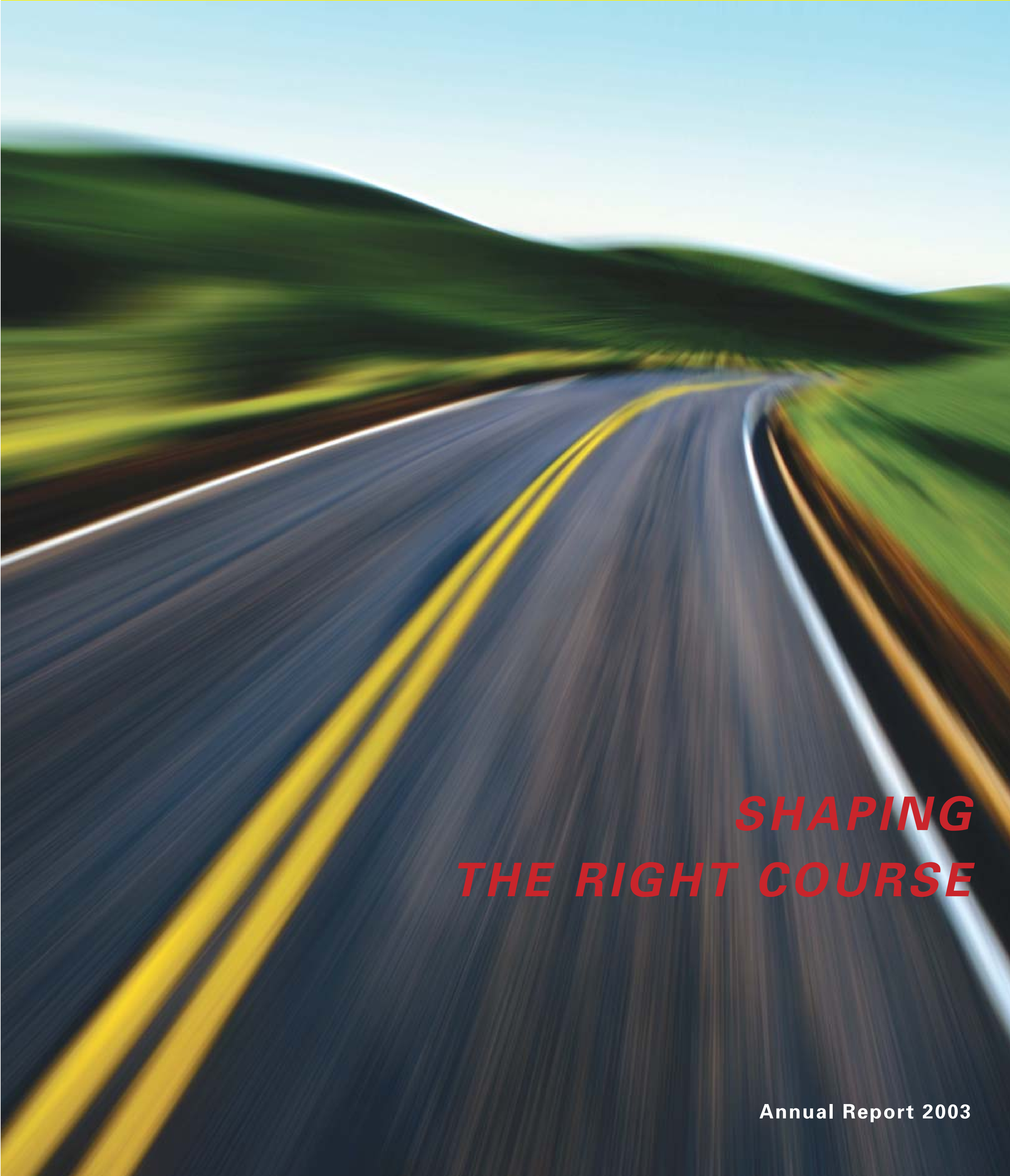
SUMITOMO
RUBBER INDUSTRIES



SHAPING THE RIGHT COURSE

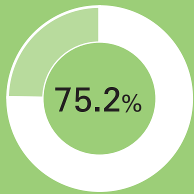
Annual Report 2003

Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries set sail as the SRI Group on July 1, 2003, with the aim of securing the next stage of growth. After integrating The Ohtsu Tire & Rubber Co., Ltd., Sumitomo Rubber aims to enhance corporate value and to achieve sustainable growth in worldwide tire markets. Based on its new business structure, Sumitomo Rubber will allocate a considerable amount of its management resources to Asia, a region earmarked for significant growth, while continuing to promote its alliance with The Goodyear Tire & Rubber Company in the tire business.

Sumitomo Rubber spun off its Sports business and Industrial business, establishing SRI Sports Ltd. and SRI Hybrid Ltd., respectively. Under the umbrella of this new operating structure, each SRI Group company is working to optimize its business scale and unique features, and by promoting greater efficiency and speed in operation, to contribute to enhancing overall corporate value.

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Sumitomo Rubber Industries, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of Sumitomo Rubber. These statements are based on the Company's and the Group's assumptions and beliefs in light of the information currently available to them. Sumitomo Rubber cautions that a number of potential risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements and advises readers not to place undue reliance on them.



TIRE BUSINESS

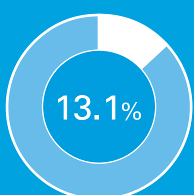
Net Sales: ¥338,915 million

In its Tire business, Sumitomo Rubber manufactures and markets tires under the Dunlop, Falken, Goodyear, Sumitomo and Ohtsu brands. Overseas, the Company operates a subsidiary in Indonesia and maintains European- and U.S.-based manufacturing and sales companies in joint venture with Goodyear. Sumitomo Rubber imports and exports a selection of tire products through Group companies, and commenced manufacturing and sales operations through subsidiaries in China in April 2004.

DUNLOP

GOODYEAR

FALKEN



SPORTS BUSINESS

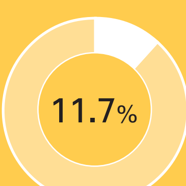
Net Sales: ¥58,856 million

In its Sports business, the SRI Group manufactures and markets Dunlop-brand golf and tennis goods in Japan, Taiwan and Korea. In addition, golf goods including balls and clubs are produced under the SRIXON international strategic brand and marketed both at home and abroad. Following a series of business reforms, the Group's sports business is managed by SRI Sports Ltd.

XXIO

SRIXON

HI-BRID



INDUSTRIAL AND OTHER PRODUCTS BUSINESS

Net Sales: ¥52,720 million

In the Industrial and Other Products business, the SRI Group manufactures marine fenders, blankets for offset printing presses, artificial turf and liquid crystal display (LCD) backlights in Japan. Overseas, the Group produces natural rubber gloves in Malaysia, precision rubber parts for office automation (OA) equipment in China, and bed-related products in France and Germany. Based on the renewed business platform, products in this segment are managed either by SRI Hybrid Ltd. or Sumitomo Rubber.

Hibrid-Turf

The Latest Artificial Turf that Feels Even More Like the Real Thing

TRECA

SHAPING THE RIGHT COURSE

In fiscal 2003, the SRI Group achieved a second consecutive year of record net income. Since the implementation of corrective measures based on a V-shaped recovery strategy, as well as “Urgent Structural Reforms,” Sumitomo Rubber has actively pursued investment in growth markets and undertaken business reforms through integration and spin offs. As a result of these initiatives, we are experiencing high rates of income growth and are confident that the Group is *Shaping the Right Course* for sustained profitability.

In the fiscal year under review, the Group also achieved record operating income, surpassing the previous high reported in fiscal 1992, when our tire businesses in Europe and the U.S. contributed approximately ¥10.0 billion to consolidated operating income and formed a significant portion of our earnings base. With major contributions from Japan and Asia to the record results achieved in fiscal 2003, the SRI Group is now underpinned by a comprehensive global earnings platform and is well placed for the next stage of growth.

Supported by its efforts toward business reform, the SRI Group is striving to become a value creation group, to expand beyond the horizon and to establish a new trajectory for growth.

Operating Income

Net Income (Loss)

(Billions of yen)


Previous record operating income
Kobe factory closed due to the Great Hanshin Earthquake
Concluded a global alliance with The Goodyear Tire & Rubber Company
Company's first net loss in 18 years
Achieved V-shaped recovery
Inauguration of the new SRI Group
29.2
28.2
34.1
35.6
19.9
14.9
16.2
19.2
19.2
27.8
23.8
25.4
22.6
31.7
37.8
6.7
1.3
4.1
6.1
4.6
1.0
0.5
4.7
5.9
5.0
4.9
5.3
(7.2)
8.2
13.1
89
90
91
92
93
94
95
96
97
98
99
00
01
02
03

"As a result of its record profit performance, Sumitomo Rubber is well positioned to embark on a new phase of sustained growth."

Two Consecutive Years of Record Profit—A Springboard for Renewed Growth

In fiscal 2003, the year ended December 31, 2003, the economic environment both in Japan and overseas continued to suffer, battered by the rise in the cost of materials due to the sharp increase in prices of natural rubber and the sustained high level of crude oil prices. The appreciation of the yen against the U.S. dollar also contributed to the prolonged difficult operating conditions. Despite these adverse factors, Sumitomo Rubber achieved a second consecutive year of record profit, on a modest gain in net sales. Particularly noteworthy, consolidated operating income rose 19.0% compared with the previous fiscal year, to ¥37,766 million, and net income surged 58.9% to ¥13,095 million.

Buoyed by the positive impact of bold business reforms, Sumitomo Rubber worked to enhance continued Group development. In the fiscal year under review, we strove to expand sales of in-demand products based on our unrivalled proprietary technologies, and to reduce costs with the aim of accelerating and maximizing structural reform benefits. In strengthening our profitability, we have laid the foundation for a company less susceptible to changes in the domestic and overseas operating environments. As a result of its record profit performance, Sumitomo Rubber is well positioned to embark on a new phase of sustained growth.

Sumitomo Rubber continues to improve its operating performance. In fiscal 2003, the operating income ratio increased 1.3 percentage points to 8.4%, while ROE rose 4.5 percentage points to 12.4%. Based on these positive results, the Company has declared a commemorative dividend of ¥2 per share in celebration of the 40th anniversary since its change of corporate name to Sumitomo Rubber. In conjunction with a stable annual dividend of ¥10 per share, Sumitomo Rubber is pleased to declare a cash dividend of ¥12 for fiscal 2003.

On Course for Renewed Business Growth through Business Reform

The primary goal of our business reform is to further enhance management efficiency and to promote an agile and flexible structure for each business capable of addressing the scale and unique features of diverse operating markets. Under the new structure, we have clarified each business domain, strengthened marketing capabilities by individual markets and brands, and worked to steadily increase profitability. In addition to the tangible benefits of business reform, we are seeing intangible benefits through an improved mindset and are confident the platform is in place to steer us on the right course for renewed business growth.

Financial Highlights

	Millions of yen, except per share figures						Thousands of U.S. dollars, except per share figures
Years ended December 31	**2003**	2002	2001	2000	1999	1998	**2003**
Operations:							
Net sales	**¥450,491**	¥447,893	¥434,463	¥423,247	¥509,215	¥653,525	**$4,210,196**
Operating income	**37,766**	31,744	22,576	25,441	23,752	27,770	**352,953**
Net income (loss)	**13,095**	8,239	(7,207)	5,335	4,929	5,034	**122,383**
Financial position:							
Total assets	**481,553**	477,293	514,415	523,560	441,707	614,197	**4,500,495**
Interest-bearing debt	**210,681**	220,085	241,600	252,143	223,727	311,574	**1,968,981**
Shareholders' equity	**110,395**	101,633	107,391	109,995	97,475	96,091	**1,031,729**
Per share data:							
Net income (loss)	**¥ 55.07**	¥ 33.97	¥ (29.71)	¥ 23.24	¥ 22.57	¥ 23.06	**$ 0.515**
Net income—diluted	**—**	—	—	—	20.63	—	**—**
Cash dividends paid	**12.00**	10.00	10.00	10.00	9.00	9.00	**0.112**
Common stock prices:							
High	**605**	593	680	725	930	806	**5.65**
Low	**430**	400	438	415	446	437	**4.02**
Key ratios:							
Return on shareholders' equity	**12.4%**	7.9%	—	5.1%	5.1%	5.3%	**—**
Shareholders' equity ratio	**22.9%**	21.3%	20.9%	21.0%	22.1%	15.6%	**—**

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥107 per US$1, the approximate exchange rate prevailing at December 31, 2003.
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 in preparing the accompanying consolidated financial statements. 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.

Profile of the SRI Group

As part of a bold program of business reform, Sumitomo Rubber has established a new business structure.

Decision making for matters pertaining to the newly created SRI Group is vested in Sumitomo Rubber, which in its capacity as the core Group company has integrated with The Ohtsu Tire & Rubber Co., Ltd. The core Group company is also responsible for management of the Group's Tire business, the bed business in Europe, and the non-tire business of Ohtsu Tire.

In its Tire business, Sumitomo Rubber operates in strategic markets, boasting a product line-up consisting of Dunlop, Falken, Goodyear, and other tire brands. The Tire business is comprised of six sales companies, with existing Group companies Dunlop Goodyear Tires Ltd. and Goodyear Japan Ltd. augmented by four newly established companies, Dunlop Tyres Ltd., Falken Tires Ltd., SRI Tire Trading Ltd.*, and Falken Tire Trading Ltd.* The Group strives to strategically market its products by leveraging the unique qualities of its brands and to further enhance brand power.

** Sumitomo Rubber merged these two sales subsidiaries on April 1, 2004. The surviving company, SRI Tire Trading Ltd., is responsible for the Group's tire export activities. Accordingly, the Group's Tire business is now comprised of five sales companies.*

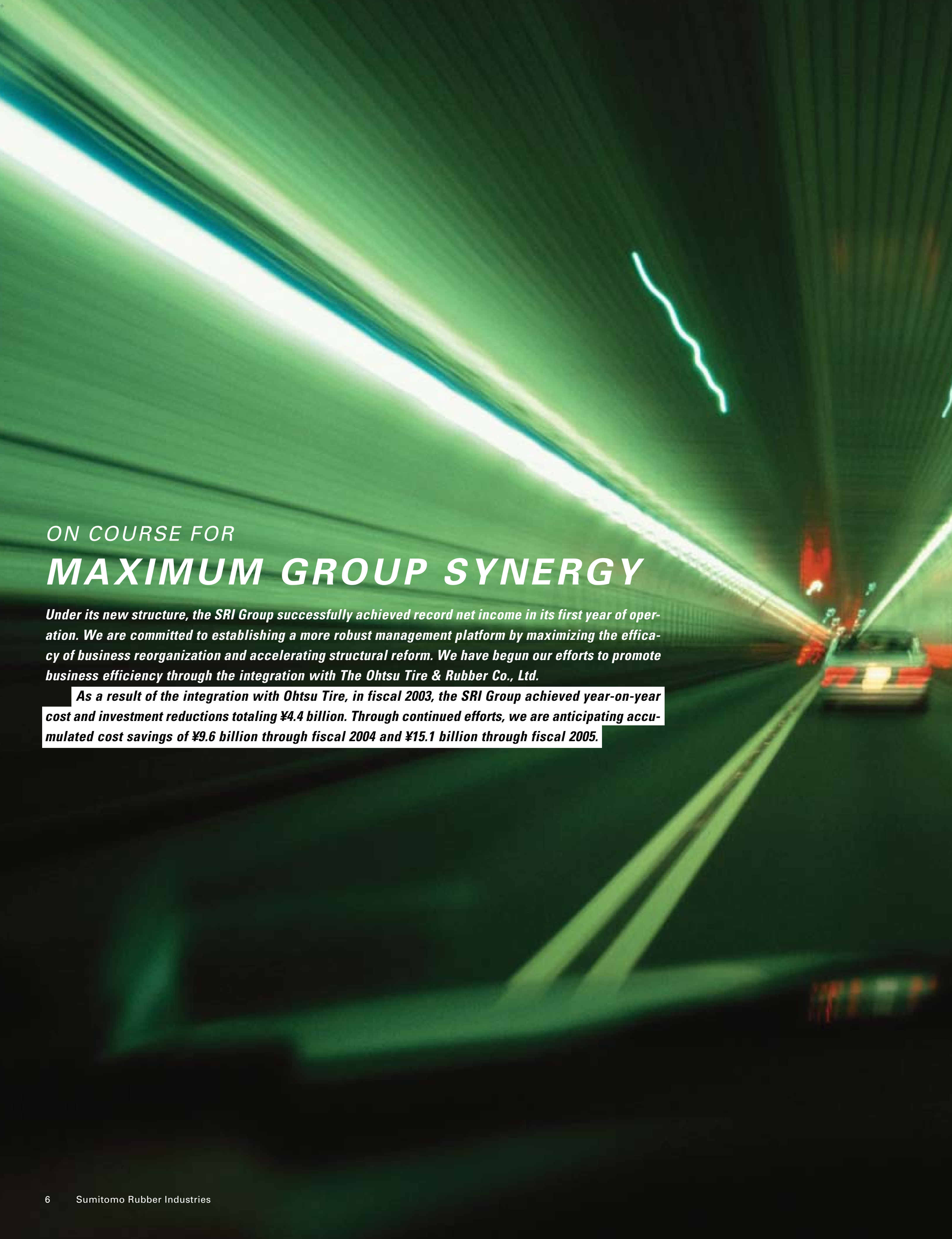
Events in Fiscal 2003

Jan.

Establishment of SRIXON golf products sales subsidiary in Australia

Feb.

Mar.



ON COURSE FOR

MAXIMUM GROUP SYNERGY

Under its new structure, the SRI Group successfully achieved record net income in its first year of operation. We are committed to establishing a more robust management platform by maximizing the efficacy of business reorganization and accelerating structural reform. We have begun our efforts to promote business efficiency through the integration with The Ohtsu Tire & Rubber Co., Ltd.

As a result of the integration with Ohtsu Tire, in fiscal 2003, the SRI Group achieved year-on-year cost and investment reductions totaling ¥4.4 billion. Through continued efforts, we are anticipating accumulated cost savings of ¥9.6 billion through fiscal 2004 and ¥15.1 billion through fiscal 2005.

Cost Reduction: Fiscal 2003

¥ 4.4 billion

(Actual)

Cost Reduction: Fiscal 2003 through Fiscal 2004

¥ 9.6 billion

(Cumulative estimate)

Cost Reduction: Fiscal 2003 through Fiscal 2005

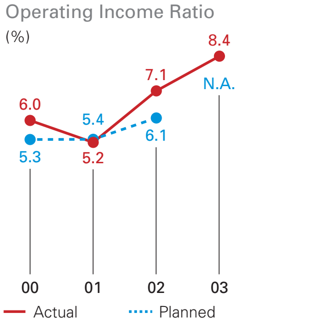
¥ 15.1 billion

(Cumulative estimate)

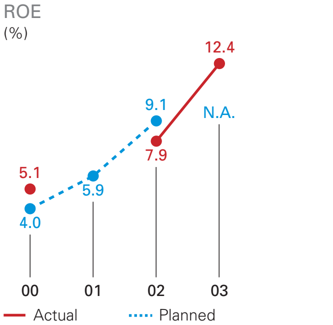
> "In addition to the tangible benefits of business reform, we are seeing intangible benefits through an improved mindset and are confident the platform is in place to steer us on the right course for renewed business growth."

Progress of Medium-Term Five-Year Management Plan

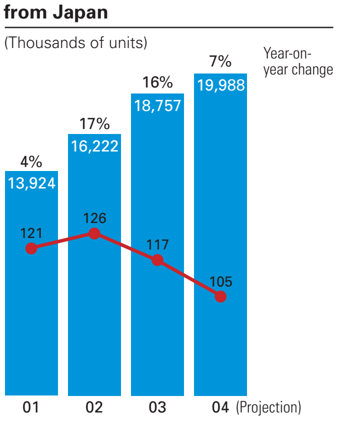
Operating Income Ratio



ROE



Volume of Tire Exports from Japan



The Sports business and Industrial Products business were spun off into two new companies, SRI Sports Ltd. and SRI Hybrid Ltd. Both of these businesses are managed along an integrated production and sales structure, allowing for a swifter response to market need as well as more nimble and spontaneous management. As a result, Sumitomo Rubber has successfully created an independent, autonomous management structure that flexibly adapts to the scale and attributes of each business.

Our reform efforts also entailed the creation of subsidiaries to handle engineering-related and tire mold development operations, SRI Engineering Ltd., as well as research and development activities, SRI Research & Development Ltd., both of which have commenced operations.

Fiscal 2003 Results

Sumitomo Rubber experienced another milestone year in fiscal 2003. Efforts to expand sales of high-quality products by introducing new products based on innovative proprietary technologies drove the Group's robust profit performance. In an effort to accelerate the pace of reform and to maximize the benefits of our new operating structure, we worked to drastically reduce manufacturing costs and across-the-board overheads with the aim of reinforcing our earnings base.

In the Tire business, Sumitomo Rubber continued to secure high operating rates at Group factories, owing to sales expansion in export markets such as North America, Latin America, and the Middle East, as well as concerted efforts to increase sales in domestic markets by subsidiaries. At our Indonesian subsidiary, P.T. Sumi Rubber Indonesia, we completed construction of Factory #2 to further increase and strengthen production capacity. As a result, we recorded a significant upswing in earnings fueled by double-digit year-on-year growth in sales volume.

In the Sports business, the SRI Group experienced robust growth in sales of strategic SRIXON international brand products, coupled with substantial growth in XXIO (zeksio) golf club and golf ball sales. Our lineup of mainstay products was augmented by the release of the new XXIO PRIME series.

During fiscal 2003, sales in the Industrial and Other Products business were supported by the strong performance of Hibrid-Turf, an artificial turf that compares favorably with natural turf, as well as industrial floor surfaces, natural rubber gloves, and other products. In its European bed business, the Company continued to focus efforts on rationalization with a view to generating profits.

Sumitomo Rubber continues to accelerate efforts to realize Group synergy benefits. In the fiscal year under review, we achieved overall cost cuts of ¥4.4 billion, surpassing our original target of ¥3.9 billion. This performance reflected cutbacks in manufacturing and personnel costs from the shift to in-house production of tire components and other benefits from the integration with Ohtsu Tire, as well as synergies resulting from enhanced productivity and optimum allocation of production-related capital expenditures.

We have already achieved an operating income ratio of 8.4% and ROE of 12.4% in fiscal 2003, exceeding in advance the targets outlined in our 2005 Medium-Term Five-Year Management Plan. Interest-bearing debt as of December 31, 2003 totaled ¥210,681 million, down ¥9,404 million compared with the end of the previous fiscal year, owing to successful efforts to reduce inventories, increase capital expenditure efficiency, and reinforce cash management systems. As a result of these initiatives, the debt-to-equity ratio improved significantly to 1.91 times, and the shareholders' equity ratio climbed 1.6 percentage points to 22.9%.

Shaping the Right Course

The business environment in Japan is expected to remain weak, impacted by a continued slump in domestic consumption, prolonged deflation, and increased price competition among industry rivals. Conditions facing the SRI Group are expected to deteriorate as the prices of natural rubber and other crude oil-related materials continue to escalate. Against the backdrop of a harsh operating environment, Sumitomo Rubber is committed to unceasing efforts to improve cost competitiveness and to address a number of priority issues in order to ensure its continued growth.

Maximize Benefits from Business Reform

Our first priority is to maximize the benefits of business reform. Sumitomo Rubber has achieved significant results in the first year under its new operating structure. The Group will continue to implement ongoing structural reforms in an effort to maximize and accelerate realization of reform benefits and to further establish a strong earnings base.

Raise Technical Expertise and Competitiveness

A second priority is to raise the level of technical expertise within the Group and to further enhance competitiveness. To this end, we are dedicated to improving communication across business lines comprising the Tire, Sports, Industrial and Other Products businesses and each business function comprising manufacturing, research and development. We will strive to increase Groupwide competitiveness, to develop new products and realize prompt market delivery. Through continued evolution and widespread use of our proprietary simulation technologies, we will work toward developing high-value-added and attractive products.

Improve Quality, Performance and Service

A third priority is to improve quality, performance and service. In the manufacture of tires, Sumitomo Rubber has developed the *Taiyo* cell production system. This system vertically integrates all of the production processes from mixing to curing into a fully automated and compact manufacturing process. As a result, we have successfully realized high investment efficiency and productivity. Two *Taiyo* cell production lines currently operate at the Group's Shirakawa factory, and have produced a cumulative total of approximately 350,000 units as of fiscal 2003. A third *Taiyo* production line is scheduled for installation at our Izumiohtsu factory in July 2004 for the manufacture of sport utility vehicle (SUV), runflat, and other high-performance tires.

Apr.

Dunlop Goodyear Tires Ltd. wins Gold Award in World Excellence Awards presented by Ford Motor Company

May

Jun.

Sumitomo Rubber wins award from Indonesian government in recognition of contributions to economy and employment

Jul.

Implementation of business reforms; inauguration of SRI Group

Announcement of plans to expand tire production at home and abroad

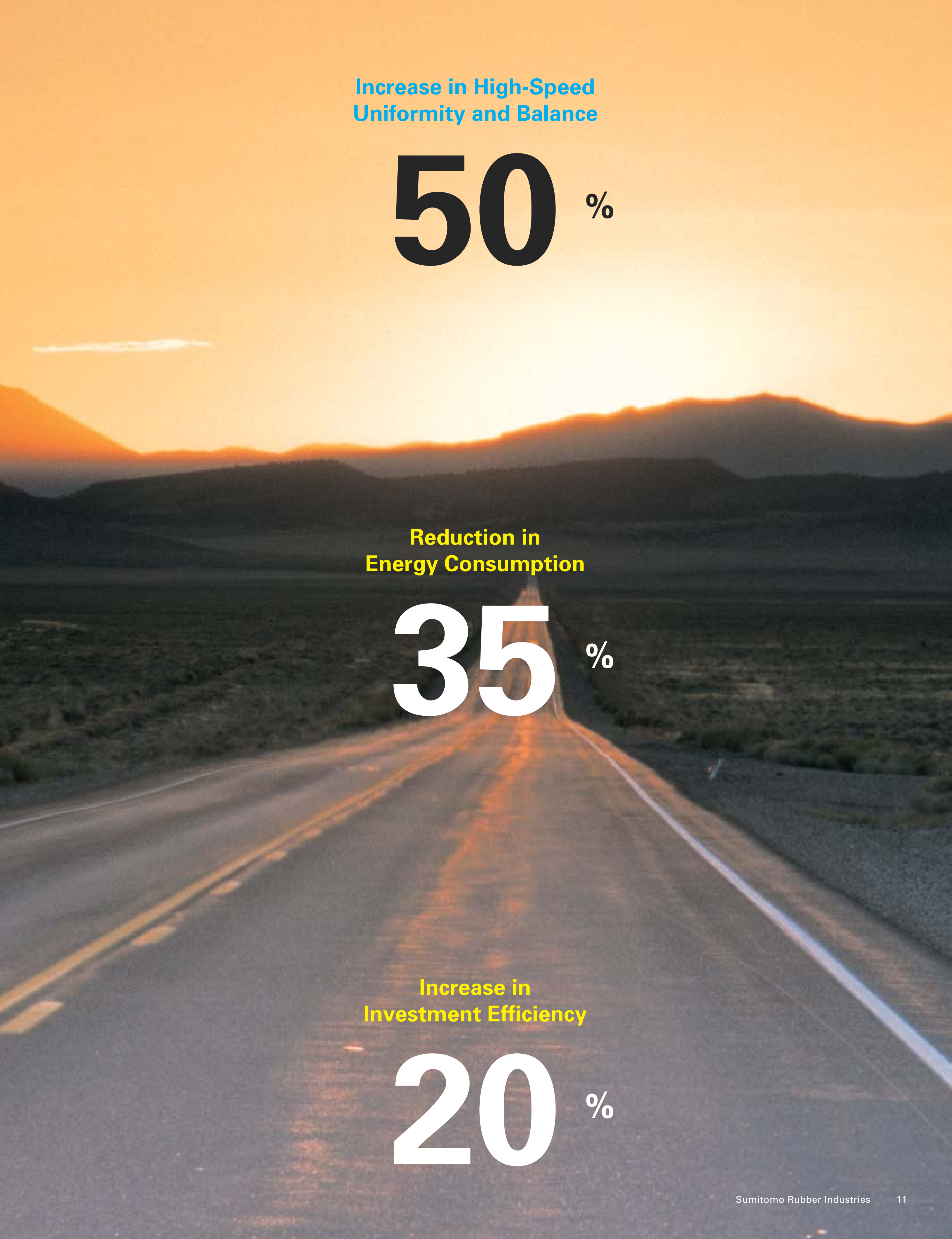
Aug.

Acquisition of ISO 14001 certification by Indonesian subsidiary

ON COURSE FOR

HIGH-QUALITY PRODUCT DEVELOPMENT

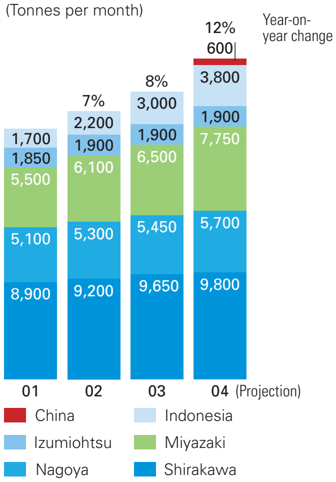
Sumitomo Rubber is unceasing in its efforts to develop high-quality products that distinguish the Company from its rivals. Our proprietary Taiyo *cell production system enhances tire quality while significantly improving productivity and investment efficiency. The application of the revolutionary* Taiyo *cell production system increases high-speed uniformity and balance by 50% compared with tires manufactured by the conventional method, reduces energy consumption by 35% and increases investment efficiency by 20%. Sumitomo Rubber is working to develop the next-generation system by the end of 2004, vertically integrating all of the production process from mixing to inspection.*


Increase in High-Speed Uniformity and Balance
50 %
Reduction in Energy Consumption
35 %
Increase in Investment Efficiency
20 %

> "Sumitomo Rubber is committed to unceasing efforts to improve cost competitiveness and to address a number of priority issues in order to ensure its continued growth."

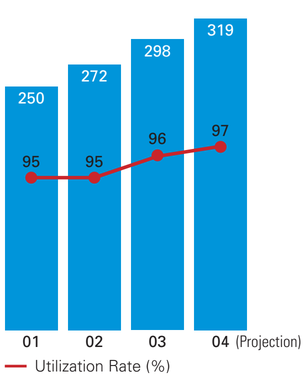
Tire Production Capacity

(Tonnes per month)



Tire Production Volume

(Thousands of tonnes)



Respond to Growth Fields and Markets

A fourth and final priority is the Group's ability to respond effectively to growth fields and emerging markets. In the Tire business, Sumitomo Rubber plans to undertake capital expenditures totaling ¥33.0 billion over a two-year period commencing fiscal 2004, with the aim of increasing production capacity in Japan and Asia. Capital expenditures are in response to the sharp increase in demand for tires in general in China and other Asian countries and for high-performance and SUV tires particularly in Japan, the U.S., and Europe. Initially, we will work to front-load capital expenditures in fiscal 2004, focusing on increasing domestic production capacity for high-performance tires and steadily shifting production of commodity tires to overseas bases. Over the two-year period, we anticipate investing a cumulative total of ¥23.0 billion in our Miyazaki and other domestic factories, ¥7.0 billion in Indonesia and ¥3.0 billion in Changshu, China. By the end of fiscal 2005, we anticipate production capacity of radial SUV tires, radial passenger-car tires, and radial truck and bus tires to increase approximately 30%, 15%, and 10%, respectively, compared with the end of fiscal 2003.

In addition, under the new production structure, Sumitomo Rubber is targeting a utilization rate of 97% in fiscal 2004. The Company is working to enhance productivity through specific expenditure while at the same time maximizing capital investment efficiency and maintaining stable cash flow.

In April 2004, our factory in Changshu, China came online, becoming the Group's sixth tire factory. We established a holding company, SRITP Ltd., with Tire Pacific Ltd., an import agency in Hong Kong, to address marketing needs in China. Under the umbrella of SRITP, Sumitomo Rubber established four tire sales companies in December 2003 to service increasing demand, particularly along China's coastal areas including the four major cities of Dalian, Tianjin, Shanghai, and Guangzhou. Our goal is to secure a 10% market share in replacement markets in China by 2010.

Moreover, Sumitomo Rubber is consistently on the threshold of technological innovation striving to address growing concerns over driving safety. Prime examples of our technological innovation include our four runflat/spareless tire technologies comprising: the lightweight self-support-type runflat Combined Technology Tire (DSST-CTT Runflat); the PAX System, a runflat tire system based on an unprecedented concept composed of four elements: the tire, the wheel, a tire pressure monitoring system and a support ring that supports the tires in the case of a puncture; the Deflation Warning System (DWS), a proprietary system to detect drops in tire pressure while the vehicle is moving; and the Instant Mobility System (IMS), an emergency quick-repair kit for flat tires.

In our Sports, Industrial and Other Products businesses, we are adopting a series of initiatives focusing on products exhibiting strong growth potential. In addition to expanding sales of existing products, we are actively pursuing development of new technologies and products. We are continually working to improve our best-selling XXIO golf clubs through the application of innovative technologies and have adopted a global marketing strategy for SRIXON brand golf clubs and golf balls. Buoyed by the increasing use of Hibrid-Turf at sports grounds throughout Japan, sales are expanding in our Industrial and Other Products business.

On Course for Increased Corporate Value

Sumitomo Rubber is currently experiencing unprecedented increases in raw material costs in its core Tire business. Accordingly, we are focusing on building a robust profit structure and improving operating efficiencies in an effort to overcome fluctuations in our external environment.

As a global 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 shareholders, employees, suppliers, customers, local communities and other stakeholders.

In an effort to realize our corporate philosophy, we continue to reinforce corporate governance and compliance and to ensure the highest standards in management and operating transparency. Building on the momentum of business reform, we have clarified the authority and responsibility of each business under a new operating structure, established a management platform to promptly respond to changes in our working environment, and introduced an executive officer system. In order to augment the audit function, we have also appointed external directors to the Company's Board.

Sumitomo Rubber is committed to shaping the right course by establishing best-fit structures and further bolstering its earnings base. We will continue to increase our corporate value and to satisfy the expectations of shareholders, investors, and all stakeholders.

April 2004
Mitsuaki Asai
President

Sep.

Oct.

ECORUT SP668 tire for trucks and buses wins Good Design Award

Goodyear's flagship EAGLE F1 GS-D3 tire and all-season VECTOR5 tire win Good Design Awards

Sumitomo Rubber wins Reduce, Reuse & Recycle Promotion Council Chairman's Award

Nov.

Development of *Digi-Compound*, a nanometer-level tire material simulation technology

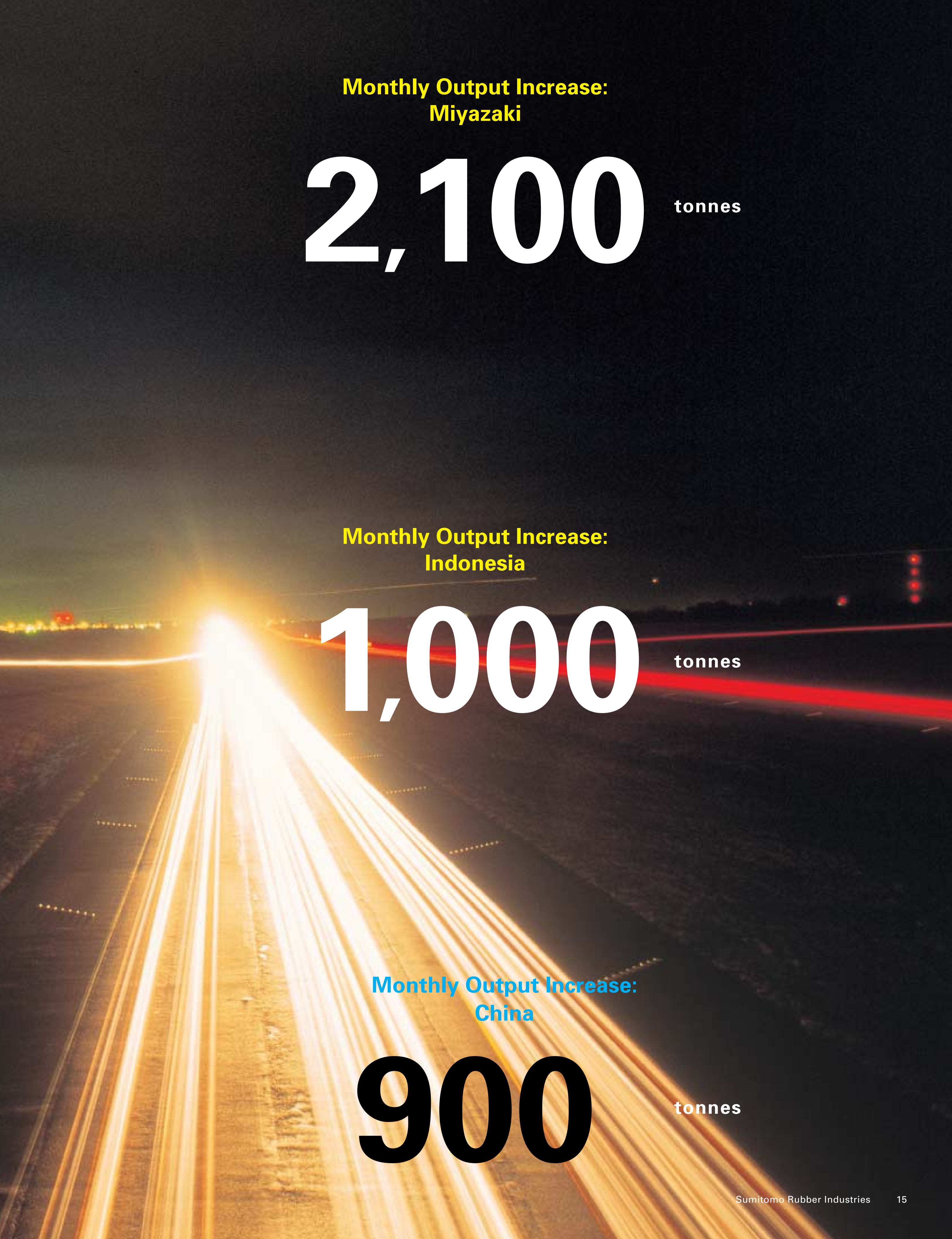
Dec.

Achievement and renewal of zero emissions by Head Office and six factories in Japan, a first by a Japanese tire manufacturer

ON COURSE FOR

RENEWED BUSINESS GROWTH

Sumitomo Rubber is committed to reinforcing its domestic and overseas production and sales structure with the aim of addressing increased demand, primarily for high-performance tires, and further enhancing its platform for business growth. To meet its goal of increased production from the level in 2003, the Company is striding toward monthly output increase targets of 2,100 tonnes at its Miyazaki factory, 1,000 tonnes at its Indonesian subsidiary and 900 tonnes in China, by the end of 2005. Sumitomo Rubber's initiatives to bolster its export structure include upgrading its Miyazaki factory to enable a swift response to demand from domestic original equipment and export markets, and commencing OEM supply in Indonesia to a local subsidiary of Goodyear. Recognizing China as a market of considerable growth potential, the Company will also establish a comprehensive sales network covering the entire region.



Monthly Output Increase: Miyazaki

2,100 tonnes

Monthly Output Increase: Indonesia

1,000 tonnes

Monthly Output Increase: China

900 tonnes

Fiscal 2003 Results

Sales in the Tire business increased 2.6% to ¥338,915 million for the fiscal year under review, and operating income rose 11.0% to ¥31,208 million.

Sumitomo Rubber's Tire business centers on tires for the domestic replacement market, the original equipment market and the export market, as well as products manufactured by overseas subsidiaries. As part of its business reform, Sumitomo Rubber has established a new structure incorporating sales subsidiaries based on individual brands and markets. By realizing the maximum potential of each unique product brand and market, the Company is working to strengthen its marketing capabilities.

Despite brisk sales of studless tires resulting from snowfalls at the end of the year and efforts to actively introduce new products under the Dunlop, Falken and Goodyear brands, sales fell slightly in the domestic replacement market, reflecting harsh business conditions and a drop in overall demand. The Company fared well in the original equipment and export markets as a result of a revamped marketing structure that successfully responded to growing demand. Sales at Indonesian subsidiary P.T. Sumi Rubber Indonesia also grew, driven by increased exports.

Domestic Replacement Market

For the Dunlop brand, Sumitomo Rubber actively launched new products in the Digi-Tyre DRS II series, including the sports tire DIREZZA DZ101, the studless tire GRANDTREK SJ6 for four-wheel drive vehicles, and the ECORUT SP668 truck and bus tire based on the new economical and environmentally friendly DECTES (Dunlop Energy Control Technologies). However, a drop in summer tire sales resulted in almost flat total sales for the Dunlop brand.

Sales of Falken-brand tires declined slightly year on year. Despite efforts to boost sales, primarily through the release of new products such as the SINCERA SN828 passenger car tire and the LANDAIR SL S112 studless tire for SUV vehicles, a drop in overall demand impacted results. On the earnings front, Sumitomo Rubber recorded an increase in profits, buoyed by a review of sales channels and efforts to streamline inventories.

The Company posted an increase in sales of Goodyear-brand tires compared with the previous fiscal year. This was the result of strong sales of EAGLE RV tires for minivans and station wagons, and studless ICE NAVI NH tires incorporating Hybrid Technology, as well as the adoption of sales strategies for each channel.

Original Equipment and Export Markets

Sumitomo Rubber's sales in the original equipment market rose, boosted by strong automobile production in Japan that exceeded 10 million units for the second consecutive year, and the benefits from the integration of marketing and sales of the Company's three major brands. In particular, sales of Goodyear-brand tires increased substantially.

In export markets, the volume and value of sales climbed year on year due to aggressive marketing in the Middle East, North and Latin America that offset the negative effects of the strong yen.

Overseas Subsidiaries

P.T. Sumi Rubber Indonesia is increasing its production capacity and exports to the Asia region, spurred by the start-up of its Factory #2. Coupled with efforts to curtail operating expenses and strengthen its corporate structure, this Indonesia-based subsidiary posted a significant increase in sales and profit.

In China, a market earmarked for considerable growth potential, the construction of manufacturing facilities, allocation of human resources and implementation of personnel training for Sumitomo Rubber (Changshu) Co., Ltd. and Sumitomo Rubber (Suzhou) Co., Ltd. progressed satisfactorily and opening ceremonies were held for their plant in April 2004. These two new subsidiaries expect to sell 800,000 tires in the first year. In addition, Sumitomo Rubber established a joint-venture holding company with four sales subsidiaries for the Chinese market.

Expansion of the Digi-Tyre Series

Sales of the Digi-Tyre series commenced in 1998, and cumulative sales have reached 35 million units as of January 31, 2004. Today, the Digi-Tyre series is a mainstay product. Recognized for its high performance and high technology,

DIREZZA DZ101 GRANDTREK SJ6

ECORUT SP668

D742F SPORTMAX D221

EAGLE LS2000 ICE NAVI NH EAGLE RV

the Digi-Tyre series is continuously evolving to deliver superior functionality and increased contributions to sales.

"Digi-Tyre" is the name of the technology behind the development of the Digi-Tyre series within the Dunlop brand name. The second-generation Digi-Tyre DRS II technology simulates the performance of tires fitted on vehicles driven on a variety of road-surface conditions. Through its research in tire materials technology including the development of *Digi-Compound*, a nanometer-level tire material simulation technology, Sumitomo Rubber provides comprehensive contributions to tire evolution. Launched in February 2004, DIGI-TYRE ECO EC201 is the culmination of this new technology utilizing new materials. The Company is committed to consistently enhancing its Digi-Tyre lineup and to providing additional performance in environmental conservation, comfort and safety.

Gold Award from Ford Motor Company

Sumitomo Rubber strives to deliver high-quality products and services that promptly address the strict requirements of global automakers. During the fiscal year under review, the SRI Group's Dunlop Goodyear Tires Ltd. received the Gold Award in the World Excellence Awards presented by Ford Motor Company. Ford presents these awards to its leading suppliers of automotive components in recognition of their excellence in quality assurance. Honored by this prestigious award, Sumitomo Rubber will redouble its efforts to deliver greater satisfaction to customers.

TIRE BUSINESS

LANDAIR SL S112 ECORUN MI587
SINCERA SN828

SPORTS BUSINESS

HI-BRID everio

SRIXON HB-TOUR

XXIO

Fiscal 2003 Results

Sales in the SRI Group's Sports business fell 8.1% to ¥58,856 million, mainly as a result of a change in the recording of license business sales. Operating income, however, climbed 24.5% to a record ¥7,958 million.

A decline in the number of golf course users and a drop in overall market demand again characterized operating conditions. Results in the Sports business were boosted, however, by the continued release of a series of strategic products based on the Group's proprietary Digital Impact technology. The remodeled XXIO golf clubs, a hit product released in 2002, continued to perform well. The launch of our new XXIO golf balls, Digisole golf shoes and other products also met with favorable response from the market. Our new golf clubs and balls marketed under the strategic SRIXON international brand name through sales subsidiaries in Europe, the U.S. and Australia were well received, driving exports above the previous year's level.

Sales of tennis-related products surpassed those of fiscal 2002, with steady results reported in Dunlop tennis rackets and balls, and substantial growth in the tournament-use BABOLAT-brand racket.

XXIO, a New Core Brand

The XXIO series of golf products has become our all-time best-seller and now represents a core brand of the Sports business. Sales of the remodeled XXIO, totaling 310,000 woods and 130,000 iron sets, have surpassed those of its predecessor, with a solid rise in profit margins. The third-generation new XXIO launched in January 2004, featuring an "impact power body" made with the newly developed “scrum construction,” delivers even greater distance and control and is attracting rave reviews. We estimate record sales in the first year of 210,000 woods and 80,000 iron sets, which will make this our best-selling golf club.

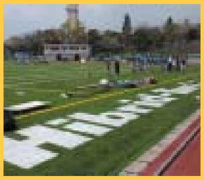
Two high-end products form the backbone of our golf ball lineup: the new XXIO golf ball released in February 2003 with a new dimple pattern for advanced aerodynamics delivering greater distance, and the everio series. Since becoming a hit product in 2002, the everio golf ball has been upgraded to provide higher repulsion and softer feel. We have high expectations of the new everio ball released in February 2004, with a sales target in the first year of one million dozen.

DUNLOP ADFORCE M1 TOUR

BABOLAT PURE DRIVE TEAM

Digisole GGS-1015

INDUSTRIAL AND OTHER PRODUCTS BUSINESS



Hibrid-Turf

Fiscal 2003 Results

Sales in the Industrial and Other Products business edged down 1.5% to ¥52,720 million for fiscal 2003. The operating loss was ¥1,198 million, which was an improvement of ¥1,654 million.

In the domestic market for industrial products, sales of marine-related products such as dock fenders were weak, impacted by stagnant public works. Results exceeded those of the previous fiscal year, however, buoyed by strong growth in the increasingly popular Hibrid-Turf artificial turf, industrial floor surfaces, precision rubber parts for office automation (OA) equipment, rubber gloves and other products. After the negative effects of prolonged recession, for the fiscal year under review we were able to record our first profit in 11 years from industrial products in Japan as a result of the positive effects of the business spin off.

In other products, for which Sumitomo Rubber is directly responsible, sales of LCD backlights for use in personal computers, entertainment devices and LCD TVs increased. In addition, results were boosted by solid growth in new businesses including portable wheelchair ramps and vehicle-height adjustment devices.

In our overseas operations, sales of natural rubber gloves made by Sumirubber Malaysia Sdn. Bhd. increased in Malaysia, as did sales to Japan and other overseas markets. Production of precision rubber parts for OA equipment by Zhongshan Sumirubber Precision Rubber Ltd. in China expanded steadily, boosted by the continued shift in production from Japan, with sales exceeding the previous fiscal year. Despite structural reforms targeting the bed business in Europe, designed to increase production efficiency and product quality, sales in this operation declined owing to a drop in overall market demand.

We intend to close our LCD monitor backlight production subsidiary in Taiwan in June 2004 due to continued poor performance and stagnant demand.

Strong Sales of Hibrid-Turf

Sales of Hibrid-Turf, a surface that compares favorably to natural turf, have been strong, boosted by demand for use in a variety of sports, including soccer, baseball and rugby. We continue to enhance our product lineup, building on the superior product qualities of Hibrid-Turf, including safety and playability. The SRI Group is striving to secure greater market acceptance through pricing strategies and other sales promotion initiatives. From its launch in August 2000 through the end of 2003, Hibrid-Turf has been laid at 57 facilities for a total of approximately 262,000 square meters. Orders in fiscal 2004 are expected to be strong, with a year-on-year estimate of an increase of 70%.

ENVIRONMENTAL PRESERVATION

Sumitomo Rubber has made environmental preservation one of the top priorities in all of its business activities, and is consistently maintaining its emphasis on environmental management for the entire SRI Group. Our efforts to promote environmental preservation encompass every facet of our operations, from product development through disposal. We strive to promote reduction of environmental impact in product design and sale, recycling, energy conservation, the lowering of CO_2 emissions by introducing cogeneration systems and improving distribution, curtailment of the use of organic solvents, waste reduction, green purchasing and comprehensive environmental information disclosure.

Head Office and Six Domestic Factories Achieve Zero Emissions

Sumitomo Rubber, including its Head Office, Research and Development Center and four domestic production factories, in December 2002 became the first Japanese tire manufacturer to achieve zero emissions*. Following this accomplishment, the Company received the Reduce, Reuse & Recycle Promotion Council Chairman's Award for its efforts to promote a recycling-based society.

As part of its reorganization efforts, Sumitomo Rubber integrated Ohtsu Tire, acquiring two domestic factories. These additional factories achieved zero emissions in December 2003.

"Zero emissions" is achieved when waste disposed of in landfills is maintained at less than 1% of the total amount of waste.

Indonesian Subsidiary Acquires ISO 14001 Certification

P.T. Sumi Rubber Indonesia acquired ISO 14001 certification during fiscal 2003, joining the Group's six domestic production facilities in achieving this international standard for environmental management. This certification reflects the fact that P.T. Sumi Rubber has become more active in enhancing environmental preservation.

Introduction of Cogeneration Systems

Our Nagoya and Shirakawa factories have introduced cogeneration power systems for the supply of electricity and heat. Accordingly, these factories are self-sufficient for a portion of their power-generation needs. We will add new cogeneration facilities at the Shirakawa and Miyazaki factories in 2004.

Reduction of Ozone-Depleting Substances

Sumitomo Rubber follows the Montreal Protocol on Substances that Deplete the Ozone Layer. In addition to the abolition of chlorofluorocarbon use in 1994, the Company is pursuing the reduction of hydrochlorofluorocarbons and other substances with the aim of ensuring CFC-free operations.

New Technologies for Creating Environmentally Conscious Products

Sumitomo Rubber is striving to develop new technologies and products with low environmental impact.

The DIGI-TYRE ECO EC201 launched in February 2004 contributes to the reduction of automotive CO_2 emissions through improved fuel efficiency and the reduction of heat waste through the application of a new LRR (Low Rolling Resistance) Carbon Black. The new tire lowers rolling resistance by 10%. In addition, in raising the content of high-performance natural rubber, this new product delivers improved fuel consumption and durability, contributing significantly to the conservation of fuel resources.

Sumitomo Rubber's new ECORUT SP668 truck and bus tire, based on the new DECTES (Dunlop Energy Control Technologies), reduces friction and heat energy loss. This superior all-season tire lowers rolling resistance by 30%, delivers improved fuel consumption and demonstrates excellent performance in terms of abrasion and uneven wear.

Active in every facet of environmental protection, Sumitomo Rubber also introduced a concept tire at past Tokyo Motor Shows that is about only 3% composed of petroleum-related materials. We are working diligently on environmentally friendly non-petroleum tires.

INTELLECTUAL PROPERTY

The SRI Group commenced operations under its new structure in the second half of 2003, following the spin off of the Sports business and the Industrial Products business, and the integration with Ohtsu Tire. The Group's intellectual property rights activities are centralized within Sumitomo Rubber's Head Office and structured in a manner that allows access by all members of the Group. The SRI Group's strategy regarding intellectual property does not focus solely on increasing the volume of patent applications. It is the role of the Intellectual Property Team of the Legal and Intellectual Property Department to also assess and evaluate the quality of intellectual property with particular reference to the degree of overall utilization and benefit to the Group. In 2003, we filed 707 patent applications in Japan. We asked the Japan Patent Office to examine 75% of these applications, and 56% of the Group's applications for the year resulted in registered patents. The SRI Group is committed to raising these ratios as part of its activities to optimize its intellectual property activities.

Medium-Term Intellectual Property Plan

SRI Group intellectual property strategies are governed by a two-tier system. Relevant units of each Group company formulate individual strategies and the Intellectual Property Team of the Legal and Intellectual Property Department proposes optimal tactics for each strategy. Based on its medium-term plan, the Intellectual Property Team implements the following initiatives with regard to the Group's intellectual property activities.

- Shift focus from patent application volume to quality; acquire useful intellectual property rights
- Establish a system to enhance application evaluation
- Establish a revenue stream through cross-licensing and royalties
- Execute joint development agreements or joint application agreements appropriately
- Assess and evaluate new compensation and other systems in accordance with amendments to patent laws
- Dispose of unnecessary intellectual property rights; increase the rate of Group company utilization
- Address the issue of counterfeit goods, primarily in China and Southeast Asia
- Secure the protection of trademarks, designs and patents, particularly in Asia and South America
- Enhance corporate image through overseas intellectual property activities

Developing an Intellectual Property Infrastructure

A key responsibility of the Intellectual Property Team is to develop Group intellectual property infrastructure. To this end, the Department has established a comprehensive database covering all matters relating to the Group's intellectual property. All Group employees have easy access through the intranet to a wealth of information, including the number of patent filing requests, the number of filed patent applications, intellectual property criteria, systems information, technical reference materials, strategy information, information relating to registered patents and new designs for practical use. In establishing an easily accessible database, the SRI Group is working to strengthen the link between intellectual property and employees as a path to improved quality and product development.

Amid heightened interest in safety and the environment, tire manufacturers are developing runflat tires for traveling a certain distance even when flat. Global automobile manufacturers are fitting them on luxury and sports cars, and they are attracting attention as leading candidates for next-generation tires.

Runflat tires are broadly divided into two technologies. The first incorporates reinforced rubber in the tire sidewall to support the vehicle. The second features rings installed inside the tire to provide internal support in the event of a puncture.

Sumitomo Rubber's Four Runflat/Spareless Technologies

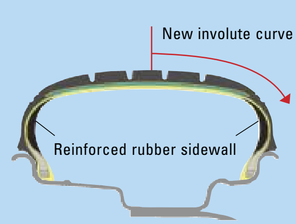
In response to the need for safe driving, Sumitomo Rubber offers the Deflation Warning System (DWS) and Instant Mobility System (IMS) in addition to the two types of runflat tires mentioned above. We provide four runflat/spareless tire technologies for various automobiles and applications.

The DWS, characterized by its low cost and high durability, warns of decreases in air pressure due to punctures or other damage, based on changes in tire revolutions detected through ABS and other similar systems. The IMS is an emergency repair kit for punctures that works in approximately 10 minutes of driving after injecting a sealant into the flat tire. It is easy to use and comes in a lightweight and compact package.

In reinforced sidewall runflat tires, Sumitomo Rubber has developed the lightweight DSST-CTT Runflat, which features a more comfortable ride thanks to the Company's proprietary technologies, and in ring supporting runfalt tires, we have adapted the PAX System, which stems from a licensing agreement with Michelin and is promoted widely in Asia under the Dunlop brand name. Sumitomo Rubber is promoting the widespread use of these runflat tires.

The installation of tire pressure monitoring systems (TPMS) will become mandatory if tire safety regulations are strengthened through passage of the TREAD Act in the United States. Accordingly, we expect demand for TPMS, runflat tires and emergency repair kits in the spareless field to increase sharply amid heightened awareness of safe driving. With an eye on these changing market conditions, Sumitomo Rubber established a base in North America to develop its DWS business in the North American market.

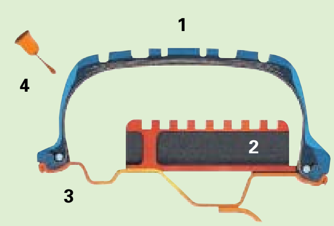
***DSST-CTT Runflat** (Self support type)*



DSST-CTT Runflat is a reinforced sidewall tire that can be mounted on a standard wheel. DSST-CTT Runflat offers a smoother ride due to a rounder designed tread profile, as well as lighter weight and lateral stiffness due to shorter sidewalls.

***PAX System** (Supporting ring type)*

1. PAX tire
2. Support ring
3. Exclusive PAX wheel
4. DWS



The PAX System comprises four elements: the tire, wheel, TPMS and a support ring that supports the tire in the event of a puncture.

Scope of Consolidation

The SRI Group comprised 96 subsidiaries and 36 companies accounted for under the equity method as of December 31, 2003. In fiscal 2003 (ended December 31, 2003), 13 subsidiary companies and one equity-method affiliate were newly included, and three subsidiaries and one company accounted for under the equity method were excluded from the Group's scope of consolidation. As part of Sumitomo Rubber's extensive structural reforms, and included in the change in the scope of consolidation identified above, eight subsidiaries were newly included and two subsidiaries were excluded from the scope of consolidation. The impact of these changes on the Group's consolidated performance was immaterial.

In addition to the Company's reorganization efforts, two tire manufacturing subsidiaries located in China and two sports products sales subsidiaries operating in the U.K. and Australia were also included in the scope of consolidation. These changes had little impact on the Group's consolidated results for the fiscal year under review.

Net Sales

In fiscal 2003, consolidated net sales edged up 0.6% to ¥450,491 million. In its core Tire business, Sumitomo Rubber recorded steady growth in original equipment and export markets. This was offset by a change in the recording of Sports business licensing sales, however, and by the sluggish performance in industrial and other products, primarily in the bed business in Europe.

By industry segment, sales in the Tire business rose 2.6% to ¥338,915 million, accounting for 75.2% of net sales. Sales in the Sports business declined 8.1% to ¥58,856 million, or 13.1% of net sales, while sales in the Industrial and Other Products business fell 1.5% to ¥52,720 million, or 11.7% of net sales.

The SRI Group's overseas sales rose 6.2% year on year to ¥133,239 million. Particularly noteworthy was the 14.4% jump in sales in North America, which contributed significantly to overall sales. In fiscal 2003, the overseas sales ratio increased 1.6 percentage points to 29.6%.

Earnings

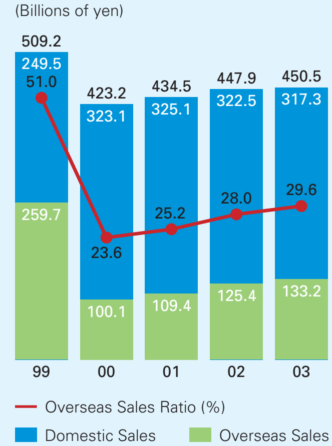
In the fiscal year under review, consolidated operating income increased 19.0% to ¥37,766 million, an historical high. The operating income ratio edged up 1.3 percentage points to 8.4%.

The increase in operating income was due to a number of factors. First was the strong performance of highly profitable value-added products, such as the mainstay Digi-Tyre series and the XXIO series of golf products. Second was the success of cost-cutting measures across the Group. The Company achieved significant reductions in manufacturing and personnel expenses as part of its comprehensive business reform. Under its alliance with The Goodyear Tire & Rubber Company, Sumitomo Rubber also met with considerable success in lowering the price of raw materials through joint purchasing and increased productivity. The third factor behind the increase in operating income was Sumitomo Rubber's response to growing demand for high-value-added products, including tires for high-performance, wide-rimmed wheels and others, through selective investment. In addition, efforts to reinforce marketing capabilities contributed to steady sales growth.

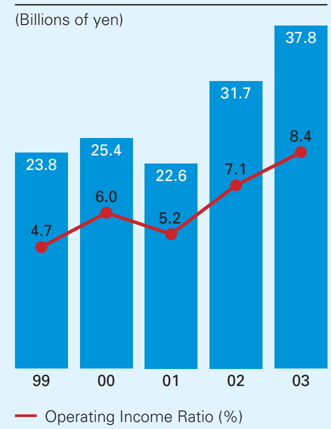
By industry segment, operating income in the Tire business climbed 11.0% to ¥31,208 million. In the Sports business, operating income surged 24.5% to ¥7,958 million, a historic high. The Industrial and Other Products business narrowed its operating loss by ¥1,654 million to ¥1,198 million.

Net other expenses were significantly lower than in the previous fiscal year, falling 57.7% to ¥5,961 million. Principal components were the write-down of trademarks of overseas subsidiaries totaling ¥2,442 million, and ¥2,261 million in equity in losses of unconsolidated subsidiaries and affiliates representing restructuring expenses incurred by the Company's U.S.- and European-based joint ventures with Goodyear.

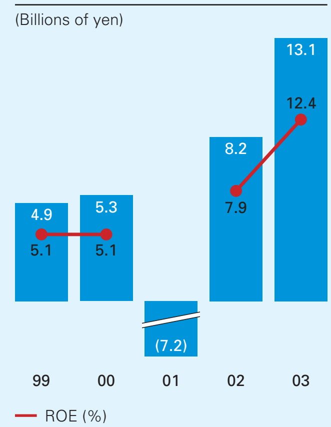
Domestic and Overseas Sales



Operating Income



Net Income (Loss)

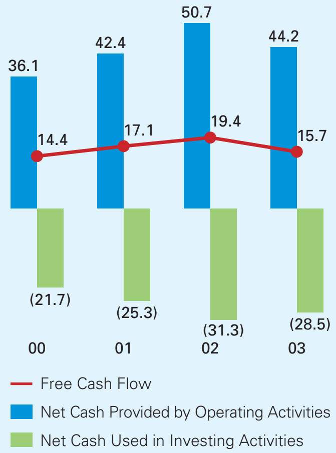


Capital Expenditures/ Depreciation and Amortization

(Billions of yen)

Cash Flows

(Billions of yen)



As a result of the above factors, income before income taxes surged 80.3% to ¥31,805 million. Income taxes climbed 109.2% to ¥16,655 million, representing an effective tax rate of 52.4%, up 7.3 percentage points. Minority interest in consolidated subsidiaries increased 42.4% to ¥2,055 million. Net income jumped 58.9% to ¥13,095 million, marking the second consecutive year of record profit.

Net income per share was ¥55.07, and return on shareholders' equity was 12.4%.

Dividends

Sumitomo Rubber recognizes return of gains to shareholders to be a priority issue. While comprehensively assessing standards for performance prospects, dividend payouts and retained earnings, the Company has adopted a basic policy of steadily rewarding shareholders over the long term. Sumitomo Rubber utilizes retained earnings for strategic investments aimed at expanding the Company's revenue base, with priorities on capital investments for both increased and streamlined production, as well as R&D.

Sumitomo Rubber is pleased to declare a commemorative dividend of ¥2.00 to celebrate the 40th anniversary of the change to the Company's current name. In addition to the ¥10.00 per share dividend that the Company has delivered annually in recent years, the full-year dividend for fiscal 2003 is ¥12.00 per share.

Cash Flows

Net cash provided by operating activities declined 12.8% in comparison with the previous fiscal year, to ¥44,225 million. Despite a substantial increase in income before income taxes, contributions to cash inflows were more than offset by an increase of prepaid pension cost and a year-on-year increase in working capital requirements due to brisk sales of studless tires resulting from snowfalls at the end of the year.

Net cash used in investing activities narrowed 8.7% to ¥28,545 million. Primary uses of cash included ¥25,441 million in capital expenditures for the acquisition of property, plant and equipment and for an increase in production at the Company's tire manufacturing facilities in Japan and China.

Free cash flow (net cash provided by operating activities minus net cash used in investing activities) totaled ¥15,680 million. This free cash flow plus other cash inflows amounting to ¥20,821 million were used in financing activities for the reduction of interest-bearing debt by ¥8,460 million, purchases of treasury stock totaling ¥9,828 million and cash dividends paid of ¥2,343 million.

As a result of these activities, plus the effects of changes in exchange rates and the scope of consolidation, cash and cash equivalents at the end of the year declined 20.8% to ¥16,453 million.

Financial Position

Total assets as of December 31, 2003 stood at ¥481,553 million, up 0.9%. Total current assets edged down 1.0% to ¥188,463 million, reflecting increased efficiencies in the management of cash and time deposits as a result of the Company's improved cash management system.

Investment and other assets edged up 0.8% to ¥120,562 million. This included ¥7,707 million in prepaid pension cost relating to the return of pension assets previously managed on behalf of the government, which was in part offset by ¥3,483 million amortization and write-down of trademarks relating to the European bed business. Property, plant and equipment rose 3.2% to ¥172,528 million due to an increase in construction in progress in line with the Company's efforts to increase production and other factors.

Total current liabilities as of the end of the fiscal year were 1.5% lower at ¥225,734 million, while long-term liabilities increased 5.2% to ¥138,001 million. Despite an overall increase in total liabilities, reflecting mainly increases in other payables and accrued income taxes, the balance of interest-bearing debt as of December 31, 2003 was ¥210,681 million, ¥9,404 million lower than a year earlier.

Total shareholders' equity climbed 8.6% to ¥110,395 million. The Company reported a drop in equity of ¥1,824 million attributed to the increase in treasury stock. This was offset by an increase in retained earnings of ¥9,816 million, however, and an increase in net unrealized gains on available-for-sale securities owing to a recovery in the securities markets.

As a result of these factors, the shareholders' equity ratio gained 1.6 percentage points to 22.9%, and the debt-to-equity ratio fell 0.26 point to 1.91 times.

R&D Expenses

Research and development expenses were ¥14,058 million, representing 3.1% of consolidated sales. The Tire business accounted for ¥10,895 million, the Sports business ¥1,484 million, and the Industrial and Other Products business ¥1,678 million. R&D activities consisted of technology exchanges, principally in the Tire business, in accordance with the Company's global alliance with Goodyear, as well as the formation of targeted project teams for joint survey research of products such as runflat tires. As part of Sumitomo Rubber's business reforms, the Company established SRI Research & Development Ltd. as a core company in the Group's R&D activities.

Number of Employees

The total number of employees increased 261 from the end of the previous fiscal year to 15,573.

Risk Information

Sumitomo Rubber is exposed to risk in changes in foreign currency markets, interest rates and material prices. Sumitomo Rubber engages in forward-exchange contracts to hedge against the risk of changes in foreign currency markets.

Outlook

Net sales for fiscal 2004, ending December 31, 2004, are forecast to total ¥450,000 million, a year-on-year decline of 0.1%. Net income is anticipated to fall 16.0% to ¥11,000 million with assumed exchange rates of JPY105=USD1.00 and JPY125=EUR1.00.

The economic outlook is expected to remain cloudy. Against the backdrop of continued intense competition with the industry, the price of raw materials such as natural rubber is expected to remain high. Further exacerbating anticipated difficult operating conditions, the appreciation of the yen is expected to place downward pressure on exports.

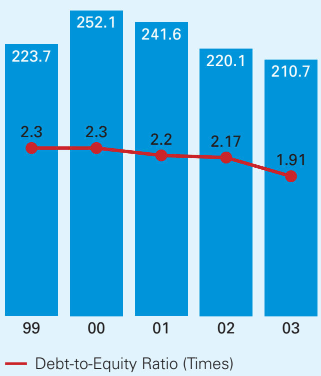
In response to these circumstances, Sumitomo Rubber will make every possible effort to offset the rise in raw material prices in the Tire business. From the outset of fiscal 2004, the Company will implement measures in its export markets and in May 2004, Sumitomo Rubber will raise shipment prices to sales agents of replacement tires.

On the back of strong sales of the new XXIO, the third in the Company's series of golf clubs, launched in January 2004, Sumitomo Rubber is striving to further enhance its technological capabilities in the Sports business with the aim of developing new products that deliver optimal customer satisfaction. At the same time, the Company is continuing to actively step up its marketing activities.

In the Industrial and Other Products business, Sumitomo Rubber will pursue further reorganization of its underperforming bed business in Europe in an effort to improve earnings. The Company also plans to close its Taiwan-based manufacturing subsidiary in June 2004, following persistent drop in demand for backlights for LCD monitors.

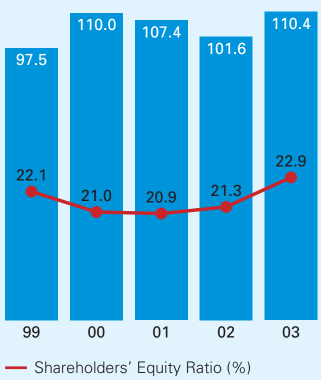
Interest-Bearing Debt

(Billions of yen)



Shareholders' Equity

(Billions of yen)



CONSOLIDATED BALANCE SHEETS

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
December 31	**2003**	2002	**2003**
Assets			
Current assets:			
Cash and time deposits	**¥ 16,534**	¥ 20,862	**$ 154,523**
Notes and accounts receivable (Note 14)—			
Trade	**107,744**	103,735	**1,006,953**
Other	**9,760**	8,682	**91,215**
Allowance for doubtful accounts	**(2,650)**	(3,650)	**(24,766)**
Inventories (Note 4)	**40,741**	42,440	**380,757**
Short-term loans (Note 14)	**3,096**	3,458	**28,934**
Deferred tax assets (Note 10)	**8,316**	11,034	**77,720**
Other	**4,922**	3,899	**46,000**
Total current assets	**188,463**	190,460	**1,761,336**
Investments and other assets:			
Investments in securities (Note 5)	**15,393**	12,389	**143,860**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	**68,810**	74,504	**643,084**
Long-term loans	**1,449**	1,603	**13,542**
Long-term prepaid expenses	**3,063**	2,521	**28,626**
Trademarks (Note 8)	**6,231**	10,305	**58,234**
Goodwill and other intangible assets	**7,199**	7,321	**67,280**
Prepaid pension cost (Note 11)	**7,707**	—	**72,028**
Other	**13,310**	13,838	**124,393**
Allowance for doubtful accounts	**(2,600)**	(2,850)	**(24,299)**
Total investments and other assets	**120,562**	119,631	**1,126,748**
Property, plant and equipment (Notes 7 and 9):			
Land	**41,091**	40,445	**384,028**
Buildings and structures	**115,374**	118,294	**1,078,262**
Machinery and equipment	**325,680**	319,917	**3,043,738**
Construction in progress	**12,429**	5,154	**116,159**
Accumulated depreciation	**(322,046)**	(316,608)	**(3,009,776)**
Total property, plant and equipment	**172,528**	167,202	**1,612,411**
Total assets	**¥ 481,553**	¥ 477,293	**$ 4,500,495**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings (Note 9)	**¥ 78,517**	¥ 84,304	**$ 733,804**
Current portion of long-term debt (Note 9)	**20,416**	26,478	**190,804**
Notes and accounts payable—			
Trade (Note 14)	**68,576**	69,751	**640,897**
Construction	**7,101**	4,798	**66,364**
Other	**21,603**	16,228	**201,897**
Accrued expenses	**13,180**	16,216	**123,177**
Accrued income taxes (Note 10)	**10,873**	4,373	**101,617**
Other	**5,468**	7,035	**51,103**
Total current liabilities	**225,734**	229,183	**2,109,663**
Long-term liabilities:			
Long-term debt (Note 9)	**111,747**	109,303	**1,044,364**
Accrued retirement benefits (Note 11)	**14,513**	11,965	**135,636**
Other	**11,741**	9,919	**109,729**
Total long-term liabilities	**138,001**	131,187	**1,289,729**
Minority interest in consolidated subsidiaries	**7,423**	15,290	**69,374**
Shareholders' equity (Note 17):			
Common stock—			
Authorized: 800,000,000 shares in 2003 and 2002			
Issued: 242,543,057 shares in 2003 and 2002	**33,905**	33,905	**316,869**
Capital surplus	**28,657**	28,657	**267,822**
Retained earnings	**41,084**	31,268	**383,963**
Net unrealized gains on available-for-sale securities	**3,603**	2,034	**33,673**
Translation adjustments	**4,970**	5,839	**46,449**
	112,219	101,703	**1,048,776**
Less treasury stock, at cost—			
2003—3,782,837 shares	**(1,824)**	—	**(17,047)**
2002—135,780 shares	**—**	(70)	**—**
Total shareholders' equity	**110,395**	101,633	**1,031,729**
Contingent liabilities (Note 15)			
Total liabilities and shareholders' equity	**¥481,553**	¥477,293	**$4,500,495**

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	**2003**	2002	**2003**
Net sales (Note 14)	**¥450,491**	¥447,893	**$4,210,196**
Cost of sales (Note 14)	**281,392**	286,755	**2,629,832**
Gross profit	**169,099**	161,138	**1,580,364**
Selling, general and administrative expenses	**131,333**	129,394	**1,227,411**
Operating income	**37,766**	31,744	**352,953**
Other income (expenses):			
Interest and dividend income	**453**	581	**4,234**
Interest expenses	**(2,123)**	(2,761)	**(19,841)**
Loss on sales or disposal of property, plant, and equipment, net	**(1,151)**	(1,081)	**(10,757)**
Exchange gain (loss), net	**657**	(131)	**6,140**
Equity in losses of unconsolidated subsidiaries and affiliates	**(2,261)**	(79)	**(21,131)**
Gain on return of substituted portion of employee pension fund	**1,851**	—	**17,299**
Write-down of trademarks	**(2,442)**	—	**(22,822)**
Amortization of initial transition cost of pension and severance plans (Note 11)	**(733)**	(1,203)	**(6,851)**
Write-down of investments in securities	**—**	(5,609)	**—**
Other, net	**(212)**	(3,818)	**(1,981)**
	(5,961)	(14,101)	**(55,710)**
Income before income taxes and minority interest in consolidated subsidiaries	**31,805**	17,643	**297,243**
Income taxes (Note 10):			
Current	**14,200**	8,380	**132,710**
Deferred	**2,455**	(420)	**22,944**
	16,655	7,960	**155,654**
Income before minority interest in consolidated subsidiaries	**15,150**	9,683	**141,589**
Minority interest in consolidated subsidiaries	**(2,055)**	(1,444)	**(19,206)**
Net income	**¥ 13,095**	¥ 8,239	**$ 122,383**

	Yen		U.S. dollars (Note 1)
Per share amounts:			
Net income	**¥55.07**	¥33.97	**$0.515**
Cash dividends paid	**12.00**	10.00	**0.112**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended December 31	**2003**	2002	**2003**
Common stock:			
Balance at beginning of year	**¥ 33,905**	¥ 33,905	**$ 316,869**
Balance at end of year	**¥ 33,905**	¥ 33,905	**$ 316,869**
Capital surplus:			
Balance at beginning of year	**¥ 28,657**	¥ 28,657	**$ 267,822**
Balance at end of year	**¥ 28,657**	¥ 28,657	**$ 267,822**
Retained earnings:			
Balance at beginning of year	**¥ 31,268**	¥ 36,365	**$ 292,224**
Net income	**13,095**	8,239	**122,383**
Cash dividends	**(2,343)**	(2,425)	**(21,897)**
Bonuses to directors and statutory auditors	**(100)**	(11)	**(935)**
Other comprehensive income of foreign subsidiaries and affiliates	**(713)**	(10,850)	**(6,663)**
Effect of change in reporting entities	**(123)**	(50)	**(1,149)**
Balance at end of year	**¥ 41,084**	¥ 31,268	**$ 383,963**
Net unrealized gains on available-for-sale securities at end of year	**¥ 3,603**	¥ 2,034	**$ 33,673**
Translation adjustments at end of year	**¥ 4,970**	¥ 5,839	**$ 46,449**
Less treasury stock, at cost at end of year	**¥ (1,824)**	¥ (70)	**$ (17,047)**
Total shareholders' equity at end of year	**¥110,395**	¥101,633	**$1,031,729**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

Years ended December 31	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 1) 2003
Cash flows from operating activities:			
Income before income taxes and minority interest in consolidated subsidiaries	**¥ 31,805**	¥ 17,643	**$ 297,243**
Adjustments to reconcile income before income taxes and minority interest in consolidated subsidiaries to net cash provided by operating activities—			
Depreciation and amortization	**24,313**	25,163	**227,224**
Loss on sales or disposal of property, plant and equipment, net	**1,151**	1,081	**10,757**
Gain on return of the substituted portion of the employee pension fund	**(1,851)**	—	**(17,299)**
Amortization of initial transition cost of pension and severance plans	**733**	1,203	**6,851**
Write-down of trademarks	**2,442**	—	**22,822**
Write-down of investments in securities	**—**	5,609	**—**
Increase of prepaid pension costs, net of payment	**(7,707)**	—	**(72,028)**
Equity in losses of unconsolidated subsidiaries and affiliates	**2,261**	79	**21,131**
(Reversal of) provision for allowance for doubtful accounts	**(1,216)**	847	**(11,364)**
Provision for (reversal of) accrued retirement benefits, net of payment	**3,703**	(967)	**34,607**
Interest and dividend income	**(453)**	(581)	**(4,234)**
Interest expenses	**2,123**	2,761	**19,841**
(Increase) decrease in notes and accounts receivable	**(4,119)**	6,810	**(38,495)**
Decrease in inventories	**1,332**	3,401	**12,449**
Increase (decrease) in notes and accounts payable	**(1,430)**	791	**(13,365)**
Other	**(1,707)**	(104)	**(15,953)**
Subtotal	**51,380**	63,736	**480,187**
Interest and dividends received	**2,160**	1,361	**20,187**
Interest paid	**(2,180)**	(3,104)	**(20,374)**
Income taxes paid	**(7,135)**	(11,293)	**(66,682)**
Net cash provided by operating activities	**44,225**	50,700	**413,318**
Cash flows from investing activities:			
Capital expenditures	**(29,171)**	(30,557)	**(272,626)**
Proceeds from sales of property, plant and equipment, net of related outstanding receivables	**373**	673	**3,486**
Acquisition of investments in securities	**(613)**	(145)	**(5,729)**
Proceeds from sales of investments in securities	**123**	161	**1,149**
Payment for purchase of consolidated subsidiaries, net of cash acquired	**(544)**	(1,859)	**(5,084)**
Proceeds from sales of investments in affiliates	**—**	1,000	**—**
Acquisition of unconsolidated subsidiaries and affiliates	**—**	(301)	**—**
Net decrease in short-term loans receivable	**1,001**	4,169	**9,355**
Increase in long-term loans receivable	**(275)**	(3,644)	**(2,570)**
Decrease in long-term loans receivable	**349**	521	**3,262**
Other	**212**	(1,287)	**1,981**
Net cash used in investing activities	**(28,545)**	(31,269)	**(266,776)**
Cash flows from financing activities:			
Net decrease in short-term borrowings	**(5,108)**	(930)	**(47,738)**
Proceeds from long-term debt	**25,244**	18,298	**235,925**
Repayments of long-term debt, including redemption of bonds	**(28,596)**	(34,268)	**(267,252)**
Dividends paid	**(2,343)**	(2,425)	**(21,897)**
Dividends on minority interest	**(451)**	(243)	**(4,215)**
Purchases of treasury stock	**(9,828)**	(64)	**(91,851)**
Subscription by minority shareholders for issuance of common stock of consolidated subsidiaries	**254**	—	**2,374**
Other	**7**	4	**65**
Net cash used in financing activities	**(20,821)**	(19,628)	**(194,589)**
Effect of exchange rate changes on cash and cash equivalents	**(425)**	(195)	**(3,972)**
Net decrease in cash and cash equivalents	**(5,566)**	(392)	**(52,019)**
Cash and cash equivalents at beginning of year	**20,785**	21,167	**194,252**
Increase in cash and cash equivalent due to change in reporting entities	**1,234**	10	**11,533**
Cash and cash equivalents at end of year	**¥ 16,453**	¥ 20,785	**$ 153,766**

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, 2003 and 2002

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 are included solely for convenience. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, the rate of ¥107=U.S.$1, the approximate rate prevailing at December 31, 2003, 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 20%- to 50%-owned companies ("affiliates") are, with minor exceptions, accounted for on an equity basis. On 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 elimination of unrealized intercompany profits.

Sumitomo Rubber Asia (Tyre) PTE. LTD., which launched its business in fiscal 2002, and a domestic subsidiary are included in the consolidation.

Dunlop Tyres Ltd., Falken Tires Ltd., SRI Tire Trading Ltd., Falken Tire Trading Ltd., SRI Sports Ltd., SRI Hybrid Ltd., SRI Engineering Ltd. and SRI Research & Development Ltd., which were established during fiscal 2003, are included in the 2003 consolidation. Subsidiaries whose operations became materially significant in 2003, including Sumitomo Rubber (Changshu) Co., Ltd., Sumitomo Rubber (Suzhou) Co., Ltd. and Srixon Sports Europe Ltd., and subsidiaries that launched their businesses in 2003, including Srixon Sports Australasia Pty. Ltd. and SRI Automotive Technology, Inc., are also included in the consolidation. Sakurambo Country Club Co., Ltd. is excluded from the 2003 consolidation due to reduction of shareholding in fiscal 2003.

In case of 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 and the underlying net equity of investments in consolidated subsidiaries and affiliates accounted for on an equity basis incurred when those companies were first included in consolidation or adopted under the equity method, are amortized using the straight-line method over a 5-year period.

Exceptions to this policy are the difference related to Goodyear Dunlop Tires Europe B.V., which is being amortized over a 10-year period, and the difference related to Falken Tire Corporation, which had been amortized over a 40-year period until the end of fiscal 2002 and is no longer amortized from fiscal 2003 in compliance with SFAS No. 142 (see note 2 (10)). Minor differences are charged or credited to income as incurred.

(2) Consolidated statements of cash flows

The form of the accompanying consolidated statements of cash flows is defined by the Financial Services Agency of Japan.

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.

Capital expenditures presented in the consolidated statements of cash flows comprise acquisition of tangible assets, long-term prepaid expenses, trademarks and other intangible assets.

(3) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currency 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, except for shareholders' equity, which is translated at historical rates. Revenue and expense accounts of foreign subsidiaries and affiliates are translated at average rates of exchange prevailing during the year. The resulting translation adjustments are shown as a separate component of shareholders' equity.

(4) Marketable securities and investments in securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains or losses, net of applicable taxes, included as a component of shareholders' equity. Securities with no fair market value are stated at cost. Loss on significant decline of the fair value of securities that is not temporary is 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, interest rate swap contracts, and interest rate option (cap) contracts, in order to offset risks of exposure to fluctuation in interest and currency exchange rates in respect of their financial assets and liabilities in accordance with their internal policies and procedures.

a. Derivatives

All derivatives are stated at fair value, except for derivatives used for hedging purposes.

b. Hedge accounting

The Company and its consolidated subsidiaries adopt the method for hedging instruments deferring any gain or loss over the period of the hedging contracts together with offsetting against the deferred loss or gain on the related hedged items.

However, when foreign exchange forward contracts meet certain conditions, accounts receivable and accounts payable covered by these contracts are translated by using the contract rates. 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 items.

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
Interest rate swap contracts	Short-term borrowings, long-term debt
Interest rate option (cap) contracts	Short-term borrowings

c. Hedging policy

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

d. Assessment method of hedging 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 and the related hedged items from the commencement of the hedges.

(6) Inventories

Inventories are principally stated at the lower of cost or market, cost being determined using the average-cost method.

(7) Allowance for doubtful accounts

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

(8) Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the declining-balance method, except for assets held at the Shirakawa factory, the Miyazaki factory and the Izumiohtsu factory of the Company, assets held at foreign subsidiaries and assets held under capitalized leases, which are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets.

(9) Accounting for leases

Finance leases which are not subject to transfer of ownership of property to the lessees at the end of the lease term are principally accounted for as operating leases.

(10) Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives (5 to 20 years).

Effective January 1, 2003, U.S. subsidiaries adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," under which goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment on an annual basis under certain circumstances and written down when impaired in accordance with the provisions of this statement. They also adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," under which intangible assets with definite useful lives are amortized over their respective estimated useful lives and reviewed for impairment in accordance with this statement. In accordance with these statements, a U.S. subsidiary ceased to amortize goodwill amounting to ¥965 million ($9,019 thousand), which had been amortized over 40 years. In addition, the value of goodwill and trademarks held by foreign subsidiaries other than U.S. subsidiaries are reassessed annually at December 31.

(11) Research and development expenses

Research and development expenses for improvement of existing products or development of new products, including basic research and fundamental development costs, are charged to income when incurred.

(12) Accrued retirement benefits

The liabilities and expenses for retirement and severance benefits are accounted for based on the estimated amounts of projected benefit obligation and plan assets at the balance sheet date.

Effective January 1, 2002, the Company has changed its method of accounting for retirement benefits for directors and statutory auditors to provide for the accrued retirement benefits payable to directors and statutory auditors at an amount equivalent to 100% of such benefits that the Company would be required to pay based on the internal rule. Prior to January 1, 2002, the Company charged retirement benefits for directors and statutory auditors to income when paid.

This change was made in order to reflect more appropriately the allocation of service costs and to reflect more accurately its financial position to its financial statements.

As a result of this change, operating income increased by ¥100 million, and income before income taxes decreased by ¥220 million for the year ended December 31, 2002.

Payments of such benefits for directors and statutory auditors are subject to resolution at the shareholders' meeting.

(13) Income taxes

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

(14) 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, 2003 and 2002.

Effective January 1, 2003, the Company adopted the Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings per Share," and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings per Share". As a result, amounts per share for the year ended December 31, 2003 were calculated in accordance with this standard, while the prior year figures were calculated based on the former standards. The effect of this change was immaterial.

(15) 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 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.

(16) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

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 as of December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash and time deposits	**¥16,534**	¥20,862	**$154,523**
Time deposits with a maturity of over three months	**(52)**	(53)	**(486)**
Bank overdraft	**(29)**	(24)	**(271)**
Cash and cash equivalents	**¥16,453**	¥20,785	**$153,766**

4. INVENTORIES

Inventories as of December 31, 2003 and 2002 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Finished goods	**¥27,868**	¥30,694	**$260,449**
Work in process	**3,628**	3,461	**33,906**
Raw materials	**6,107**	5,465	**57,075**
Supplies	**3,138**	2,820	**29,327**
	¥40,741	¥42,440	**$380,757**

5. INVESTMENTS IN SECURITIES

As of December 31, 2003 and 2002, cost, book value and the 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
	2003	2002	**2003**
Available-for-sale securities:			
Cost	**¥ 6,872**	¥ 6,722	**$ 64,224**
Book value	**12,896**	10,276	**120,523**
Unrealized gains	**6,261**	3,888	**58,514**
Unrealized losses	**(237)**	(334)	**(2,215)**

Available-for-sale securities sold during the years ended December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Proceeds	**¥182**	¥1,207	**$1,701**
Realized gains	**66**	59	**617**
Realized losses	**(9)**	(3)	**(84)**

6. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value information regarding derivative financial instruments as of December 31, 2003 and 2002 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Contract amount	Fair value	Unrealized gain	Contract amount	Fair value	Unrealized gain	Contract amount	Fair value	Unrealized gain
Currency related contracts									
Foreign exchange contracts:									
To purchase	**¥224**	**¥227**	**¥3**	¥249	¥251	¥2	**$2,093**	**$2,121**	**$28**

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized loss	Contract amount	Fair value	Unrealized loss	Contract amount	Fair value	Unrealized loss
Interest rate related contracts									
Interest rate swap contracts:									
Receive variable rate, give fixed rate	—	—	—	¥1,000	¥(61)	¥ (61)	—	—	—
Interest rate option (cap) contracts	—	—	—	6,300	55	(148)	—	—	—
	—	—	—	¥7,300	¥ (6)	¥(209)	—	—	—

7. PROPERTY, PLANT AND EQUIPMENT

The depreciation charges for the years ended December 31, 2003 and 2002 were ¥19,702 million ($184,131 thousand) and ¥20,335 million, respectively. Estimated useful lives of the major classes of depreciable assets ranged from 2 to 60 years (principally 31 years) for buildings and structures, and from 2 to 20 years (principally 10 years) for machinery and equipment.

8. TRADEMARKS

For the years ended December 31, 2003 and 2002, amortization charges for capitalized trademarks were ¥1,586 million ($14,822 thousand) and ¥1,493 million, respectively.

The write-down of trademarks in the consolidated statements of income was related to a foreign subsidiary whose performance had deteriorated, and was recorded in addition to the amortization.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings, other than commercial paper, of ¥56,517 million ($528,196 thousand) and ¥63,304 million as of December 31, 2003 and 2002 bore interest ranging from 0.310% to 5.280%, and from 0.280% to 4.800% per annum, respectively.

Commercial paper, included in short-term borrowings, of ¥22,000 million ($205,608 thousand) and ¥21,000 million as of December 31, 2003 and 2002 bore interest ranging from 0.014% to 0.0196%, and from 0.045% to 0.089% per annum, respectively.

Long-term debt as of December 31, 2003 and 2002 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
2.150% unsecured bonds due 2004 payable in Japanese yen	**¥ 5,000**	¥ 5,000	**$ 46,729**
1.900% unsecured bonds due 2006 payable in Japanese yen	**10,000**	10,000	**93,458**
0.570% unsecured bonds due 2005 payable in Japanese yen	**10,000**	10,000	**93,458**
0.910% unsecured bonds due 2007 payable in Japanese yen	**10,000**	10,000	**93,458**
0.840% unsecured bonds due 2008 payable in Japanese yen	**10,000**	10,000	**93,458**
1.150% unsecured bonds due 2009 payable in Japanese yen	**20,000**	—	**186,916**
2.625% unsecured bonds due 2003 payable in Japanese yen	**—**	5,000	**—**
2.100% unsecured bonds due 2003 payable in Japanese yen	**—**	10,000	**—**
Loans payable to banks and other financial institutions due 2004-2019, with interest of 0.414%–4.95% for 2003 and 0.56%-4.95% for 2002			
Secured	**26,379**	33,101	**246,532**
Unsecured	**40,784**	42,680	**381,159**
	132,163	135,781	**1,235,168**
Less portion due within one year	**20,416**	26,478	**190,804**
	¥111,747	¥109,303	**$1,044,364**

The aggregate annual maturities of long-term debt as of December 31, 2003 are as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 20,416	$ 190,804
2005	25,496	238,280
2006	19,020	177,757
2007	14,410	134,673
2008	18,660	174,392
2009 and thereafter	34,161	319,262
	¥132,163	$1,235,168

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

As of December 31, 2003 property, plant and equipment amounting to ¥32,237 million ($301,280 thousand), net of accumulated depreciation, were pledged as collateral for long-term debt and short-term borrowings amounting to ¥26,639 million ($248,963 thousand).

10. INCOME TAXES

The Company and its consolidated subsidiaries are subject to a number of different income taxes which, in the aggregate, indicate a normal cumulative statutory tax rate of approximately 41.7% in Japan for the years ended December 31, 2003 and 2002.

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, 2003 and 2002 were as follows:

	2003	2002
Normal cumulative statutory tax rate	**41.7%**	41.7%
Dividends, eliminated for consolidation, from foreign subsidiaries and affiliates	**2.6**	—
Equity in losses of unconsolidated subsidiaries and affiliates	**2.3**	—
Current operating losses of foreign subsidiaries	**2.4**	4.3
Expenses not deductible for tax purposes	**1.2**	2.3
Change in valuation allowance for deferred tax assets	**4.9**	1.5
Foreign tax credit in relation to dividends received from foreign subsidiaries and affiliates	**—**	(1.8)
Special tax treatment for import promotion	**—**	(1.3)
Other	**(2.7)**	(1.6)
Effective tax rate per consolidated statements of income	**52.4%**	45.1%

On March 31, 2003, the law governing local taxes in Japan was revised to impose a size-based enterprise tax on corporations and accordingly, income tax rates for the enterprise taxes will be reduced for the fiscal year commencing on January 1, 2005 or later.

Based on the change of income tax rates, for the calculation of deferred tax assets and liabilities, the Company and certain of its domestic consolidated subsidiaries used the effective tax rates of 41.7% and 40.4% for current items and non-current items, respectively, as of December 31, 2003. The effect of this change was immaterial.

Significant components of the deferred tax assets and liabilities as of December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets—current:			
Provision for doubtful accounts	**¥ 779**	¥ 1,505	**$ 7,281**
Accrued business enterprise tax	**857**	352	**8,009**
Unrealized intercompany profits on inventories	**3,043**	3,115	**28,439**
Tax loss carryforward	**836**	—	**7,813**
Loss on impairment in assets of a domestic subsidiary	**—**	2,924	**—**
Other	**2,801**	3,138	**26,178**
Total	**¥ 8,316**	¥11,034	**$ 77,720**

Deferred tax assets—non-current:			
Unrealized intercompany profits on fixed assets	**1,141**	393	**10,664**
Provision for accrued retirement benefits	**373**	1,878	**3,486**
Other	**1,041**	(345)	**9,729**
Total	**¥ 2,555**	¥ 1,926	**$ 23,879**
Deferred tax liabilities—current:	**¥ (81)**	¥ (72)	**$ (757)**
Deferred tax liabilities—non-current:			
Deferred gain on sales of property, plant and equipment	**(2,359)**	(2,986)	**(22,047)**
Unrealized gain on land of a consolidated subsidiary	**(1,586)**	(1,645)	**(14,822)**
Provision for accrued retirement benefits	**869**	939	**8,122**
Loss on impairment of investments in subsidiaries	**—**	1,699	**—**
Unrealized gains on available-for-sale securities	**(2,368)**	(1,314)	**(22,131)**
Other	**(175)**	(671)	**(1,636)**
Total	**¥(5,619)**	¥(3,978)	**$(52,514)**

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 as described below. For an employee voluntarily retiring under normal circumstance, minimum payment amount is calculated based on current rate of pay, length of service and condition under which the employee retires. In calculating the payment amount for an involuntarily retiring employee, including an employee retiring due to meeting mandatory retirement age, the Company or the domestic consolidated subsidiaries may grant additional benefit.

The Company has a contributory defined benefit pension plan, which is pursuant to the Japanese Welfare Pension Insurance Law. The pension plan covers a portion of the benefits provided by a government welfare pension program, under which contributions are made by the Company and its employees. The other portion of the pension plan represents a non-contributory pension plan. Under the pension plan, the non-contributory portion covers (i) payments to those employees who have served with the Company for more than 20 years and retire at the age limit and (ii) a 25% portion of the lump-sum retirement indemnities for the employees who are not qualified to receive the annuity payments. Contributions to the plan are deposited with and managed by several financial institutions in accordance with the applicable laws and regulations.

Most of the domestic consolidated subsidiaries have established their own defined benefit pension plans.

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

Accompanying the newly enacted “Defined Benefit Corporate Pension Law,” the Company and its domestic consolidated subsidiaries obtained approval from the Ministry of Health, Labour and Welfare for an exemption from the future benefit obligation related to the substituted government’s portion of pension benefits provided by social welfare pension funds.

In accordance with the transitional measures prescribed in Article 47-2 of the “Practical Guidelines of Accounting for Retirement Benefits (Interim Report)” issued by the Japanese Institute of Certified Public Accountants, the Company and its subsidiaries, on the approval date, recognized the relinquishment of the substituted portion of benefit obligation of welfare pension funds and the corresponding portion of plan assets. The effect of adopting the Guidelines was ¥1,851 million ($17,299 thousand), which was recorded as a gain on return of substituted portion of employee pension funds in the consolidated statement of income for the year ended December 31, 2003.

The amount of plan assets to be transferred back to the government was approximately ¥19,090 million ($178,411 thousand) as of December 31, 2003.

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of December 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Benefit obligation at end of year	**¥(60,989)**	¥(99,990)	**$(569,991)**
Fair value of plan assets at end of year	**44,898**	61,407	**419,607**
Funded status:			
Benefit obligation in excess of plan assets	**(16,091)**	(38,583)	**(150,384)**
Unrecognized initial transition cost at date of adoption	**1,465**	3,610	**13,692**
Unrecognized actuarial losses	**9,849**	25,085	**92,047**
Unrecognized prior service cost	**(1,514)**	(1,633)	**(14,150)**
Subtotal	**(6,291)**	(11,521)	**(58,795)**
Prepaid pension cost	**7,707**	—	**72,028**
Accrued retirement benefits	**¥(13,998)**	¥(11,521)	**$(130,823)**

The accrued retirement benefits for directors and statutory auditors at December 31, 2003 and 2002, amounting to ¥515 million ($4,813 thousand) and ¥444 million, respectively, were excluded from the above table.

Retirement and pension costs of the Company and its consolidated subsidiaries for the years ended December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥ 2,268**	¥ 4,580	**$ 21,196**
Interest cost	**1,266**	2,475	**11,832**
Expected return on plan assets	**(745)**	(1,535)	**(6,963)**
Amortization of transition obligation at date of adoption	**733**	1,203	**6,850**
Amortization of actuarial loss	**968**	975	**9,047**
Amortization of prior service cost	**(9)**	(119)	**(84)**
Severance and retirement benefit expenses	**¥ 4,481**	¥ 7,579	**$ 41,878**
Gain on return of substituted portion of the employee pension fund	**(1,851)**	—	**(17,299)**
Net periodic benefit costs	**¥ 2,630**	¥ 7,579	**$ 24,579**

In 2003, the discount rate and a range of the rates of expected return on plan assets used by the Company and the domestic consolidated subsidiaries were 2.5% and from 0.84% to 2.5%, respectively. In 2002, the discount rate and a range of the rates of expected return on plan assets used by the Company and the domestic consolidated subsidiaries were 3.0% and from 3.0% to 3.5%, respectively. The discount rate for calculation of benefit obligation as of December 31, 2002 was reduced to 2.5% on December 31, 2002. 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 transition charges at date of adoption and prior service cost are 5 years and 15 years, respectively.

Following the enactment of the "Act for Defined Contribution Pension," the Company and some of its domestic subsidiaries will transfer their defined benefit pension plans to defined contribution pension plans in April 2004 and adopt Financial Accounting Standards Implementation Guidance No. 1, "Accounting for Transfers between Retirement Benefit Plans," issued by the Accounting Standards Board of Japan on January 31, 2002. However the effect of adoption of this standard is not practically measurable at present.

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended December 31, 2003 and 2002 were ¥14,058 million ($131,383 thousand) and ¥13,596 million, respectively.

13. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate principally in three industries: tires, sports and industrial products.

Operations in the Tires segment involve the production and sales 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 sales of a variety of sporting goods, principally golf balls, golf clubs, golf wear and tennis balls.

Operations in the Industrial and Other Products segment involve the production and sales of a variety of rubber and rubber-based products, including flooring for gymnasiums, all-weather tennis courts, track and field facilities, industrial flooring coating, marine fenders, precision rubber parts for office machines, blankets for offset printing presses and beds.

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

(1) Information by industry segment

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2003**	2002	**2003**
Net sales:			
Tires-			
Sales to unaffiliated customers	**¥338,915**	¥330,365	**$3,167,430**
Intersegment sales and transfers	**93**	9	**869**
	339,008	330,374	**3,168,299**
Sports-			
Sales to unaffiliated customers	**58,856**	64,015	**550,056**
Intersegment sales and transfers	**360**	458	**3,364**
	59,216	64,473	**553,420**
Industrial and Other Products-			
Sales to unaffiliated customers	**52,720**	53,513	**492,710**
Intersegment sales and transfers	**1,453**	33	**13,580**
	54,173	53,546	**506,290**
Adjustment and eliminations	**(1,906)**	(500)	**(17,813)**
	¥450,491	¥447,893	**$4,210,196**
Operating income:			
Tires	**¥ 31,208**	¥ 28,124	**$ 291,663**
Sports	**7,958**	6,393	**74,374**
Industrial and Other Products	**(1,198)**	(2,852)	**(11,196)**
	37,968	31,665	**354,841**
Adjustment and eliminations	**(202)**	79	**(1,888)**
	¥ 37,766	¥ 31,744	**$ 352,953**
Identifiable assets:			
Tires	**¥398,806**	¥373,539	**$3,727,159**
Sports	**36,723**	43,376	**343,205**
Industrial and Other Products	**38,794**	42,255	**362,561**
	474,323	459,170	**4,432,925**
Corporate assets and eliminations	**7,230**	18,123	**67,570**
	¥481,553	¥477,293	**$4,500,495**

Capital expenditures:			
Tires	**¥ 29,094**	¥ 24,149	**$ 271,906**
Sports	**1,228**	781	**11,477**
Industrial and Other Products	**1,167**	1,359	**10,907**
	31,489	26,289	**294,290**
Corporate assets and eliminations	**1**	7	**9**
	¥ 31,490	¥ 26,296	**$ 294,299**
Depreciation and amortization:			
Tires	**¥ 19,172**	¥ 19,513	**$ 179,177**
Sports	**1,899**	2,292	**17,748**
Industrial and Other Products	**3,231**	3,327	**30,196**
	24,302	25,132	**227,121**
Corporate assets and eliminations	**11**	31	**103**
	¥ 24,313	¥ 25,163	**$ 227,224**

(2) Information by geographic area

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2003**	2002	**2003**
Net sales:			
Japan-			
Sales to unaffiliated customers	**¥397,544**	¥396,772	**$3,715,364**
Sales between geographic areas	**14,594**	14,313	**136,393**
	412,138	411,085	**3,851,757**
Other-			
Sales to unaffiliated customers	**52,947**	51,121	**494,832**
Sales between geographic areas	**6,493**	4,517	**60,682**
	59,440	55,638	**555,514**
	471,578	466,723	**4,407,271**
Adjustment and eliminations	**(21,087)**	(18,830)	**(197,075)**
	¥450,491	¥447,893	**$4,210,196**
Operating income:			
Japan	**¥ 37,765**	¥ 32,393	**$ 352,944**
Other	**125**	(919)	**1,168**
	37,890	31,474	**354,112**
Adjustment and eliminations	**(124)**	270	**(1,159)**
	¥ 37,766	¥ 31,744	**$ 352,953**
Identifiable assets:			
Japan	**¥400,139**	¥395,313	**$3,739,617**
Other	**65,197**	62,163	**609,318**
	465,336	457,476	**4,348,935**
Corporate assets and eliminations	**16,217**	19,817	**151,560**
	¥481,553	¥477,293	**$4,500,495**

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

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2003**	2002	**2003**
Net sales:			
North America	**¥ 41,623**	¥ 36,379	**$ 389,000**
Europe	**36,680**	37,594	**342,804**
Asia	**17,048**	29,776	**159,327**
Other areas	**37,888**	21,664	**354,093**
Total	**¥133,239**	¥125,413	**$1,245,224**

	Percentage	
Percentage of such sales in consolidated net sales	**29.6%**	28.0%

14. RELATED PARTY TRANSACTIONS

Significant balances and transactions with a principal shareholder, unconsolidated subsidiaries and affiliates as of December 31, 2003 and 2002 and for the years then ended were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Notes and accounts receivable:			
Trade	**¥ 2,978**	¥ 2,871	**$27,832**
Other	**510**	145	**4,766**
	¥ 3,488	¥ 3,016	**$32,598**
Short-term loans	**¥ 1,634**	¥ 2,711	**$15,271**
Long-term loans (included in investments in and advances to unconsolidated subsidiaries and affiliates)	**¥ 3,170**	¥ 3,170	**$29,626**
Notes and accounts payable, trade	**¥ 4,743**	¥ 4,087	**$44,327**
Sales	**¥10,183**	¥14,229	**$95,168**
Purchases	**¥ 9,634**	¥10,450	**$90,037**

15. CONTINGENT LIABILITIES

As of December 31, 2003 the Company and its consolidated subsidiaries were contingently liable for:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	**¥2,571**	**$24,028**
Guarantees and arrangements similar to guarantees of indebtedness of employees, unconsolidated subsidiaries and affiliates	**148**	**1,383**

16. LEASES

The original costs of leased assets under non-capitalized finance leases and the related accumulated depreciation, assuming they were calculated using the straight-line method over the lease terms, as of December 31, 2003 and 2002 were as follows:

As of December 31, 2003

	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	**¥8,051**	**¥4,744**	**¥3,307**	**$75,243**	**$44,337**	**$30,906**
Other	**777**	**726**	**51**	**7,262**	**6,785**	**477**
Total	**¥8,828**	**¥5,470**	**¥3,358**	**$82,505**	**$51,122**	**$31,383**

As of December 31, 2002

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥7,596	¥4,119	¥3,477
Other	728	611	117
Total	¥8,324	¥4,730	¥3,594

Lease payments under non-capitalized finance leases for the years ended December 31, 2003 and 2002 amounted to ¥1,460 million ($13,645 thousand) and ¥1,702 million, respectively.

The balances of future finance lease payments, including interest, as of December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥1,464**	¥1,460	**$13,682**
Due later	**1,894**	2,134	**17,701**
	¥3,358	¥3,594	**$31,383**

The future lease payments under noncancelable operating leases, including interest, as of December 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥ 235**	¥ 258	**$ 2,196**
Due later	**1,485**	877	**13,879**
	¥1,720	¥1,135	**$16,075**

17. 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, 2004:

	Millions of yen	Thousands of U.S. dollars
Balance at December 31, 2003	**¥63,450**	**$592,991**
Appropriations—		
Cash dividends (¥8 per share outstanding at December 31, 2003)	**(1,910)**	**(17,850)**
Bonuses to directors and statutory auditors	**(80)**	**(748)**
Balance after appropriations	**¥61,460**	**$574,393**

REPORT OF INDEPENDENT AUDITORS

PricewaterhouseCoopers
Nakanoshima Mitsui Bldg.,
16th Floor 3-3-3, Nakanoshima,
Kita-Ku, Osaka 530-8248,
Japan

To the Board of Directors and
Shareholders of
Sumitomo Rubber Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As discussed in Note 2 (12) to the financial statements, the Company changed its accounting policy for retirement benefits for directors and statutory auditors during the year ended December 31, 2002.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

PricewaterhouseCoopers

March 30, 2004

* *

Notice to Readers

The accompanying consolidated financial statements are not intended to present the consolidated financial positions and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accordingly the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows and their utilization are not designed for those who are not informed about Japanese accounting principles, procedures and practices. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Japan.

DIRECTORY

Domestic Offices and Facilities

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Chuo-ku, Kobe,
Hyogo 651-0072, Japan
Tel: (078) 265-3004
Fax: (078) 265-3113

Tokyo Head Office
Toyosu Center Bldg.
3-3-3, Toyosu, Koto-ku,
Tokyo 135-6005, Japan
Tel: (03) 5546-0111
Fax: (03) 5546-0140

Facilities
Nagoya Factory
Shirakawa Factory
Izumiohtsu Factory
Miyazaki Factory
Ichijima Factory
Kakogawa Factory
Okayama Tire Proving Ground
Nayoro Tire Proving Ground
Asahikawa Tire Proving Ground
Golf Science Center

Overseas Offices

Los Angeles Office
California, U.S.A.

Rancho Office
California, U.S.A.

Atlanta Office
Georgia, U.S.A.

Toronto Office
Toronto, Ontario, Canada

Brussels Office
Diegem, Belgium

Offenbach Office
Offenbach, Germany

Melbourne Office
Somerton, Victoria, Australia

Dubai Office
Dubai, UAE

Jeddah Office
Jeddah, Saudi Arabia

Singapore Office
Singapore, Singapore

Santiago Office
Santiago, Chile

Shanghai Office
Shanghai, China

Major Subsidiaries

Dunlop Tyres Ltd.
Koto-ku, Tokyo, Japan

Falken Tires Ltd.
Izumiohtsu, Japan

Goodyear Japan Ltd.
Minato-ku, Tokyo, Japan

Dunlop Goodyear Tires Ltd.
Koto-ku, Tokyo, Japan

SRI Tire Trading Ltd.
Koto-ku, Tokyo, Japan

SRI Sports Ltd.
Kobe, Japan

SRI Hybrid Ltd.
Kobe, Japan

SRI Engineering Ltd.
Kobe, Japan

SRI Research & Development Ltd.
Kobe, Japan

P.T. Sumi Rubber Indonesia
Jakarta, Indonesia

Oniris S.A.S.
Limay, France

Sumirubber Malaysia Sdn. Bhd.
Sungai Petani, Kedah, Malaysia

Zhongshan Sumirubber Precision Rubber Ltd.
Zhongshan, Guangdong, China

Sumitomo Rubber (Changshu) Co., Ltd.
Jiangsu Province, China

Sumitomo Rubber (Suzhou) Co., Ltd.
Jiangsu Province, China

Falken Tec Vietnam Co., Ltd.
Binh Duong Province, Vietnam

Major Affiliates

Goodyear Dunlop Tires Europe B.V.
Amsterdam, Holland

Goodyear Dunlop Tires North America, Ltd.
Akron, Ohio, U.S.A.

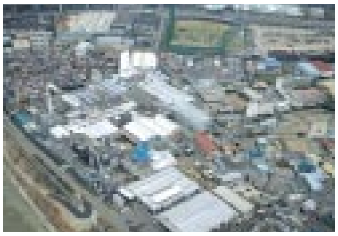
Goodyear-SRI Global Purchasing Co.
Akron, Ohio, U.S.A.


Nagoya Factory


Shirakawa Factory


Ichijima Factory


Kakogawa Factory


Izumiohtsu Factory


Miyazaki Factory


P.T. Sumi Rubber Indonesia


Sumirubber Malaysia Sdn. Bhd.

CORPORATE DATA

Board of Directors

Chairman
Naoto Saito

President
Mitsuaki Asai*

Vice President
Tetsuji Mino*

Managing Executive Officers
Toshiyuki Noguchi*
Ryochi Sawada*
Hisao Takahashi

Senior Executive Officers
Akihiko Nakamura
Koji Soeda
Yasuyuki Sasaki

Directors
Norio Okayama
Robert J. Keegan

*Representative Directors

Auditors

Shigeki Okada
Hiroo Jikihara
Kimio Toma
Hiroshi Izumitani

Executive Officers

Tsunetoshi Yamaura
Hiroshi Okuno
Mikio Takatsu
Yoshinori Yamada
Hiroyuki Bamba
Takaki Nakano
Masatoshi Tsuchi
Takayuki Saimen
Susumu Shiotani
Hiroaki Tanaka
Yasushi Nojiri
Ikuji Ikeda
Hironobu Nakamura
Kaoru Taniguchi

(As of March 30, 2004)

Investor Information

Paid-in Capital
¥33,904,513 thousand

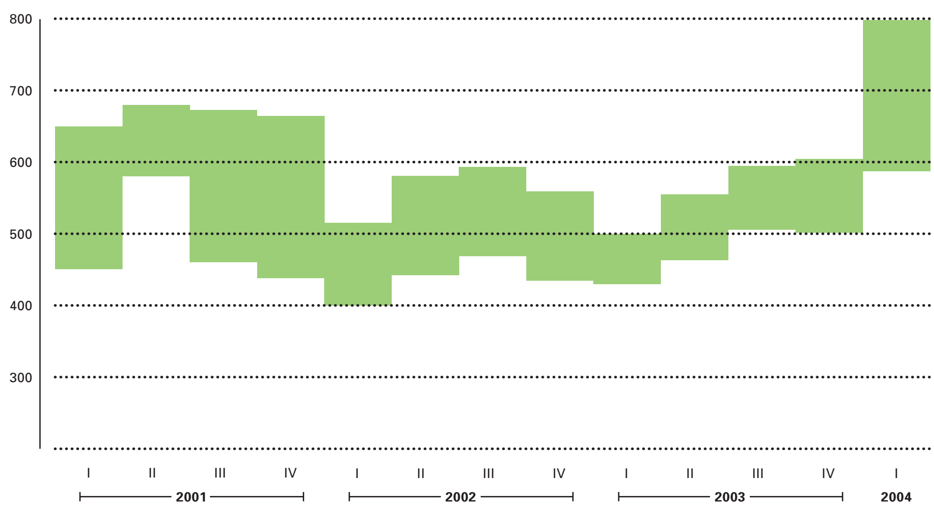
Number of Shares of Common Stock
Authorized: 800,000,000
Issued: 242,543,057

Number of Shareholders
14,405

Major Shareholders

Sumitomo Electric Industries, Ltd.	27.9%
Japan Trustee Services Bank, Ltd. (Trust Account)	11.3%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.8%
Sumitomo Corporation	4.0%
Shinsei Bank, Limited	3.6%
Sumitomo Mitsui Banking Corporation	2.2%
The Goodyear Tire & Rubber Company	1.4%
Sumitomo Life Insurance Company	1.2%
Japan Trustee Services Bank, Ltd. (Re-Entrustment of Portion Toyota Motor Corporation Retirement Benefit Trust Account held by The Sumitomo Trust & Banking Co., Ltd.)	1.1%
The Sumitomo Trust & Banking Co., Ltd	1.1%

Stock Price (Yen)



Stock Exchange Listings
Tokyo, Osaka

Ticker Symbol
5110

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5-33, 4-chome, Kitahama, Chuo-ku,
Osaka 541-0041, Japan

Independent Auditors
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Osaka 530-8248, Japan

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Public Relations,
Corporate Planning Department
Sumitomo Rubber Industries, Ltd.
3-6-9, Wakinohama-cho, Chuo-ku, Kobe,
Hyogo 651-0072, Japan
Tel: (078) 265-3004
Fax: (078) 265-3113

(As of December 31, 2003)

Zhongshan Sumirubber Precision Rubber Ltd. (China)

Sumitomo Rubber (Changshu) Co., Ltd.
Sumitomo Rubber (Suzhou) Co., Ltd.

SUMITOMO RUBBER INDUSTRIES, LTD.

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SRI Group

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