REVIEW OF OPERATIONS

Fiscal 2002 Results

During the fiscal year under review, sales in the Tire business increased 4.6% to ¥330,365 million. Operating income rose 16.0% to ¥28,124 million.

In the domestic replacement market, sales fell slightly below the previous fiscal year's level amid severe business conditions and a drop in overall market demand. The volume and value of sales from original equipment and export markets, however, increased significantly, spurred by strong performance in North America. Sales by overseas subsidiaries grew steadily, reflecting an increase in production at Sumitomo Rubber's Indonesian subsidiary.

Domestic Replacement Markets

In its Tire business in Japan, Sumitomo Rubber actively launched new Dunlop-, Goodyear- and Falken-brand tires, adopting measures to strengthen its marketing structure and to expand sales. Despite these efforts, sales fell slightly compared with the previous fiscal year, buffeted by the lengthy recession in Japan, a drop in demand for trucks and buses, and falling prices.

Results in Dunlop-brand tire sales were mixed, falling below the previous fiscal year's level. The Company introduced a number of new products based on its second-generation Digi-Tyre DRS II technology, such as the superior-handling tire LE MANS LM702 and the premium tire VEURO VE301. Of particular note was the launch of a new studless tire, GRASPIC DS-2, the product of ice and snow road-surface simulation. Summer tire sales, however, fell slightly due to inactive demand.

Under the Falken brand, year-on-year sales decreased slightly. The Company's efforts to increase sales through the introduction of such new passenger car tires as ZIEX ZE512 and AZENIS RT215 were insufficient to offset the drop in demand for truck and bus tires.

Sumitomo Rubber posted a sharp double-digit increase in Goodyear-brand tires compared with the previous fiscal year. This was the result of aggressive marketing efforts and strong summer tire sales of the EAGLE LS2000 tires, incorporating new Hybrid Technology, and the FLEXSTEEL G223 radial light-truck tires.

TIRE BUSINESS

From left:
LE MANS LM702
VEURO VE301
GRASPIC DS-2
D773
K300GP

Original Equipment and Export Markets

Sales from original equipment markets rose significantly, boosted by strong automobile production and demand in export markets, particularly in North America, and the benefits from integration of marketing and sales of all three brands. Notably, a substantial increase in Falken- and Goodyear-brand tires for original equipment markets contributed significantly to the improvement in overall performance.

In export markets, the volume and value of sales jumped year on year due to strong sales in such overseas markets as Asia, the Middle East and particularly North America, and the positive effects of a weak yen.

Overseas Subsidiaries

Despite political instability, our Indonesian subsidiary Sumi Rubber Indonesia recorded a large increase in sales and profits due to efforts to expand production and exports as a proportion of sales.

Established in December 2001, Sumitomo Rubber Asia (Tyre) Pte. Ltd. has begun sales, contributing to export growth from Japan and Indonesia, and strengthening Sumitomo Rubber's marketing activities in the ASEAN region.

Sumitomo Rubber established production and sales companies for radial passenger-car tires in Changshu, Jiangsu, China, in July 2002. Construction of a manufacturing factory is progressing steadily toward the scheduled start of production in April 2004.

Recommencement of Motor Sports Activities

Sumitomo Rubber had curtailed most of its motor sports activities following the great Hanshin-Awaji Earthquake. Based on the active participation both at home and overseas by leading automobile manufacturers, and in line with efforts to raise technical capabilities, however, Sumitomo Rubber has recommenced motor sports activities in the All-Japan Grand Touring Car Championship. The Company has also recently supplied tires to numerous champions, including the 2002 All Japan Kart Championship. Sumitomo Rubber will continue to actively participate in motor sports in an effort to hone its technical expertise and demonstrate its performance capabilities.

From left:
EAGLE LS2000
FLEXSTEEL G223
AZENIS RT215
ZIEX ZE512

Digisole GGS-1014

SPORTS

Fiscal 2002 Results

Sales in the Sports business edged up 1.5% to ¥64,015 million, while operating income surged 153.7% to ¥6,393 million. This was due to the strong performance in highly profitable value-added products, their mass production and increasing proportion to total Sports business sales.

Despite a decline in the number of golf course users and the subsequent drop in overall market demand, Sumitomo Rubber continued to release a series of products based on its proprietary Digital Impact technology. These products, which included the XXIO golf clubs, HI-BRID everio golf balls and XXIO Digisole golf shoes, have become the Company's best-selling series and have contributed substantially to the increase in profits. Overall sales in golf-related products were also up year on year, boosted by sales of golf balls and clubs under the strategic SRIXON international brand name, and the surge in exports.

In tennis products, sales of new rackets increased significantly, despite the general stagnation in the tennis gear market.

As a part of extensive structural reforms to strengthen the Company's profit structure, Sumitomo Rubber pressed forward with the rationalization of unprofitable golf course and sportswear businesses.

Best-Selling Products Based on Digital Impact Technology

Sumitomo Rubber's proprietary Digital Impact technology has spawned a series of best-selling golf gear and sports brands.

In a survey of golf products, conducted by Japanese golfing magazine *Par Golf*, Sumitomo Rubber's XXIO golf clubs, HI-BRID everio golf balls and XXIO Digisole golf shoes were awarded the "Golf Gear Prize 2002" for woods, irons, balls and shoes, respectively. The XXIO wood was also awarded "2003 Club of the Year" by *Golf Digest* magazine.

Sumitomo Rubber will continue to strengthen its earnings platform by enhancing

From left:
XXIO UTILITY
XXIO S100
XXIO IRON
SRIXON I-201
SRIXON W-201
XXIO

From left:
HI-BRID everio
SRIXON HB-TOUR
XXIO

ADFORCE Racket

BUSINESS

its lineup of strategic Digital Impact products, focusing on a higher profit margin and added value.

Establishing a SRIXON-Brand Sales Subsidiary in Australia

In tune with the Company's efforts to spin off its Sports business, Sumitomo Rubber established Srixon Sports Australasia Pty Ltd. in January 2003 to strengthen its sales network in Oceania. To enhance the profile of the international strategic brand SRIXON, Sumitomo Rubber has also contracted with leading professional golfers such as Thomas Bjorn and Laura Davies to use and promote SRIXON golf balls, clubs and other gear.

INDUSTRIAL
AND OTHER PRODUCTS BUSINESS

Fiscal 2002 Results

During fiscal 2002, sales in the Industrial and Other Products business declined 3.5% to ¥53,513 million. The operating loss narrowed ¥1,322 million, compared with the previous fiscal year, to ¥2,852 million.

In the domestic market, sales of Hibrid-Turf, an artificial turf filled with sand and fine rubber chips, increased significantly, as did export sales of printer blankets to China and Southeast Asia. Overall, however, sales fell well below the previous fiscal year due to the poor performances in industrial floor surfaces and marine products, affected by the prolonged recession.

Regarding Ohtsu Tire's non-tire products, sales of mainstay LCD backlights and rubber plugs exceeded results for the previous fiscal year.

Overseas, precision rubber parts production for OA equipment at Sumitomo Rubber's manufacturing base in China expanded steadily, boosted by a shift in production from Japan.

In Malaysia, sales of natural rubber gloves were on par with the previous fiscal year. A drop in sales to Japan due to the weak economy was balanced by steady sales to other overseas markets.

In Sumitomo Rubber's European non-tire business, the Company continued to focus management resources on its bed business, while closing its car-seat operations and selling its floor surface business. Despite these efforts, sales fell compared with the previous fiscal year owing to the weak European economy and a drop in demand.

Favorable Performance of Hibrid-Turf

Sales of Hibrid-Turf have continued to increase significantly since summer 2000, boosted by strong demand from soccer and baseball grounds, Japan's soccer J. League and schools. This artificial turf is made up of sand and fine rubber chips and compares favorably to natural turf, surpassing conventional products in terms of cushioning and playing feel. In October 2002, Sumitomo Rubber's Hibrid-Turf was laid at the rugby training field of Kobe Steel, Ltd.—an industry first for rugby. In cooperation with the Steelers, one of the strongest rugby teams in Japan, the Company is undertaking research to improve the safety and durability of its Hibrid-Turf and to increase sales.

From left:
Backlight for LCD
Hibrid-Turf

ENVIRONMENTAL PRESERVATION

Sumitomo Rubber has made environmental preservation one of its top priorities in all its business activities, and the entire Sumitomo Rubber Group is consistently maintaining its emphasis on environmental management. In fiscal 2000, the Company implemented an environmental accounting system, which gives us a grasp of the costs and effects of our environmental preservation activities. In December 2002, the parent company, including Head Office, four domestic production factories, and its research and development center, became the first Japanese tire manufacturer to achieve zero emissions.* The Group's six domestic production factories, including subsidiary Ohtsu Tire, had previously acquired ISO 14001 certification of their environmental management systems.

Numerical Targets and Achievements—Zero Emissions Achieved

Sumitomo Rubber has set and is striving to achieve medium- and long-term "environmental action targets" for addressing global warming, conserving energy, reducing waste generation and curtailing its use of organic-solvents.

In response to global warming, we have established the objective of maintaining CO_2 emissions at or below their 1990 level through 2010. In fiscal 2002, CO_2 emissions were at 94% of their volume in 1990.

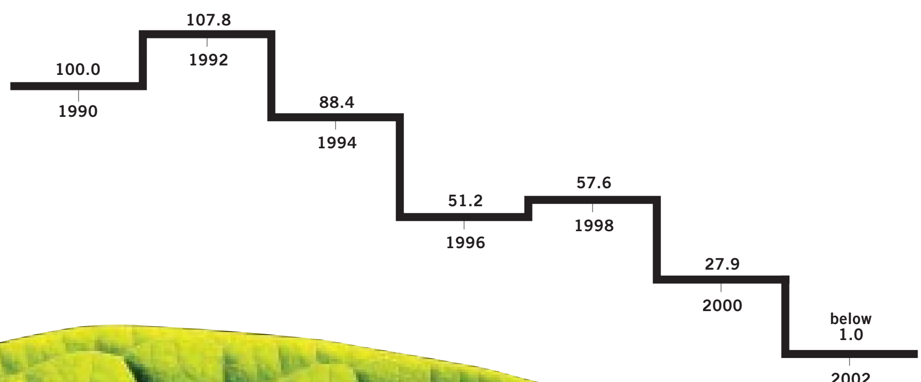
To conserve energy, we have established the target of reducing heavy oil consumption by 20% below its fiscal 2000 level, and electricity consumption by 11% below the fiscal 2000 mark, both by 2010. As of December 2002, heavy oil and electricity consumption were down 15% and 7%, respectively, from their fiscal 2000 levels.

In waste reduction, we achieved our goal to reduce total waste (industrial waste from our factories added to the worn tires collected by the Company) disposed of in landfills to less than 1% by the end of fiscal 2002. We will continue to work for further reductions.

With 2000 as the baseline, we have set the goals of achieving more than 10% reduction in the volume of waste generated by 2005 and more than 20% reduction by 2010. At fiscal year-end 2002, waste was down by 6%.

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

Reduction of Industrial Waste
(1990=100)



driven by **continued efforts**

Net Sales

In fiscal 2002, ended December 31, 2002, consolidated net sales increased 3.1% to ¥447,893 million. In our core Tire business, we recorded significant sales growth in sales of original equipment and in export markets. Sales in the Sports business were also boosted by the launch of best-selling products, which compensated for declines in the Industrial and Other Products business. Despite the effects of a sluggish domestic economy, the Company achieved an overall increase in sales.

By business segment, sales in the Tire business rose 4.6% to ¥330,365 million, accounting for 73.8% of net sales. Sales in the Sports business edged up 1.5% to ¥64,015 million, or 14.3% of the Company's net sales, while sales in the Industrial and Other Products business fell 3.5% to ¥53,513 million, making up 11.9% of net sales.

Sumitomo Rubber Asia (Tyre) Pte. Ltd., which commenced tire sales in Singapore in the fiscal year under review, has been included in the Company's scope of consolidation.

Operating Income

Consolidated operating income surged 40.6% to ¥31,744 million. The operating income ratio also edged up 1.9 percentage points to 7.1%.

This dramatic increase in operating income is due, first to increases in sales volume and market share realized by strong performance of our highly profitable value-added products, such as the Digi-Tyre series, one of our mainstay products, and golf products incorporating Digital Impact technologies. The second factor was the success in cutting costs across the Group as part of the "Urgent Measures for Increasing Profits," and the pushing through of the "Extensive Structural Reforms" program aimed at less profitable businesses such as the European bed business. Finally, the alliance with The Goodyear Tire & Rubber Company continued to bolster synergistic effects such as lowering the price of raw materials through joint purchasing and boosting productivity, and contributed to reduced costs and improved productivity in the Tire business without substantial capital investment outlay.

By business segment, operating income in the Tire business rose 16.0% to ¥28,124 million, the Sports business leaped 153.7% to ¥6,393 million, and the Industrial and Other Products business recorded a loss of ¥2,852 million, an improvement of ¥1,322 million from the previous fiscal year.

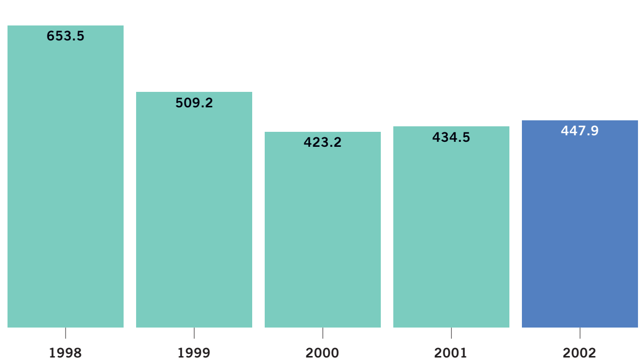
Net Income

Net other expenses improved greatly from the previous fiscal year, declining ¥10,818 million, yet the Company still recorded large net other expense of ¥14,101 million. The four main reasons for this are as follows.

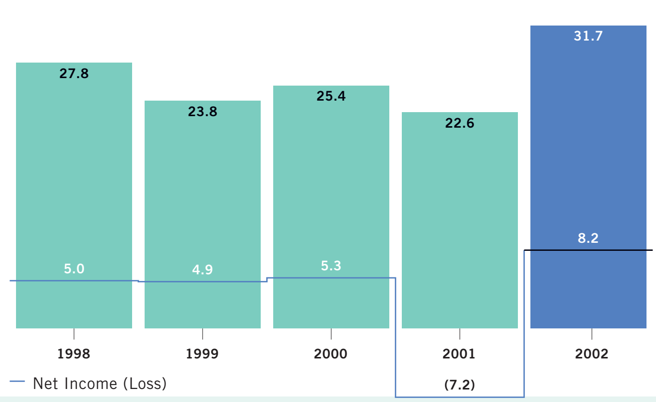
First, a write-down of investment in securities of ¥5,609 million was recorded. A revaluation loss on shares of Goodyear accounted for ¥5,299 million of this. Second, equity in losses of unconsolidated subsidiaries and affiliates of ¥79 million was recorded, though this represented an improvement of ¥2,787 million from the previous fiscal year. Despite substantial restructuring expenses incurred by our European joint venture with Goodyear during fiscal 2001, the main reason for this improvement was the significant positive impact from a series of initiatives implemented in the previous fiscal year. Third, amortization and write-off of initial transition cost of pension and severance plans amounted to ¥1,203 million. Finally, loss on sales or disposal of property, plant and equipment, net, was ¥1,081 million.

As a result, income before income taxes was ¥17,643 million, a vast improvement over the loss of ¥2,343 million the previous fiscal year. Income taxes increased 75.5% to ¥7,960 million, an

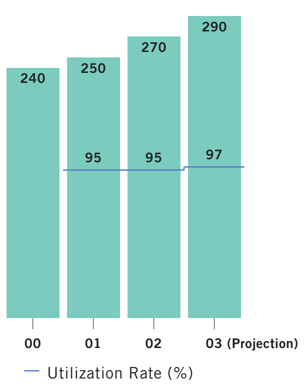
Net Sales (Billions of yen)



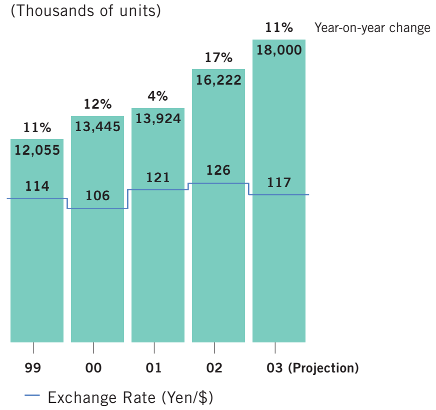
Operating Income/Net Income (Loss) (Billions of yen)



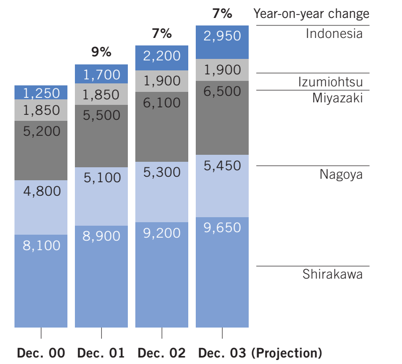
Tire Production Volume
(Thousands of tonnes)



Volume of Tire Exports from Japan
(Thousands of units)



Tire Production Capacity (Tonnes per month)



effective tax rate of 45.1%. Minority interest in consolidated subsidiaries, owing mainly to the increased profit at Ohtsu Tire, increased from ¥355 million in 2001 to ¥1,444 million. Net income was ¥8,239 million, a dramatic improvement of ¥15,446 million over a loss of ¥7,207 million the previous fiscal year. This surpasses the previous record posted in fiscal 1989.

Net income per share was ¥33.97, and return on shareholders' equity was 7.9%.

Dividends

Sumitomo Rubber recognizes return of gains to shareholders to be a priority issue, and as such, while comprehensively assessing standards for performance prospects, dividend payouts and retained earnings, has adopted a basic policy of steadily rewarding shareholders. Regarding retained earnings, in order to successfully expand the Company's revenue base in the future, Sumitomo Rubber is making priority capital investments for increased and consolidated production, as well as R&D.

Cash dividends paid remained at ¥10.00 per share, the same amount as in fiscal 2001.

Cash Flows

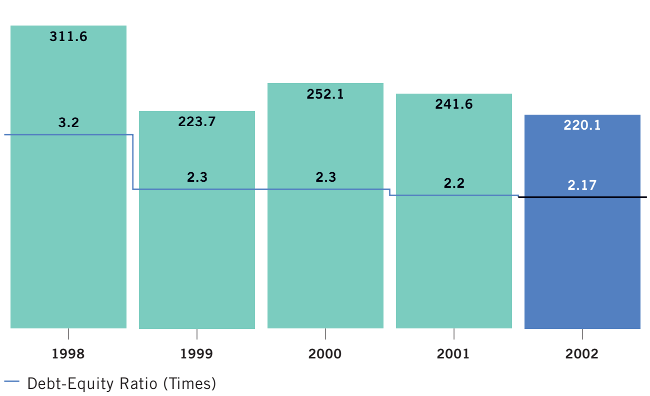
Net cash provided by operating activities rose 19.7% from the previous fiscal year to ¥50,700 million. This was mainly due to income before income taxes jumping to ¥17,643 million, compared with a loss of ¥2,343 million the previous fiscal year, and positive benefits from increased efficiency of working capital, resulting from such measures as stepped-up collection of accounts receivable and a contraction of inventories.

Net cash used in investing activities increased 23.7% from the previous fiscal year to ¥31,269 million. This was due mainly to an increase in capital expenditures from ¥25,372 million to ¥30,557 million, resulting from a portion of the expenses for increased production undertaken during the previous period being shifted to the fiscal year under review.

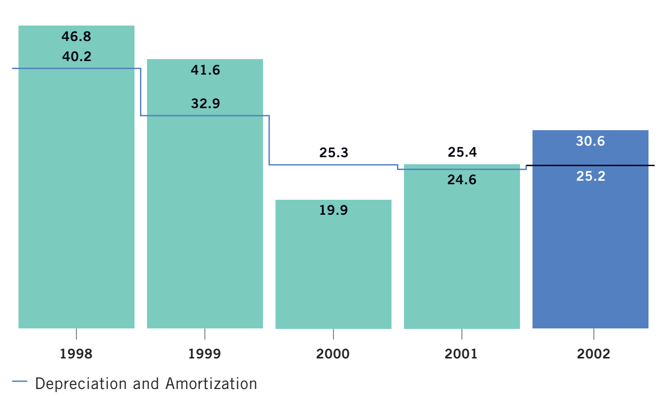
Free cash flow, the subtraction of cash flow from investing activities from cash flow from operating activities, rose 13.8% from the previous fiscal year to ¥19,431 million. The source of this free cash flow was ¥19,628 million used in financing activities, including a contraction of debt, and dividends paid.

As a result of the above, and including the effects from exchange rate changes and changes in the scope of consolidation, cash and cash equivalents at the end of the year fell 1.8% to ¥20,785 million.

Interest-Bearing Debt (Billions of yen)



Capital Expenditure (Billions of yen)



Financial Position

Total assets at the end of the fiscal year under review declined ¥37,122 million to ¥477,293 million, with ROA of 1.7%. The total asset turnover ratio was 0.90, compared with 0.84 the previous fiscal year.

Total current assets declined 6.2% from the previous fiscal year to ¥190,460 million. This was due mainly to increased management efficiency regarding notes and accounts receivable, inventories and short-term loans. Total investments and other assets fell 9.3% to ¥119,631 million, due mainly to write-downs on investments in securities due to market pricing. Total property, plant and equipment, owing to a loss incurred by revaluation of assets in a golf course management company, fell 6.8% from the previous fiscal year to ¥167,202 million.

Total current and long-term liabilities declined 8.2% from the previous fiscal year to ¥360,370 million. Current liabilities fell 5.9% to ¥229,183 million, and long-term liabilities dropped 11.9% to ¥131,187 million. The main reason for the decline in liabilities was a reduction in total debt following contraction of assets, as noted above. Interest-bearing debt declined ¥21,515 million from the previous fiscal year to ¥220,085 million.

Total shareholders' equity declined 5.4% from the previous fiscal year to ¥101,633 million. Retained earnings fell sharply as a result of increases in the minimum pension liability included in other comprehensive income at foreign-based affiliates that use U.S. accounting standards, declining ¥5,097 million from the previous fiscal year. Shareholders' equity also suffered from a decline in translation adjustments, resulting from yen appreciation as of the fiscal year-end. The benefit from asset contraction was significant, however, and the shareholders' equity ratio rose 0.4 of a percentage point to 21.3%.

R&D Expenses

Research and development expenses were ¥13,596 million, representing 3.0% of consolidated sales. The Tire business accounted for ¥10,176 million, the Sports business ¥1,470 million, and the Industrial and Other Products business ¥1,958 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.

Number of Employees

The total number of employees increased 189 from the previous fiscal year to 15,312.

Outlook

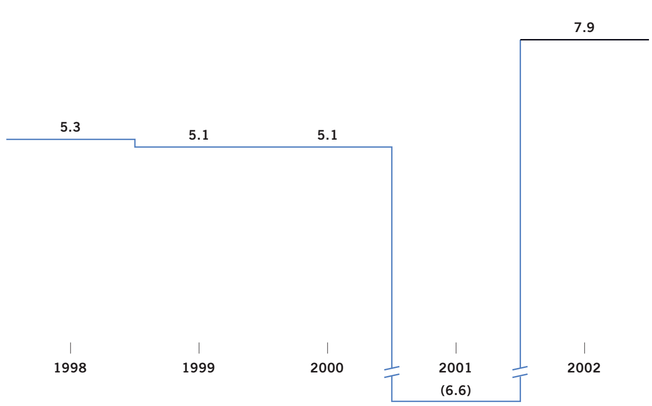
During fiscal 2003, ending December 31, 2003, net sales are forecast to rise 0.5% to ¥450,000 million, and net income is expected to increase 33.5% to ¥11,000 million. The assumed exchange rate is ¥117=US$1.00.

The economic outlook is expected to remain cloudy. A rapid recovery of individual consumption and capital investment cannot be expected, with movement in the stagnant securities and exchange markets, the price of raw materials such as natural rubber, and the future of the U.S. and world economies continuing to be unclear.

Sumitomo Rubber, in response to these circumstances, will pursue R&D aimed at improving technology to generate new products with high degrees of customer satisfaction, conduct aggressive sales and marketing, cut costs and improve efficiency throughout the Group, and work to improve profitability and financial standing.

The Company also considers the early establishment of a sound business structure to be one of the key elements of reform, and in July 2003 plans to merge with consolidated subsidiary Ohtsu Tire, while at the same time spinning off the Sports and Industrial Products businesses into separate companies in an effort to bolster the earnings structure. This restructuring will further improve the management efficiency of the Sumitomo Rubber Group, create a suitable management structure responsive to the scale and features of each business and prompt them to seek profitability independently, as well as increase the competitiveness and profitability of the entire Group.

Return on Shareholders' Equity (%)



Shareholders' Equity Ratio (%)