Dunlop **GRANDTREK AT2**

Dunlop **LE MANS LM702**

Dunlop **SP65e**

Dunlop **LE MANS RV RV501**

Dunlop **FORMULA FM901**

Dunlop **GRANDTREK MT2**

Goodyear **EAGLE LS3000**

Goodyear **EAGLE LS2000**

Goodyear **G47**

Falken **AZENIS ST115**

Falken **ZIEX ZE512**

Falken **ESPIA EP-01**

TIRE BUSINESS

In its Tire business in Japan, the Company manufactures and sells Dunlop, Goodyear, and Falken-brand tires. Overseas, in addition to manufacturing activities carried out at Sumi Rubber Indonesia, its Indonesian subsidiary, Sumitomo Rubber manufactures and sells tires through affiliated companies in Europe and North America established under an alliance with Goodyear. Several tire products are also mutually imported and exported among companies in the Group.

Fiscal 2001 Results

During the fiscal year under review, sales in the Tire business advanced 5.1% to ¥315,944 million. Operating income rose 4.2% to ¥24,247 million. Amid an increasingly severe business environment, Sumitomo Rubber achieved higher sales of tires in replacement, original equipment, and export markets, thanks to a contribution made by new products and measures taken to strengthen its marketing strategy. The Company's three brands—Dunlop, Goodyear, and Falken—posted favorable sales. Particularly noteworthy was the steep growth in sales of Goodyear-brand tires both in replacement and original equipment markets.

Favorable Results for All Three Brands

Sales of tires for replacement markets rose from the previous fiscal year, buoyed by brisk sales of studless tires resulting from snowfalls at the beginning of the year. Other factors contributing to this performance included robust sales of the Dunlop-brand tires with Digi-Tyre technology, AZENIS tires, a new line of Falken-brand tires, and the Goodyear-brand G-Impact series of tires.

The Company is achieving sharp growth in sales volume of its strategic line of products that integrate Digi-Tyre technologies. Since sales were commenced in 1998, cumulative shipments of tires with Digi-Tyre technologies reached 10 million at the end of 2000 and surpassed 20 million at the end of fiscal 2001. These tires have contributed to sales and helped us raise the high value added of our product mix. In November 2001, we announced our second-generation Digi-Tyre DRS II technology, which allows us to further expand the scope of our simulations. We plan to successively introduce this technology in new Dunlop-brand tires.

Sumitomo Rubber posted sharp double-digit increases in both the volume and value of sales of Goodyear-brand tires, supported by the introduction of new tires as well as efforts to expand product range of these tires and increase sales for each sales channel.

Higher sales of Ohtsu Tire's Falken-brand tires were fueled by an increase in sales of studless tires and rubber chains due to snowfalls at the beginning and end of the fiscal year. Also supporting growth in sales was the favorable performance of AZENIS, a new product.

Despite an increasingly harsh environment created by such factors as the shrinking volume of domestic automobile production and a decrease in sales prices, sales of tires in the original equipment market rose from the previous year. This increase is attributable to the unifying of sales of our three brands under the marketing subsidiary Dunlop Goodyear Tires Ltd. in October 2001. This organizational change has allowed us to respond more closely to the needs of our customers.

Demand for tires for export markets plunged sharply amid the slowdowns of the U.S. and European economies. Nevertheless, we attained growth in both sales volume and value, mirroring increased sales, mainly in Southeast Asia, the Middle East, and Central and South America.

Despite political instability and the effects of a weak rupiah, Sumi Rubber Indonesia, our subsidiary in Indonesia, recorded a large increase in sales due to that company's efforts to expand exports as a proportion of its sales. Moreover, this subsidiary achieved profits for the third consecutive year. Sumi Rubber Indonesia will increase its production capacity. As part of these efforts, work is progressing on the expansion of its manufacturing plant. In October 2001 partial production commenced at Plant #2.

SRIXON HB-TOUR

HI-BRID everio

XXIO

SRIXON PRO UR

XXIO CGC-2111

SRIXON W-201

XXIO

SRIXON I-201

HI-BRID DIGITAL Autofocus

Backlights for LCDs

Precision rubber parts for OA equipment

A variety of gloves

SPORTS BUSINESS

In its Sports business, Sumitomo Rubber manufactures Dunlop-brand golf balls, golf clubs, tennis balls, and tennis rackets and sells these products in Japan, Taiwan, and Korea. The Company also sells SRIXON golf balls and golf clubs in countries worldwide.

Fiscal 2001 Results

Sales in the Sports business declined 2.3% to ¥63,080 million, and operating income decreased 29.8% to ¥2,520 million.

In Japan, despite a downtrend in golf course use, the Company registered growth in sales of golf clubs owing to higher sales of the XXIO brand of golf clubs. Nevertheless, overall domestic sales declined because of lower sales of golf balls caused by slumping demand, a downtrend in prices, and competition with imported golf balls.

Despite the introduction of new products, sales of tennis products remained level with the amount recorded in the previous fiscal year.

In Asia, sales rose sharply over the amount recorded in the previous year, mirroring brisk sales of SRIXON-brand golf balls and XXIO-brand golf clubs.

With the aim of strengthening our domestic sports sales structure and raising the efficiency of the management of this business, we integrated five sales subsidiaries in the Kanto and Tohoku regions.

Favorable Performance of XXIO

Our extensive selection of XXIO golf clubs, which feature heads that are easy to hit with and offer superior directional stability, are used by a wide range of golfers, from average amateurs to tournament professionals. From February 2000, when the XXIO series was launched, to the end of 2001, we have sold 300,000 woods and 110,000 iron sets in the XXIO series. In October 2001, we introduced our New XXIO series, which integrates our Digital Impact technologies to provide greater restitution. Highly acclaimed for enabling easy hitting as well as providing added distance, this series has become one of our most appealing product lines.

Sumitomo Rubber is also applying its Digital Impact technologies to golf balls. In February 2002, we launched our HI-BRID everio, which integrates these technologies and has an energy-storage structure to achieve previously unthinkable distances. As a first-year sales target, we are aiming for sales of one million dozen, which will make this our best-selling line of golf balls.

Overseas, we took an important step to strengthen sales of SRIXON products, one of our strategic overseas brands, by establishing Srixon Sports Europe Ltd. in October 2001. Previously, we established SRIXON subsidiaries in Asia and North America. With the establishment of this subsidiary in Europe, Sumitomo Rubber has built a sales structure for the SRIXON brand that covers the principal regions of the world. In addition, we intend to raise our brand recognition level by forming golf club and golf ball use contracts with top-name professional players in various countries.

INDUSTRIAL AND OTHER PRODUCTS BUSINESS

In the Industrial and Other Products business, in Japan Sumitomo Rubber manufactures printer blankets, products for the construction industry, and backlights for LCDs. Overseas, the Company manufactures natural rubber gloves in Malaysia, precision rubber parts for OA equipment in China, and bed-related products in France and Germany.

Fiscal 2001 Results

During fiscal 2001, sales in the Industrial and Other Products business declined 4.6% to ¥55,439 million and this division recorded an operating loss of ¥4,174 million, compared with an operating loss of ¥1,454 million in the previous fiscal year.

In the domestic market, the slump in IT industries resulted in sluggish sales of precision rubber parts for OA equipment and LCD backlights. In addition, orders for sporting facilities and Omni sand-filled artificial turf fell sharply, mirroring a decline in public-sector investment and declining prices.

Despite smooth growth in sales in Japan, sales of natural rubber gloves in Europe and the U.S. declined steeply owing to the effects of souring market conditions there.

In China, to respond to the shift to overseas production by OA equipment manufacturers, Zhongshan Sumirubber Precision Rubber Ltd., our production base for precision rubber parts in Guandong, began full-scale production in September 2001.

Our bed business in Europe recorded a decline in sales, mainly to retailers, and profitability of this business worsened significantly. Factors underlying this deteriorating performance included the slowdown of the European economy, consumer preferences for lower prices, and a shift in the structure of the distribution market toward large-scale retail chains. Sumitomo Rubber has dispatched a team to rebuild this business in Europe and is progressing with these revitalization efforts through such measures as trimming staff and selling and closing unprofitable businesses, including its car-seat business.

Sumitomo Rubber announced its Environmental Accounting for Fiscal 2000 in May 2001, which highlights the Company's proactive approach to the disclosure of information. In addition, the Company made significant strides toward achieving the goals of its "zero emissions"* policy as it strives for the reduction of waste materials.

*zero emissions: landfill waste of less than 1% of total waste materials

Numerical Targets and Achievements

Sumitomo Rubber has been working to achieve medium- and long-term "environment action targets" for conserving energy, addressing the problem of global warming, reducing waste materials, and lowering the volume of organic solvents used.

First, regarding targets for energy, we are making ongoing efforts to achieve a more than 20% reduction in basic units of heavy crude oil and an 11% cut in basic units of electric power consumption by 2010 compared with fiscal 2000 levels. In 2001, we attained reductions exceeding 5% and 4%, respectively, in these two categories.

Second, as a response to the problem of global warming, Sumitomo Rubber has set the goal of reducing emissions of carbon dioxide to below 1990 levels by 2010. In 2001, the total volume of carbon dioxide emissions amounted to 94% of the 1990 level.

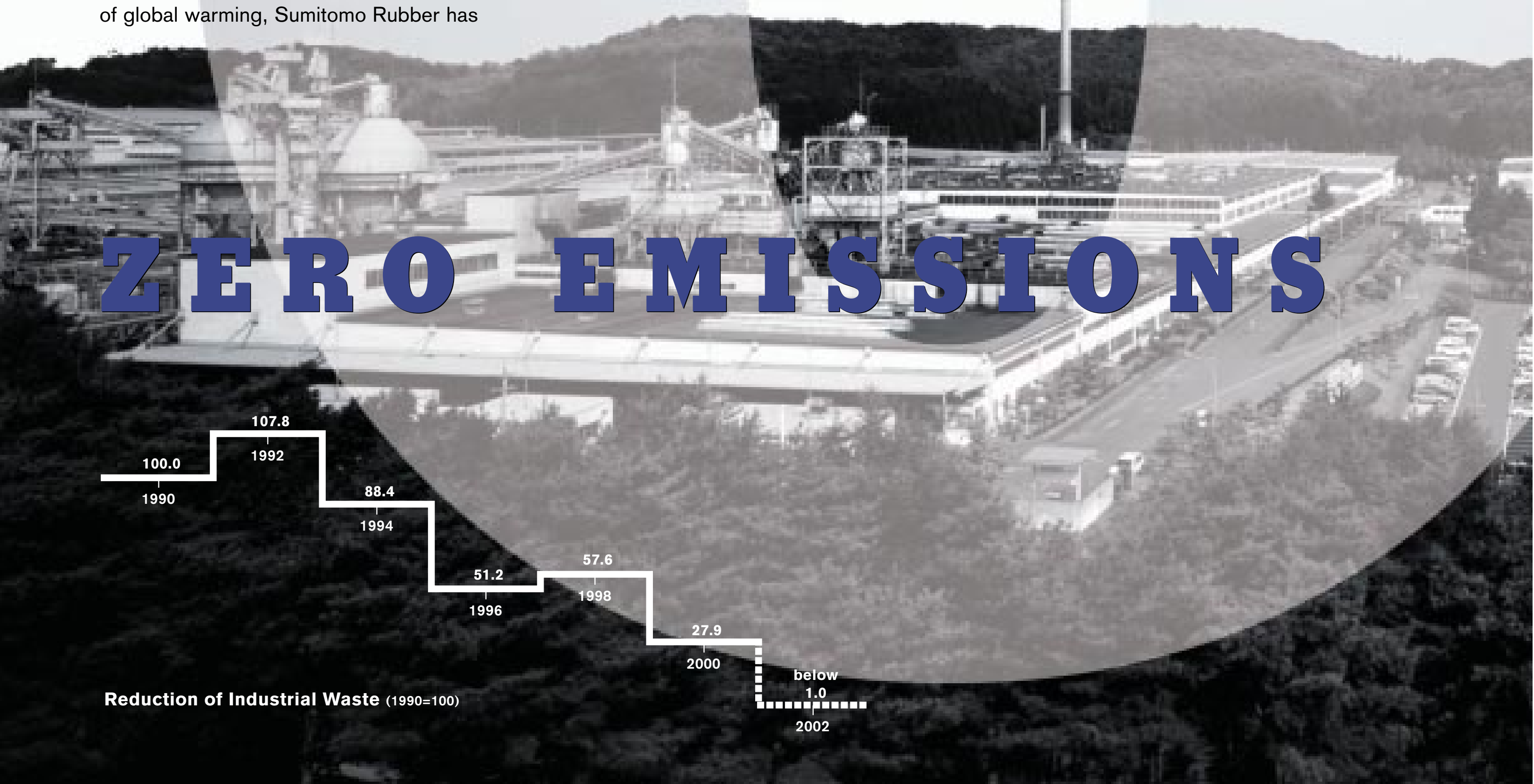
Third, for reducing waste materials, Sumitomo Rubber has been striving to achieve its goal of "zero emissions" by the end of 2002 at production plants and business sites. In April 2002, the Company achieved "zero emissions" for three out of its four plants in Japan. The Company has set a target of reducing units of waste generated by more than 10% by 2005 and more than 20% by 2010 compared with 2000 levels. In 2001, the Company achieved a 4% reduction.

Developing Environment-Friendly Products

Hit products since their introduction in December 1999, our Digi-Tyre ECO, SP65e and SP70e, which achieve a balance between driving performance and environmental performance, have earned the Energy Conservation Center Japan Chairman's Prize at the Fiscal 2001 Grand Energy Conservation Prize for Excellent Energy-Saving Products. The Digi-Tyre ECO reduces rolling resistance by 20% and lowers fuel consumption by 4% compared with the Company's other tires and has been highly acclaimed for its outstanding energy and resource conservation features.

Announcing Environmental Accounting

In fiscal 2000, Sumitomo Rubber introduced environmental accounting for the purpose of ascertaining the effects and costs of its environment protection activities. In 2000, the Company's investments for environment protection amounted to approximately ¥238 million, expenses were about ¥1,729 million, and environment protection effects were approximately ¥371 million. Looking at an expense breakdown, expenses at our own business sites amounted to over 80% of total expenses. These expenses were mainly for desulpherization and denitration equipment as well as for wastewater treatment facilities. The environmental protection effects consisted of a reduction in costs through energy conservation achieved by cogeneration and activities to conserve energy. These effects also included the recycling of and profit on sales of waste materials as well as recycling and reduction of volumes of other types of waste.



Reduction of Industrial Waste (1990=100)

FINANCIAL REVIEW

Scope of Consolidation

The Company's consolidated financial statements include Sumitomo Rubber and 86 consolidated subsidiaries (60 domestic and 26 overseas). Sumitomo Rubber applies the equity method to 42 subsidiaries and affiliated companies (36 domestic and 6 overseas).

During the fiscal year under review, a total of seven companies became consolidated subsidiaries, including Zhongshan Sumirubber Precision Rubber Ltd., a production base for precision rubber parts in Guandong, China. On the other hand, a total of five companies were removed from the scope of consolidation due to the merging of subsidiaries in the Company's Sports and Industrial and Other Products businesses. As a result, there was a net increase of two consolidated subsidiaries. Two companies were newly accounted for under the equity method while six companies were no longer accounted for under the equity method. Therefore there was a net decrease of four companies accounted for under the equity method. Because these movements involved small-sized companies, this had no significant impact on the Company's consolidated results.

Net Sales

In the fiscal year ended December 31, 2001, consolidated net sales increased 2.6% to ¥434,463 million. In our Tire business, which accounts for approximately 70% of net sales, we recorded steady growth in sales in replacement, original equipment and export markets. This performance compensated for declines in sales of the Sports and Industrial and Other Products businesses, which were seriously hampered by the effects of a sluggish domestic economy, and enabled the Company to post an overall increase in sales.

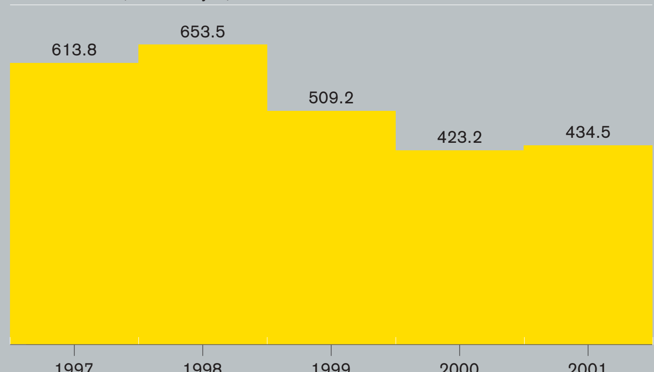
By business segment, sales in the Tire business rose 5.1% to ¥315,944 million, accounting for 72.7% of net sales. Sales in Sports businesses retreated 2.3% to ¥63,080 million, or 14.5% of the Company's net sales, while sales in Industrial and Other Products businesses shrank 4.6% to ¥55,439 million, making up 12.8% of net sales.

Overseas sales rose 9.3% to ¥109,360 million, and the ratio of overseas sales to net sales edged up to 25.2% from 23.6% in the previous fiscal year. Particularly noteworthy was a 27.5% jump in sales in Asian countries, which contributed significantly to overall sales.

Operating Income

Consolidated gross profit in the fiscal year was up 3.7% to ¥155,389 million, and the gross profit ratio was 35.8%, an improvement of 0.4 percentage point from the previous fiscal year. However, selling, general and administrative expenses rose 6.8% to ¥132,813 million. As a result, operating income declined 11.3% to ¥22,576 million. The operating income ratio fell to 5.2% from 6.0% in the previous fiscal year. The principal reason underlying this decline was a sharp decrease in sales prices, which largely offset such income-increasing factors as a reduction in costs through increased productivity and the effects of a weakening yen.

Net Sales (Billions of yen)



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

Looking at a breakdown of cost reductions, Sumitomo Rubber's alliance with Goodyear is yielding sweeping improvements to the Company's cost structure. On a non-consolidated basis, we have achieved a 50% increase, or ¥6,000 million, in cost reductions from the previous year through such measures as the joint procurement of materials and increases in productivity.

Turning to operating income by business segment, operating income in the Tire business rose 4.2% to ¥24,247 million. In the Sport business, operating income decreased 29.8% to ¥2,520 million. The Industrial and Other Products businesses posted an operating loss of ¥4,174 million.

Net Income

In other income (expenses), the Company posted large expenses due to several factors.

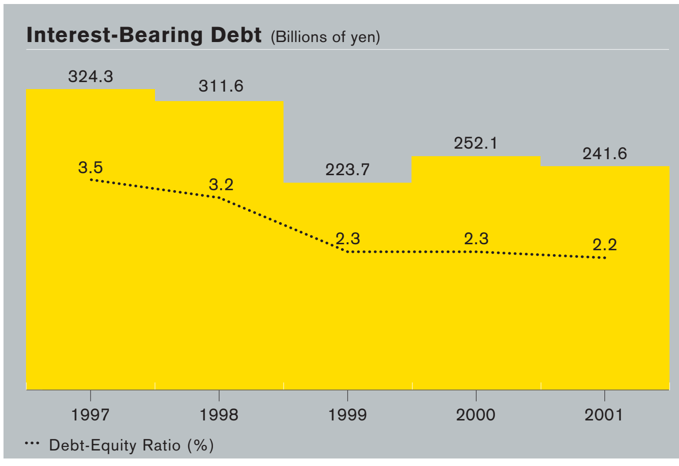
First, the Company recorded evaluation losses that included ¥6,898 million in impairment loss in assets of a domestic subsidiary, which was related to an unprofitable golf course management company; a ¥3,070 million loss on write down on golf club memberships, which resulted from the application of the new accounting standard for financial instruments; and a ¥2,885 million write down of investments in securities.

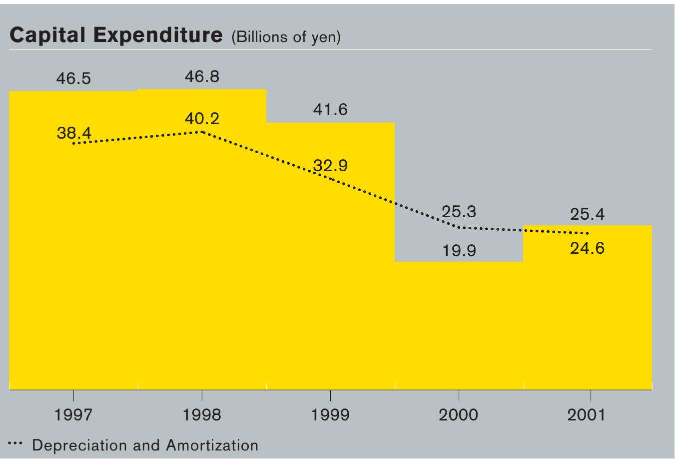
Second, the Company posted expenses of ¥2,866 million from equity in losses of unconsolidated subsidiaries and affiliates. The principal factor underlying this loss was worsening performances of joint ventures with Goodyear in Europe and North America due to the deteriorating economic conditions in those regions. In addition, restructuring expenses planned for fiscal 2002 were moved forward to fiscal 2001, and this also had a significant effect. Moreover, we recorded ¥608 million in expenses for rebuilding overseas subsidiaries as part of expenses for rebuilding our bed business in Europe.

Third, although we posted an ¥11,063 million gain on transfer of securities to employees' retirement benefit trust, we recorded a ¥12,664 million expense from the amortization and write off of initial transition cost of pension and severance plans. As a result, we registered ¥1,601 million net expenses for pension provisions.

As a result of the previous factors, Sumitomo Rubber posted a loss before income taxes of ¥2,343 million, compared with income before income taxes of ¥13,831 million in the previous fiscal year. After income taxes and minority interest in consolidated subsidiaries, the Company recorded a net loss of ¥7,207 million, compared with net income of ¥5,335 million in the previous fiscal year.

The Company believes that the worsening of its business results in fiscal 2001 was a one-time event and will thus maintain an annual cash dividend per share of ¥10.





Cash Flows

Cash and cash equivalents at end of year rose ¥3,648 million over the previous fiscal year-end to ¥21,167 million.

Net cash provided by operating activities amounted to ¥42,359 million, up from ¥36,086 million in the previous fiscal year. Despite a ¥2,343 million loss before income taxes, this increase was due to ¥24,645 million in depreciation and amortization and the reversal of other costs not involving cash outflow as well as the effects of efforts to raise the efficiency of operations that include progressing with the recovery of sales receivables and the shrinking of inventories.

Net cash used in investing activities amounted to ¥25,284 million, compared with ¥21,709 million in the previous fiscal year. This consisted mainly of ¥25,372 million in capital expenditures, which were for the acquisition of fixed assets and expenditures for increasing production by the parent company as well as at a subsidiary in Indonesia.

Net cash used in financing activities amounted to ¥15,172 million. This consisted mainly of proceeds from issuance of long-term debt for the repayment of short-term borrowings as well as the repayment of long-term debt, including redemption of bonds, which enabled the Company to reduce its interest-bearing debt by ¥10,543 million. Dividends paid amounted to ¥2,425 million.

When including effect of exchange rate changes on cash and cash equivalents and increase of cash and cash equivalents due to changes in reporting entities, cash and cash equivalents at end of year rose to ¥21,167 million from ¥17,519 million in the previous fiscal year.

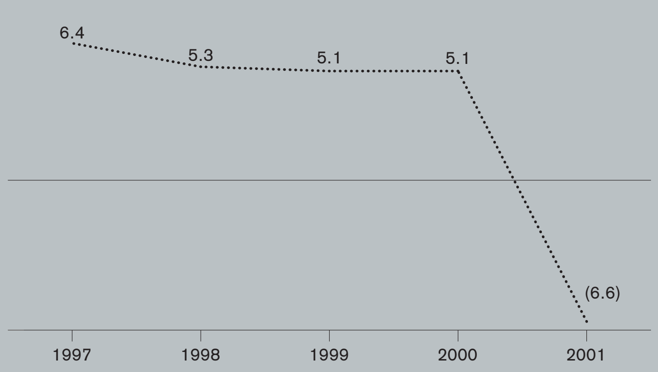
Financial Position

Total assets at fiscal year-end declined ¥9,145 million from the end of the previous fiscal year to ¥514,415 million. Within current assets, notes and accounts receivable and inventories declined due to efforts to raise the efficiency of operations. However, current assets rose ¥3,341 million to ¥203,155 million due to a rise in cash and time deposits. On the other hand, total property, plant and equipment declined ¥2,024 million to ¥179,393 million, owing to an impairment in assets of a golf course management company.

On the liabilities side, interest-bearing debt declined ¥10,543 million to ¥241,600 million due to the repayment of borrowings with the portion of increased funds from the improvement in cash flows. As a result, the debt-equity ratio improved 0.1 point from the previous fiscal year to 2.2 times. Total liabilities declined ¥7,610 million from the end of the previous fiscal year to ¥392,483 million due to efforts to reduce interest-bearing debt.

Shareholders' equity declined ¥2,604 million from previous fiscal year-end to ¥107,391 million. Despite a ¥6,647 million translation adjustment, shareholders' equity decreased because of an ¥11,069 million decline in retained earnings. As a result, the shareholders' equity ratio declined to 20.9%, from 21.0% at the previous fiscal year-end.

Return on Shareholders' Equity (%)



Shareholders' Equity Ratio (%)