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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

Years ended December 31	Millions of yen, except per share figures						Thousands of U.S. dollars, except per share figures
	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

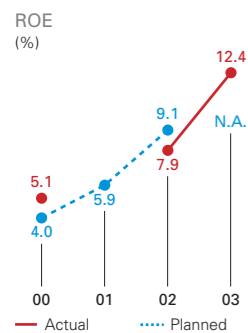
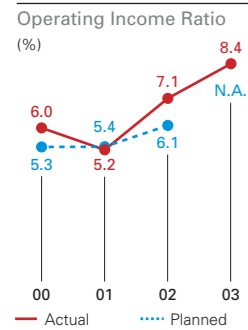
¥ **9.6** billion
(Cumulative estimate)

Cost Reduction:
Fiscal 2003 through Fiscal 2005

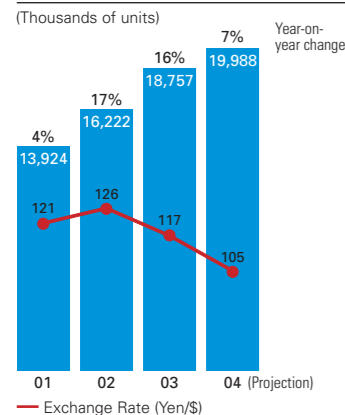
¥ **15.1** billion
(Cumulative estimate)

“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



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

Increase in High-Speed
Uniformity and Balance

50 %

Reduction in
Energy Consumption

35 %

Increase in
Investment Efficiency

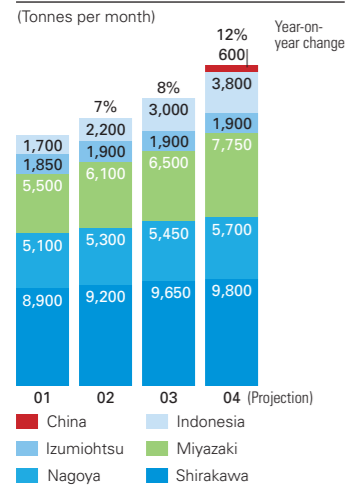
20 %

ON COURSE FOR
HIGH-QUALITY PRODUCT DEVELOPMENT

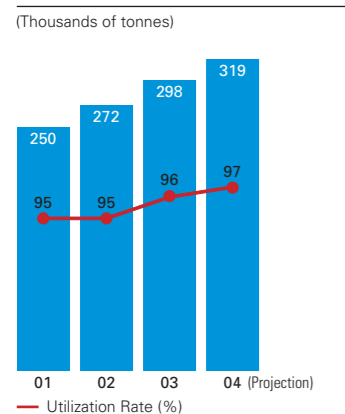
Sumitomo Rubber is unceasing in its efforts to develop high-quality products that distinguish the Company from its rivals. Our proprietary Taiyo cell production system enhances tire quality while significantly improving productivity and investment efficiency. **The application of the revolutionary Taiyo 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.

“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



Tire Production Volume



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 run-flat 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



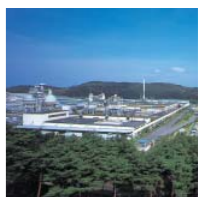
Sumitomo Rubber wins Reduce, Reuse & Recycle Promotion Council Chairman’s Award

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



Monthly Output Increase:
Miyazaki

2,100 tonnes

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:
Indonesia

1,000 tonnes

Monthly Output Increase:
China

900 tonnes