

Tetsuji Mino, President (left)
Mitsuaki Asai, Chairman



“We have gained confidence by transforming our corporate structure to the point where we can aim for ¥20 billion in net income.”

MESSAGE FROM CHAIRMAN ASAI

In fiscal 2004, the year ended December 31, 2004, Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries (“Sumitomo Rubber,” “SRI Group” or “the Group”) recorded particularly impressive results. We achieved increases in both sales and profits and set a new record for net income for the third consecutive year.

Contributing to these excellent fiscal results was the Medium-Term Five-Year Management Plan, which was formulated in March 2000. By adhering to the Plan, SRI Group has once again become a profitable group of sound financial standing and is on course for future growth.

Under new President Tetsuji Mino, the Group will strive to achieve continued growth and increased corporate value. We will implement the New Medium-Term Management Plan, which was formulated as a plan of action for our long-term vision.

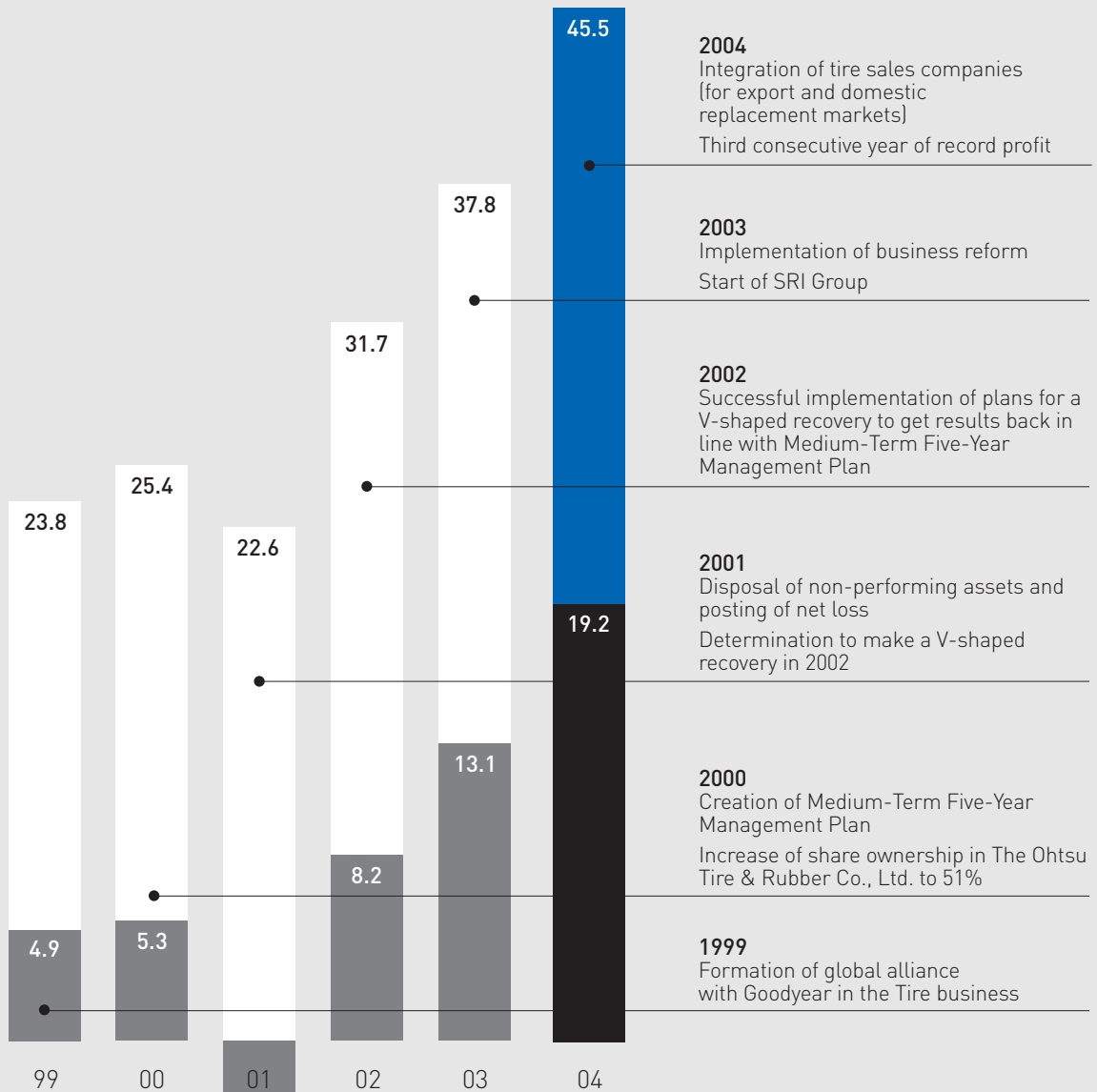
Record Net Income for Third Consecutive Year

Operating conditions in the fiscal year under review remained harsh, plagued by escalating prices of natural rubber and other raw materials, the continuing appreciation of the yen and the influence of natural disasters.

The Group overcame these adverse circumstances, however, and accelerated further along the path to growth. While reducing costs, the Group continued to maximize sales in each business segment by introducing new technologies and products. The Group also devoted efforts to strengthening competitiveness, carrying out proactive capital expenditures to increase production and further optimize its supply structure.

As a result, net sales rose 4.5%, compared with the previous fiscal year, to ¥470,562 million, operating income jumped 20.6% to ¥45,526 million and net income surged 46.4% to ¥19,169 million. The Group achieved an increase in net sales for the fourth consecutive year, record operating income for

PRINCIPAL ACHIEVEMENTS DURING SIX YEARS UNDER MR. ASAI



2004
Integration of tire sales companies (for export and domestic replacement markets)
Third consecutive year of record profit

2003
Implementation of business reform
Start of SRI Group

2002
Successful implementation of plans for a V-shaped recovery to get results back in line with Medium-Term Five-Year Management Plan

2001
Disposal of non-performing assets and posting of net loss
Determination to make a V-shaped recovery in 2002

2000
Creation of Medium-Term Five-Year Management Plan
Increase of share ownership in The Ohtsu Tire & Rubber Co., Ltd. to 51%

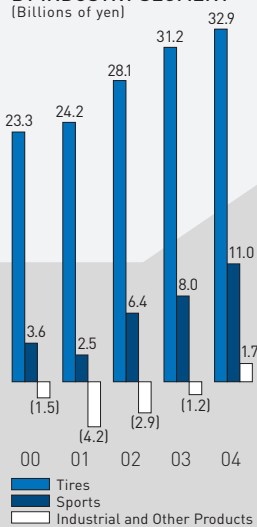
1999
Formation of global alliance with Goodyear in the Tire business

[Billions of yen]

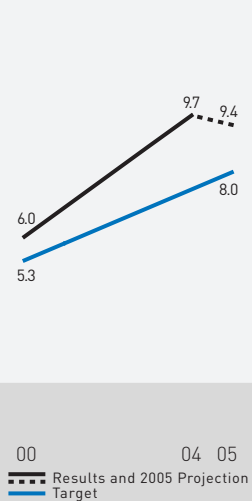
Operating Income

Net Income (Loss)

OPERATING INCOME BY INDUSTRY SEGMENT
(Billions of yen)



OPERATING INCOME RATIO (%)



the second consecutive year and record net income for the third consecutive year. We have gained confidence by transforming our corporate structure to the point where we can aim for ¥20 billion in net income.

Review of Six-Year Term as President and Previous Medium-Term Five-Year Management Plan

As of March 30, 2005, I resigned the office of President and entered the office of Chairman. When I became President in 1999, the Group had just overcome a difficult period marked by factory closing caused by the Great Hanshin Earthquake of 1995. In addition, our alliance with The Goodyear Tire & Rubber Company (“Goodyear”) in the Tire business was announced in February 1999 and at the end of that year the sales contract expired for our key Sports business product, Callaway brand golf clubs. I started at a time when our employees felt a mixture of anticipation and great uncertainty.

Under these conditions, we determined the most prudent direction for the Group and established specific goals in the previous Medium-Term Five-Year Management Plan. Net sales in 1998 reached ¥653.5 billion but earnings capabilities were weak. A huge interest-bearing debt and non-performing assets (such as golf courses) were severe burdens for the Group, resulting in a fragile structure. Against this backdrop, we identified “Reformed financial standing” and “Improved profitability” as the Group’s most pressing issues and we implemented numerous measures such as the “Overhaul and disposal of unprofitable businesses,” “Radical structural changes to improve profitability” and “Raising technical expertise to enhance competitiveness.”

Reconstruction of Business Structure Leads to Striking Improvements in Profitability

After the start of the alliance with Goodyear in 1999, we put together project teams in order to quickly realize synergistic effects. The ¥27 billion in cost reductions achieved through 2003 has become the building block for the current competitiveness of our Tire business. The Group strengthened profitability by making The Ohtsu Tire & Rubber Co., Ltd. (“Ohtsu Tire”) a consolidated subsidiary in 2000, which marked the starting point for the current structure of the Tire business. In 2001, the Group carried out across-the-board disposal of unprofitable golf course operations and other businesses and registered a non-recurring loss of ¥27 billion. Although we caused terrible trouble to shareholders by finishing that year with a net loss of ¥7.2 billion, we were able to greatly improve asset quality.

In order to get faltering results back on track with goals set in the Medium-Term Five-Year Management Plan, the Group implemented measures for a V-shaped recovery. In combination with structural reforms, those measures resulted in the Group successfully achieving a V-shaped recovery in 2002. In fiscal 2003, we pressed ahead with business reforms related to the integration with Ohtsu Tire and other measures and we were able to quickly realize improved profitability in each of our businesses, posting record net income for the second consecutive year.

Improved profitability enabled the Group to boldly press ahead with capital expenditures to increase

EVENTS IN FISCAL 2004

JAN.

Falken ZIEX ZE329 passenger car tire introduced to market



Four new products introduced in Dunlop’s DECTES series of truck and bus tires



FEB.

Expansion of steel cord production capacity at our affiliate in response to increased tire production

production for future growth in response to booming worldwide tire demand. This increased production was linked with our strong results in fiscal 2004. That year also saw the return to the black of our Industrial and Other Products business and the Group gained confidence in its ability to advance under the comprehensive three-pillar structure of the Tire, Sports and Industrial and Other Products businesses.

After attaining operating income ratio and ROE targets a year earlier, in fiscal 2005 the Group is taking up the challenge to achieve sales and shareholders' equity ratio targets.

Increased Production for Further Growth

“Sumitomo Rubber is committed to make speedy and flexible investment decisions matched with market demand of recent years.”

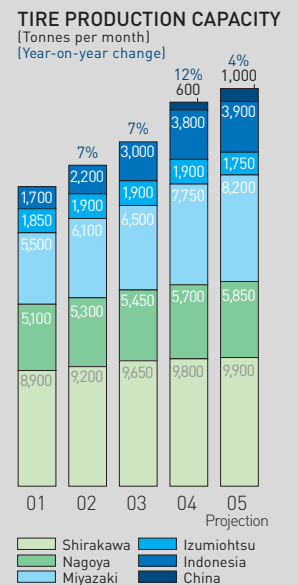
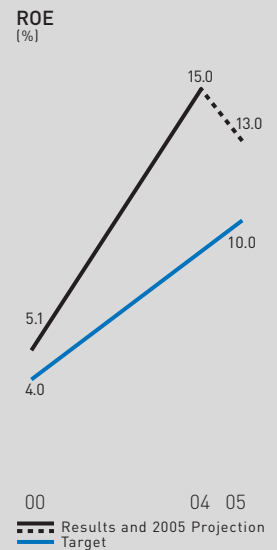
The Group has actively carried out capital expenditures to increase production in response to the rapidly growing Asian tire market and the increasing demand for high performance tires, primarily in Japan, the U.S. and Europe. Demand has continued to outpace expectations and production of radial truck and bus, SUV and passenger car tires is running at full capacity. In August of 2004, we added ¥5.6 billion to our planned production-related capital expenditures from fiscal 2004 to 2005, raising the figure from ¥38.5 billion to ¥44.1 billion. In addition to raising combined daily production of radial passenger car tires at our factories in Indonesia and Changshu, China by 10,000 units, we are also raising production capacity of

high-value-added tires at our Miyazaki factory.

When changes are made to investment plans, time is required to set up equipment between the decision and the beginning of operations, especially in the case of tires. Sumitomo Rubber is committed to make speedy and flexible investment decisions matched with market demand of recent years.

Production capacity at the Miyazaki factory was increased by the expansion of the plant after the integration with Ohtsu Tire, and being added with investments up to this point, tire production capacity at our domestic factories and our Indonesian factory has reached its peak. From hereon, production capacity will be expanded at our Changshu, China factory and our planned Thailand factory, which is due to begin operations at the end of 2006.

In line with sales targets for fiscal 2005, Sumitomo Rubber plans to increase production volume by 6% over the previous fiscal year. Based upon effective and concentrated investment, productivity will also be enhanced and a high level of capacity utilization will be maintained (98% target).



MAR.

Falken's television commercial awarded silver prize at international advertising competition held in New York

Dunlop Golf Club production tops 10 million units at Miyazaki factory



APR.

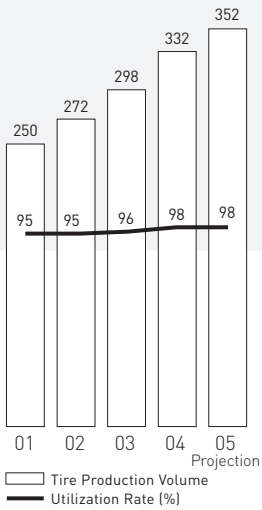
Acquisition of ISO/TS16949:2002 certification, the automotive quality system standard

Start of tire production at Changshu factory in China

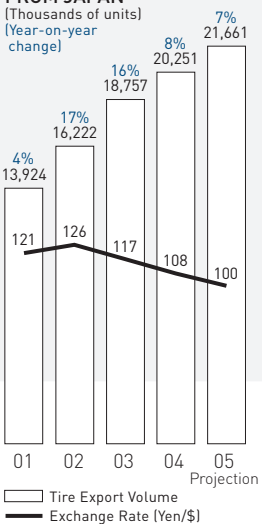


Announcement of large-scale reduction of organic solvent use in production process at our golf ball factory in Ichijima

TIRE PRODUCTION VOLUME
(Thousands of tonnes)



VOLUME OF TIRE EXPORTS FROM JAPAN
(Thousands of units)



Our Hit Original Brand "XXIO"

In the Sports business, our XXIO (pronounced "zeksio") golf clubs have been a huge hit, becoming our core product. The development of XXIO clubs is the result of meticulous efforts to survey and improve upon a wide range of user needs, ranging from flying distance to user-friendliness, following the sense of urgency brought on by the termination of our domestic marketing contract for Callaway brand clubs. This exceptionally high-performance golf gear has received the support of many players and the third-generation model is off to a better start than the second-generation model. Through the huge success of the XXIO brand, clubs now account for over 50% of sales in our golf business, making this original brand a pillar supporting the profitability of the Sports business.

Industrial and Other Products Business: From Reconstruction to an Offensive Posture

After falling into the red, the Industrial and Other Products business had become a drag on earnings. From 2000, the Group implemented profit and loss accounting of each product, cleared problems related to different products and aimed for profitability across the board. That process required the disposal of unprofitable businesses and the reorganization of subsidiaries and resulted in losses exceeding ¥2 billion. However, the Group was able to dispose of unprofitable assets before the spin-off of this business segment in July 2003 and the business became a forward-looking enterprise with a new structure. Moreover, two key factors stand out in the return to the black of the Industrial and Other Products business since fiscal 2003: first, the reform of the structure of our precision rubber parts business to respond flexibly to customer needs by utilizing our factory in Zhongshan, China; second, the high evaluation that our Hibrid-Turf, rubber chip- and sand-filled artificial turf, has received. Together with Misawa Homes Co., Ltd., the Group co-developed anti-vibration wall panels for the MGEO structure for home use as a new product and released it in November 2004. The Group will continue to take a proactive posture in business expansion efforts.

Proactive R&D Reinvigorates Competitiveness

When we developed unique simulation technology, Sumitomo Rubber identified it as an important foundational technology and further advanced it into an unrivaled proprietary technology. We first introduced digital rolling simulation technology for rolling tires on various road surfaces in 1998, and in 2002 we expanded the area of the simulation to include tires fitted on vehicles and rolled under normal driving conditions as well as tires driven on wet and snowy roads. In 2003, we introduced Digi-Compound, a nanometer-level technology that can simulate the movement of rubber materials. We have utilized this technology in our golf balls in addition to tires and it has become a key factor behind the popularity of our XXIO balls.

With this technology as a foundation, we began a comprehensive Group project as a way to accelerate responsiveness across business divisions. Content of the project ranges from solution of current problems to advancing forward-looking themes based on the outlook for medium- and long-term technology trends. Through

MAY

Fortieth year since the establishment of our engineers' education system, which supports the progress of work from a scientific standpoint

JUN.

Dunlop and oodyear runflat tires fitted on over of BW's cars



JUL.

introduction of cogeneration system at Shirakawa factory utilizing S schemes

actions such as proposal-style development tailored to vehicle manufacturers, we have increased the fitment of new technology tires on new vehicles and increased sales. Examples include the successes of our runflat tires, fuel-efficient ECORUT truck and bus tires and others. We are also further developing our *Taiyo* cell production system and passenger car, SUV and runflat tires are already being produced with the technology.

Complete Zero Emissions Achieved

The Group has made environmental preservation one of its top priorities in all business activities, establishing an environmental management system based on ISO14001 certification and making continual improvements in our environmental preservation efforts. As concrete results of those efforts, in 2003 we became Japan's first tire manufacturer to achieve zero emissions at its headquarters and all domestic factories and in 2004 we became the first Japanese tire manufacturer to achieve zero emissions at an overseas subsidiary, achieving the milestone at our Indonesian factory. Zero emissions is defined as disposing of less than one percent of all waste generated in landfills. Moreover, in January of 2004 the Group set out to achieve complete zero emissions, meaning that zero percent of waste generated is disposed of in landfills and began initial efforts toward that goal. As a result, by the end of 2004 the three tire factories in Nagoya, Shirakawa and Miyazaki, and by the end of March 2005 the factory in Izumiohtsu had all achieved complete zero emissions. This marks the first time in the tire industry that a manufacturer has achieved complete zero emissions at all domestic factories that make tires. We are currently pushing ahead to achieve complete zero emissions at our two remaining domestic factories in Kakogawa and Ichijima by the end of 2005.

MESSAGE FROM PRESIDENT MINO

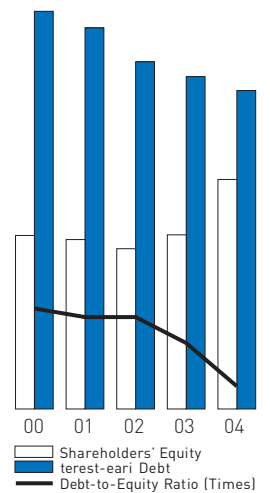
New Medium-Term Management Plan to Accelerate Track to Growth

After the successful results of the previous Medium-Term Five-Year Management Plan, the Group formulated a New Medium-Term Management Plan for the three years from fiscal 2006 to 2008. This new plan represents the Group's commitment to increasing corporate value for all stakeholders. We have adopted "GO for VALUE" as the slogan for this action plan, which we have designed to fulfill our long-term vision. Specific targets are set with strategies to establish both improved financial standing and continual growth, while maintaining strong profitability. Details of the New Medium-Term Management Plan are laid out more specifically hereafter, but first, two themes are of particular importance: "strengthening financial standing" and "strategies for growth markets and growth fields."

Strengthening Financial Standing

During the six years while Chairman Asai held the office of President, the SRI Group carried out business reforms that were first and foremost designed to reinvigorate its operating structure. Looking at concrete figures, interest-bearing debt shrank from ¥311.6 billion at the end of fiscal 1998 to ¥201.9 billion at the end

SHAREHOLDERS' EQUITY AND INTEREST-BEARING DEBT (billions of yen)



Supply of tire Deflation Warning System software to Bosch Automotive begins

Long pile hybrid turf receives first official endorsement as artificial turf for FA Japan Football Association pitches



AUG.

Shipments of comfortably fitting Digisole golf shoes tops , pairs



of fiscal 2004. Significant improvements were also made in terms of the debt-to-equity ratio, which dropped from 3.2 times at the end of fiscal 1998 to 1.4 times at the end of fiscal 2004. It is clear that further strengthening of the business platform is indispensable. The Group plans further cuts to the debt-to-equity ratio to under 1.0 times by the end of fiscal 2008, in addition to newly set targets to improve ROA as the axis for the improvement of asset efficiency.

Offensive Management for Growth Markets and Growth Fields

I believe that one of my jobs is to continue the vigorous efforts of former President Asai in improving the Group's financial standing and profitability and to aggressively take steps to accelerate the Group on its growth track.

In our core Tire business, we aim to expand globally through our alliance with Goodyear by focusing on growth in the booming Asian market. We have formulated plans to construct a new tire factory in Thailand and start full production operations there in 2007 with the aim of winning 10% or more of the ASEAN market.

In the domestic Tire business, rebuilding the structure of our domestic replacement market sales network is our primary concern. We merged the sales subsidiaries of our Dunlop and Falken brand tires in January 2005 and we continue to pursue improved customer service, reinvigorated profitability and marketing strength and reform of our distribution structure.

In the Sports business, we will continue to accelerate proactive global expansion with our golf business as the pillar of operations. We seek increased recognition of our international SRIXON brand golf gear and aim to expand sales in major world markets.

In the Industrial and Other Products business, while promoting expanded sales of precision rubber parts, Hibrid-Turf and other growth products, we will continue to develop new products that originate from our proprietary technologies. In addition, we will further strengthen the manufacturing structure of our precision rubber parts for office automation equipment in China in response to the continuing trend of Japanese manufacturers moving operations overseas.

“I believe that one of my jobs is to aggressively take steps to accelerate the Group on its growth track.”

As a Member of Society

As a global corporate group, the SRI Group strives to create new value through more comfortable and attractive lifestyles. Our goal is to become a trusted partner, to contribute to society and to fulfill the diverse expectations of regional communities. Guided by this corporate philosophy, the SRI Group is dedicated to increasing corporate value and securing mutual growth and prosperity with all of those connected with us. While continuing these activities as our basic corporate posture, we also aim to increase profitability.

In an effort to realize our corporate philosophy, we strive to attain the highest standards in management and operating transparency by reinforcing corporate governance and expanding business activities which emphasize compliance. In order to clarify the authority and responsibility of each business and to establish a management platform to promptly respond to changes in our working environment, we have introduced

SEP.

Announcement of plans to begin LCD backlight unit production in China

OCT.

Sumitomo and Iyasaki factories in reduce greenhouse gas emissions
 Promotion Council
 Chairman's Award

Dunlop CT S for trucks and buses wins second consecutive Good Design Award



an executive officer system. For the purpose of augmenting the audit function, we have appointed external directors to the Company's Board. Having judged that we can sufficiently realize corporate oversight functions utilizing a Japanese-style corporate governance auditing system, we have appointed four auditors to the Company's Board, including two external auditors.

For the Group's activities to be appreciated by shareholders and to secure their long-term support, Sumitomo Rubber comprehensively assesses standards for dividend payouts on a consolidated basis, performance prospects and retained earnings. As a way of returning gains to shareholders, the Group adheres to a basic policy of steadily rewarding shareholders over the long term. Sumitomo Rubber is pleased to declare an increase of ¥2.00 for a full-year dividend of ¥14.00. This marks the second consecutive year that the Group has increased dividend payouts.

To Our Shareholders

In 2004, violations of the Securities and Exchange Law shook Japan's economy and many discussions arose regarding the public listing of companies and corporate value. The Group continues to enhance information disclosure through IR activities and seeks to maintain an appropriate share price. At the same time, we continue to invigorate our corporate governance and compliance structures and make exhaustive efforts to improve corporate value. We aim to be an attractive corporate group to shareholders and to realize a continually high level of enhancement to our corporate value. Please expect Sumitomo Rubber to further expand and advance.

April 2005

Mitsuaki Asai
Chairman

Mitsuaki Asai

Tetsuji Mino
President

Tetsuji Mino



Supply of all-season runflat tires for Toyota's Lexus SC430 begins

NOV.

Announcement of next-generation anti-irradiation structure co-developed with Isaya. Comes with high utility, high damping rubber.



DEC.

Dunlop DA tires achieve stellar performance in motor sports

