31, 2009 and 2008 were as follows:

As of December 31, 2009	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	**¥8,756**	**¥3,910**	**¥4,846**	**$ 95,174**	**$42,500**	**$52,674**
Other	**762**	**253**	**509**	**8,283**	**2,750**	**5,533**
Total	**¥9,518**	**¥4,163**	**¥5,355**	**$103,457**	**$45,250**	**$58,207**

As of December 31, 2008	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥10,409	¥4,067	¥6,342
Other	1,027	349	678
Total	¥11,436	¥4,416	¥7,020

Finance lease transactions executed on or before December 31, 2008 which do not involve a transfer of ownership are accounted for using the same method as that used for operating leases.

Lease payments under finance lease transactions which do not transfer ownership of the leased assets to the lessee for the years ended December 31, 2009 and 2008 amounted to ¥1,554 million ($16,891 thousand) and ¥1,806 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥1,228**	¥1,595	**$13,348**
Due later	**4,127**	5,427	**44,859**
	¥5,355	¥7,022	**$58,207**

The balances of future lease payments under non-cancelable operating leases, including interest, as of December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥ 805**	¥ 738	**$ 8,750**
Due later	**2,427**	3,113	**26,380**
	¥3,232	¥3,851	**$35,130**

17. Impairment Loss

The Company and its domestic subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2009.

			Millions of yen	Thousands of U.S. dollars
Group	Location	Assets	Impairment loss	
Rental property	Ono City, Hyogo and other	Land and building	**¥ 308**	**$ 3,348**
Idle assets	Izumiotsu City, Osaka and other	Buildings, structures and other	**73**	**793**
Assets to be disposed of	Izumiotsu City, Osaka and other	Buildings, structures and other	**1,580**	**17,174**

The Company and its consolidated subsidiaries group their assets at the lowest level for which cash flows are independently identifiable. Rental properties, unused assets, and assets to be disposed of decided by the Board of the Directors are tested for recoverability by the individual asset.

The book values of certain assets were reduced to recoverable amounts and impairment losses were recognized because (1) the market price of assets in certain asset groups fell significantly; (2) the fair value of assets in certain idle asset groups declined substantially; and (3) the Company decided to dispose of certain assets. The recoverable amount for the assets in each group of assets is the higher of net realizable value or use value. The recoverable amounts of certain business assets were measured at the net realizable value of the memorandum value since it was difficult to calculate the selling prices. The recoverable amount for land was measured mainly at net realizable value based on the publicly assessed land value. The recoverable amount for certain rental properties was measured at use value based on the present value of the expected cash flow using a discount rate of 9.9%.

The Company and its domestic subsidiaries recognized impairment loss for the following asset groups for the year ended December 31, 2008.

			Millions of yen
Group	Location	Assets	Impairment loss
Sports business	Nishinomiya City, Hyogo and other	Buildings, structures and other	¥ 69
Rental property	Hiroshima City, Hiroshima and other	Land, buildings, structures and other	391
Idle assets	Kagoshima City, Kagoshima	Land	130

18. Loss on Voluntary Recall of Products

To provide for direct expenses and related expenses for the voluntarily recall of products, an amount based upon the loss already incurred and the loss that can be reasonably estimated to be incurred after the current period is recorded.

19. Subsequent Events

Appropriations of retained earnings

The following appropriations of retained earnings of the Company were proposed and approved at the general meeting of shareholders held on March 30, 2010:

	Millions of yen	Thousands of U.S. dollars
Balance at December 31, 2009	¥89,546	$973,326
Appropriations—		
Cash dividends (¥8 per share outstanding at December 31, 2009)	(2,099)	(22,815)
Balance after appropriations	¥87,447	$950,511

Independent Auditors' Report

To the Board of Directors of
Sumitomo Rubber Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Rubber Industries, Ltd. and consolidated subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Rubber Industries, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 2(6) to the consolidated financial statements, effective as of the fiscal year ended December 31, 2009, Sumitomo Rubber Industries, Ltd. and its domestic consolidated subsidiaries have adopted new accounting standards for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
March 30, 2010