

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,

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 sup-

pliers 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



DIREZZA DZ101 GRANDTREK SJ6 ECORUT SP668 D742F SPORTMAX D221 EAGLE LS2000 ICE NAVI NH EAGLE RV

SPORTS BUSINESS



Hibrid-Turf

INDUSTRIAL AND OTHER PRODUCTS BUSINESS



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 golf ball. 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.

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.

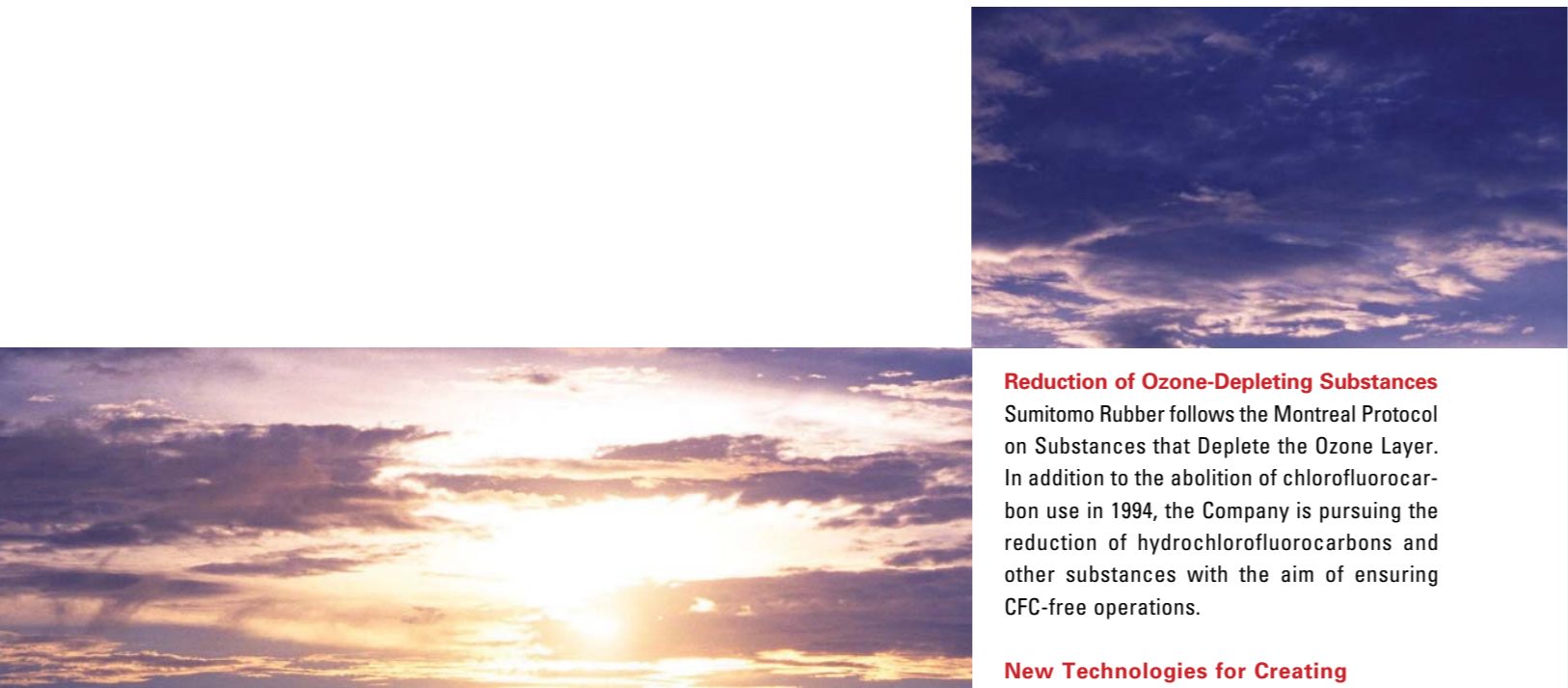
In our overseas operations, sales of natural rubber gloves made by Sumirubber Malaysia Sdn. Bhd. increased in Malaysia, as did sales to Japan and other overseas markets. Production of precision rubber parts for OA equipment by Zhongshan Sumirubber Precision

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%.



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 CO₂ 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 CO₂ 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.

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

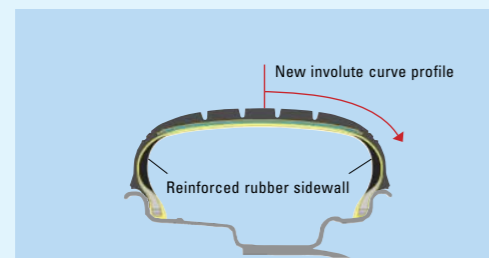
In response to the need for safe driving, Sumitomo Rubber offers the Deflation Warning System (DWS) and Instant Mobility System (IMS) in addition to the two types of runflat tires mentioned above. We provide four runflat/spareless tire technologies for various automobiles and applications.

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 runflat 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.

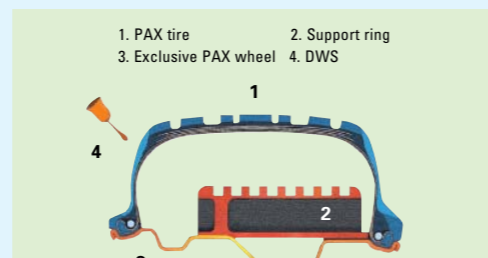
DSST-CTT Runflat (Self support type)



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)



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

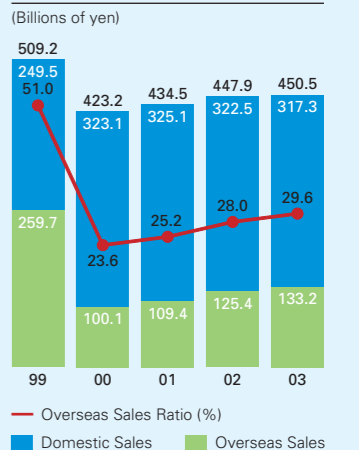
In the fiscal year under review, consolidated operating income increased 19.0% to ¥37,766 million, an historical high. The operating income ratio edged up 1.3 percentage points to 8.4%.

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 XX10 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.

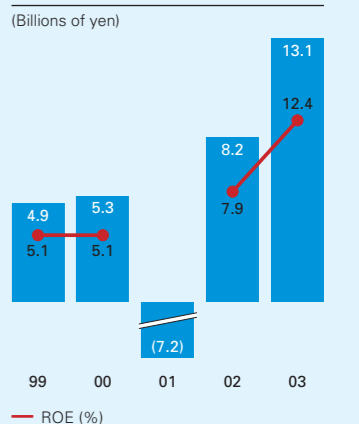
Domestic and Overseas Sales



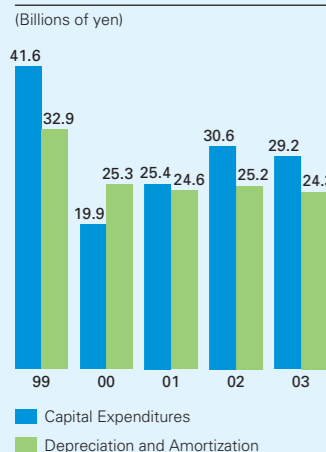
Operating Income



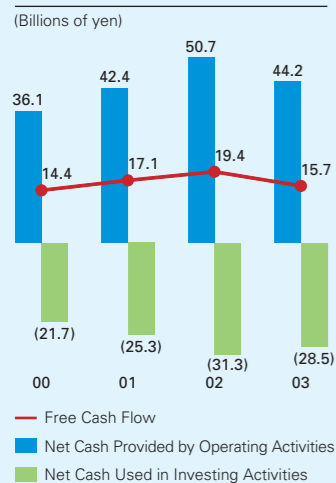
Net Income (Loss)



Capital Expenditures/ Depreciation and Amortization



Cash Flows



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.

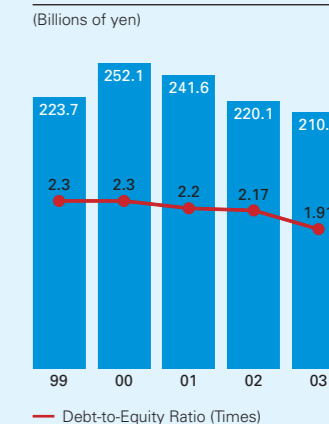
The economic outlook is expected to remain cloudy. Against the backdrop of continued intense competition with the industry, the price of raw materials such as natural rubber is expected to remain high. Further exacerbating anticipated difficult operating conditions, the appreciation of the yen is expected 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 XX10, 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



Shareholders' Equity

