



In line with "VISION 2020," we will rally our Groupwide strengths to meet society's expectations by delivering "genuine value."

I. Ikeda

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President and CEO, Representative Director

Increasing Sales and Profit for the Fourth Consecutive Year

During the fiscal year ended December 31, 2013, there was a prevailing sense of confidence in the stability of the global economic recovery, reflecting a gradual upturn in the United States and signs of a rebound in Europe as well as steady growth in Asia.

Nevertheless, the Sumitomo Rubber Group had to contend with a harsh operating environment due to intensifying competition, particularly in the overseas tire replacement market, despite consistently low natural rubber prices and an improvement in export conditions accompanying the depreciation of the yen.

Addressing the situation, the Group pursued initiatives to achieve its long-term VISION 2020 targets for fiscal 2020.

Specifically, we strove to achieve greater sales of high-value-added products, including fuel-efficient tires, while proactively entering new markets and business fields. We were thus able to rally our Groupwide strengths to support initiatives aimed at driving business growth and improving profitability.

As a result, in fiscal 2013 the Group achieved a fourth consecutive year of growth in sales and profit. Consolidated net sales increased 9.9% year on year to ¥780,609 million, operating income rose 10.5% year on year to ¥77,055 million and net income grew 26.4% to ¥44,794 million, with all three figures building on the achievements of the previous fiscal year and setting new records.

VISION 2020 Numerical Targets and Results

(Unit: Billions of yen)

	2013 results	2015 targets	2020 targets
Net sales	780.6	940.0	1,200.0
Tire business	681.1	780.0	1,000.0
Sports business	66.3	100.0	120.0
Industrial and Other Products business and new businesses	33.2	60.0	80.0
Operating income	77.1	100.0	150.0
Operating income ratio	9.9%	10% or greater	12% or greater
ROE	15.6%	15% or greater	15% or greater
ROA (operating income base)	9.6%	10% or greater	14% or greater
Debt-to-equity ratio	0.9 times	0.9 times or lower	0.5 times or lower

Note: The 2013 results are based on average exchange rates for the year of US\$1 = ¥98, 1 euro = ¥130, while the 2015 and 2020 targets are based on assumed exchange rates of US\$1 = ¥80, 1 euro = ¥100

Go for NEXT VISION 2020

- 1 **NEXT Market Expansion**
Taking on the Challenges of New Markets
- 2 **NEXT Technology Evolution**
Maintaining an Insatiable Drive for Innovation
- 3 **NEXT Category Innovation**
Entering New Business Fields

2020:
Realization
of Group
Vision

New Initiatives

The World's Best Value

The world's best onsite operational skills, research and development capabilities and technical skills

Industry-leading earnings power

Progress under VISION 2020

Toward the realization of our long-term VISION 2020 targets, we formulated a medium-term management plan based on analyses of our current operating conditions as well as the external factors comprising the economic, market and competitive environments. This plan identifies initiatives and targets for three years ending in fiscal 2015 in line with three key VISION 2020 themes aimed at driving growth, namely:

(1) NEXT Market Expansion—taking on the challenges of new markets

(2) NEXT Technology Evolution—maintaining an insatiable drive for innovation

(3) NEXT Category Innovation—entering new business fields

Specifically, our numerical targets for fiscal 2015 include net sales of ¥940 billion. As for fiscal 2020, we aim to achieve the final target of net sales of ¥1,200 billion. In the following sections, we discuss the progress of our efforts to achieve these targets.

NEXT Market Expansion: Taking on the Challenges of New Markets

First, we are pursuing NEXT Market Expansion by promoting the following three policies: “entering emerging markets,” “pursuing growth in the Chinese market” and “expanding into Asia with tires for agricultural machinery.” In these ways, we will seize growth opportunities as they emerge with the burgeoning of global tire demand, particularly in emerging nations. Some concrete activities being undertaken under these policies are discussed below.

With regard to entering emerging markets, in anticipation of considerable demand growth we aim to raise the ratio of net sales accounted for by the Group's sales in five key emerging market areas, namely, Latin America, Russia, the Middle East, India and Africa, from the current 11% to 14% by 2015. To that end, we are proactively expanding our network of overseas production and sales bases.

In April 2013, we initiated the sale of Falken brand tires through the Indian sales subsidiary Falken Tyre India Private Limited. In October 2013, we launched a new factory in Brazil, as we expect that the Latin American market area will grow

into the largest among the aforementioned five key areas. In December 2013, we began operating a factory in Ladysmith, South Africa, following the acquisition of the factory's former operator Apollo Tyres South Africa (Pty) Limited. Moreover, the construction of our new factory in Turkey is progressing steadily and we aim to kick off production in July 2015.

Pursuing growth in the Chinese market, we are promoting the local production of high-value-added tires as well as the strengthening of retail channels, with the target of achieving an annual sales volume of 20 million tires in the region by 2015. At the same time, we will increase the number of our flagship stores from 571 as of the end of 2013 to 1,000 by the 2015 year-end.

Expanding into Asia with tires for agricultural machinery, we constructed a new factory in Thailand and initiated production in April 2014. The factory will also serve as an R&D base to facilitate the development of tires for large-scale agricultural machinery as we seek to augment the lineup in this category by 2015.

NEXT Technology Evolution: Maintaining an Insatiable Drive for Innovation

Second, as we push forward NEXT Technology Evolution, we are promoting various development efforts that can be broken down into three categories: “new products,” “new development technologies” and “innovative production methods.”

Our fiscal 2013 achievements in terms of new products include the release of the ENASAVE 100, the world’s first mass-produced tire made entirely of 100% fossil resource-free materials, in November 2013. Also, in February 2014 we augmented the lineup of fuel-efficient ENASAVE brand tires with the introduction of the ENASAVE EC203, a new model boasting enhanced durability in addition to the eco-friendly features that set the brand apart. By doing so, we will further solidify the top position* that we have maintained in terms of fuel-efficient tire sales volume in Japan. Furthermore, plans call for launching a tire with 50% less rolling resistance in autumn 2014.

To create new development technologies, we have employed our proprietary 4D NANO DESIGN material development technology, thereby pushing ahead a variety of initiatives aimed at creating new materials, including Ultra Pure Natural Rubber (UPNR), a highly purified form of rubber. Looking ahead, we will go on to conduct experiments and calculations utilizing such external facilities as: SPring-8, a large-scale synchrotron radiation facility that enables advanced experiments using X-rays; the Japan Proton Accelerator Research Complex (J-PARC), which comprises world-leading facilities for

neutron-related experiments; and the K computer, one of the world’s most powerful supercomputers. Bringing together the results obtained through the utilization of these facilities, we will upgrade our 4D NANO DESIGN technology into ADVANCED 4D NANO DESIGN in 2015 and begin applying it to the development of products that will be released in 2016 and beyond.

Pursuing innovative production methods, in 2012 we established NEO-T01, a new, next-generation tire manufacturing system focused on achieving the ultimate in precision with regard to tire production technologies. This system involves the “Metal Core Process,” which affixes ribbon-shaped tire components on a “former,” a metal mold that is an exact duplicate of the intended inner surface of the finished tire. The latest achievement in our efforts aimed at developing the next-generation of high-performance tires for production using the NEO-T01 is the upcoming introduction of the SP SPORTMAXX 050 NEO premium runflat tire. This is the first product made using the NEO-T01 system, which simultaneously enables the realization of excellent safety and improved driving comfort as well as weight reduction. Final adjustments to the process are now being made and we aim to release the SP SPORTMAXX 050 NEO in 2014.

* Based on a survey conducted by JMA Research Institute Inc. of the total sales volume of the top two domestic automobile goods store chains

NEXT Category Innovation: Entering New Business Fields

Third, our initiatives aimed at promoting NEXT Category Innovation include “strengthening product supply targeting overseas automakers,” “promoting vibration-control technologies” and “expanding the health care business.”

In line with efforts to promote vibration-control technologies, one of the core technologies bolstering our Industrial and Other Products business, in March 2012 we launched the MIRAIE brand, a series of vibration control units for housing that have been enjoying firm sales. In response to wide-ranging customer needs, we augmented the product lineup with the MIRAIE 2x4, which is designed for wooden houses with two-by-four construction, and a remodeling-use MIRAIE damper, released in March and October 2013, respectively. Efforts are now under way to accelerate the expansion of this business in emerging nations where ever-taller buildings are being built, including earthquake-prone Turkey and Taiwan, focusing on vibration control dampers for buildings. In Turkey, we are seeking out technological alliances with local universities and architectural firms while letting local customers know about our strong track record in Japan, which attests to our

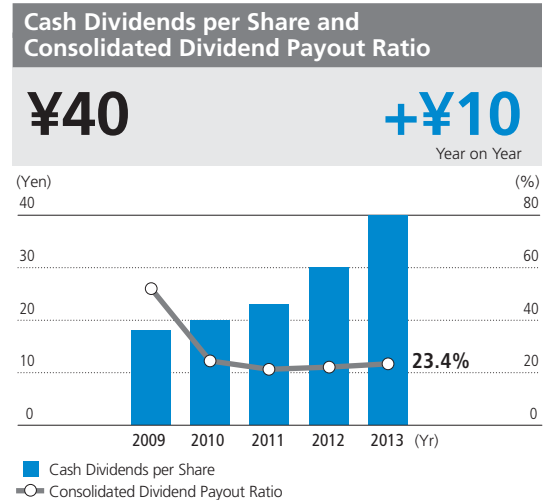
trustworthiness. Backed by this record, we are confident that our products will help customers enjoy the security and peace of mind offered by improved earthquake resistance. In these ways, we are working to secure rapid market penetration. In Taiwan, we are increasing the number of local sales agencies and strengthening our service structure to capture greater market share.

We are also reinforcing our health care business in light of expected expansion in the medical rubber parts market due to rapid population growth in emerging nations as well as the aging of society in industrialized nations, factors that are spurring demand for health care-related equipment around the world. Stepping up global operations in this field, we entered the market for highly specialized parts for medical appliances used in such areas as biopharmaceuticals in January 2013. To meet increasingly demanding market requirements, we are developing new highly specialized parts, with the target of raising sales of such products so that they account for 15% of our medical rubber parts sales in 2015.



Increasing Annual Dividends Paid by ¥10 per Share

Sumitomo Rubber Industries regards the return of profits to shareholders to be a priority issue. Accordingly, the Company has established a basic policy to ensure long-term sustainable returns to shareholders while comprehensively reviewing the levels of dividend payout ratios on a consolidated basis, performance prospects and retained earnings. For fiscal 2013, we increased the year-end dividend ¥10 per share from the initial forecast of ¥15 per share to ¥25 per share. Combined with an interim dividend of ¥15 per share, annual cash dividends for the fiscal year under review thus total ¥40 per share, a ¥10 increase per share compared with the previous fiscal year. Accordingly, the consolidated payout ratio stood at 23.4%.



Delivering Genuine Value—Our Unchanging Aspiration

Although we have succeeded in achieving a fourth consecutive year of growth in sales and profit in fiscal 2013, it is expected that the global market environment will rapidly change with increasingly intensifying competition. Nevertheless, the Sumitomo Rubber Group will leverage the unique strengths in rubber technology it has accumulated over its long history, which extends back more than 100 years to the creation of Japan's first automobile tire, to provide environment-friendly

products. Our unchanging aspiration is to become a corporate group that meets society's expectations and wins its trust by delivering genuine value while contributing to a sustainable society. To that end, the Group will rally its overall strengths to achieve the targets set forth in its medium-term management plan as well as in its VISION 2020 long-term vision.

We sincerely ask for your continued understanding and support.