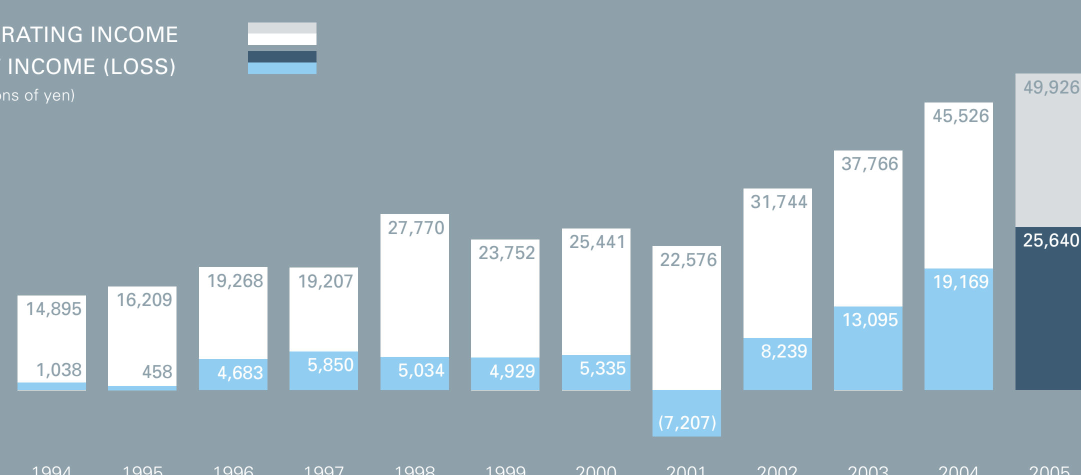
We are pleased to report that in fiscal 2005, the year ended December 31, 2005, Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries ("SRI Group" or "the Group") achieved increases in revenues and earnings for the fourth consecutive year. With these results, the Group accomplished the final year objective of its Medium-Term Five-Year Management Plan, which was formulated in March 2000. We will orchestrate the Group's knowledge and technology to sustain growth at an even higher level.

OPERATING INCOME
NET INCOME (LOSS)
(Millions of yen)



RECORD NET INCOME FOR FOURTH CONSECUTIVE YEAR

Operating conditions in the fiscal year under review were severe due to a steep rise in raw material prices. Under such circumstances, the SRI Group promoted cost reductions while undertaking proactive capital expenditures to increase production in its core Tire business in order to meet brisk demand. In addition, the Group shifted to high-value-added products and implemented appropriate price revisions in response to soaring raw material prices. We strived to bring to market and expand sales of a variety of new products in the Sports business and the Industrial and Other Products business.

As a result, consolidated net sales rose 9.0% compared with the previous fiscal year to ¥512,838 million. Operating income increased 9.7% to ¥49,926 million. Propelled by improved business performances at our U.S. and European joint ventures with The Goodyear Tire & Rubber Company, equity in earnings of unconsolidated subsidiaries and affiliates increased. Accordingly, net income surged 33.8% to ¥25,640 million. Operating income and net income reached record-high levels for the third and fourth consecutive years, respectively.

Annual cash dividend significantly jumped ¥6 to ¥20 per share, contributing to a dividend increase for the third consecutive year.

APPROACH TO SOARING RAW MATERIAL PRICES

Prices for basic tire ingredients such as natural and synthetic rubbers as well as petroleum-based materials have been increasing over the past two years. Under these conditions, the SRI Group increased sales prices in both the domestic and overseas replacement markets in fiscal 2005 to offset the sharp price hikes.

In fiscal 2006, raw material prices are expected to increase, centering on petroleum materials and natural rubber, and the Group is anticipating an overall revenue increase but a profit decline in the period. We will focus on minimizing any declines in profit margin by implementing cost reductions and a shift to high-value-added products, while asking for our customers' understanding with regard to any price increases.

PROACTIVE INVESTMENT IN GROWING MARKETS

In response to globally brisk demand for tires, the SRI Group has been implementing large-scale capital increases and investments over recent years. As a result, tire production capacity in fiscal 2005 rose 5% compared with the previous fiscal year. In fiscal 2006, the Group plans to further enhance production volume by investing primarily in the factory in Changshu, China, and in the Thailand factory that is scheduled to commence operations at the end of 2006. Free cash flow has been negative for two consecutive years due to the capital expenditures needed to increase pro-

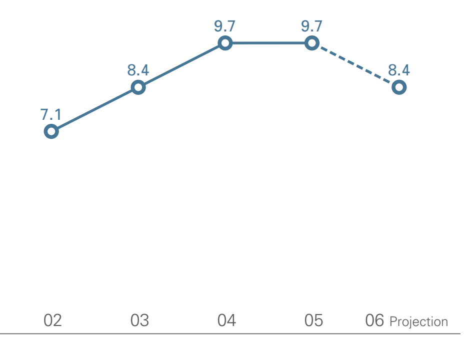
TARGET AND RESULTS IN MEDIUM-TERM FIVE-YEAR MANAGEMENT PLAN

(Millions of yen)

	2000	2001 (First year)	2005 (Final year)	
	Result	Result	Result	Target
ROE	5.1%	–	16.0%	10% or greater
Interest-bearing debt	¥252,143	¥241,600	¥205,751	¥220,000 (range)
Shareholders' equity ratio	21.0%	20.9%	30.9%	30.0%

OPERATING INCOME RATIO

(%)



duction. Therefore, in its efforts to see early returns on its investments, the SRI Group strives to promptly increase production at the Changshu factory in China and commence operations at the Thailand factory.

The Group is attempting to cut costs by relocating its manufacturing base to the Asian region outside Japan. Along with this endeavor, we aim to ensure and expand market share in the burgeoning China-driven Asian market by increasing deliveries of tires for the original equipment market to Japanese automakers and formulating a sales network structure in the replacement market there.

FURTHER IMPETUS FOR STRUCTURAL REFORM

The SRI Group had proceeded with the disposition of potential loss by the end of 2005 and established a secure foundation for net income of ¥20 billion. In order to achieve higher growth, however, better selection of and higher concentration on businesses are indispensable. In its domestic tire replacement operations, the Group merged its sales subsidiaries, Dunlop Tyres Ltd. and Falken Tires Ltd., in January 2005 and reorganized affiliate sales agents in July 2005. The SRI Group continues to reform its sales depots and distribution systems in an effort to upgrade customer service and boost earnings recovery.

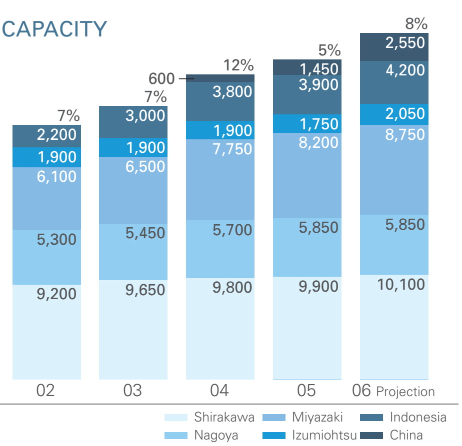
Despite growing market demand for LCD backlights, the Group decided to withdraw from this business amid intense sales competition and little likelihood of a profit recovery.

MEDIUM-TERM MANAGEMENT PLAN: GO for VALUE

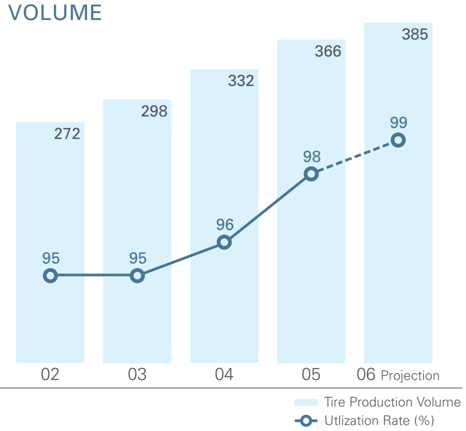
The Medium-Term Management Plan for fiscal 2006-2008 has commenced. This plan was formulated and announced in February 2005 as the Group had positive prospects regarding the accomplishment of the previous Medium-Term Five-Year Management Plan for fiscal 2000-2005 at the end of fiscal 2004. We published a detailed description of this plan in last year’s annual report and will provide a brief summary this year. The new Medium-Term Management Plan adopts “GO for VALUE” as a motivational concept to drive efforts to increase corporate value for all stakeholders including customers, shareholders and employees, aiming for sustainable growth supported by excellent earnings capabilities and better financial standing. Targets by fiscal 2008 are:

- Consolidated net sales of ¥550 billion
- Operating income ratio of 10% or greater
- Net income ratio of 5% or greater
- ROA (operating income base) and ROE of 10% or greater
- Interest-bearing debt in the ¥160 billion range
- Shareholders’ equity ratio of 35%
- Debt-to-equity ratio below 1.0 times

TIRE PRODUCTION CAPACITY
(Tonnes per month)
(Year-on-year change)



TIRE PRODUCTION VOLUME
(Thousands of tonnes)



CHALLENGE TO CREATE NEW VALUE FOR TIRES

Amid the recent issues such as global warming and depletion of petroleum resources that should be considered and addressed on a global scale, the SRI Group bolstered the development of environmentally friendly eco-tires. This effort bore fruit with the successful development of a tire that uses 70% non-petroleum materials, announced in October 2005. We raised the percentage of non-petroleum materials from 44% for our conventional tires to 70% for the Dunlop ENASAVE ES801. In addition, rolling resistance was lowered by 30%, contributing to improved fuel consumption. The Group will expand sales of these eco-tires specifically for those who emphasize eco-friendliness as well as those who own hybrid vehicles or fuel cell automobiles.

In January 2006, the Group also launched the world's first tire fitted with a special acoustic sponge. The Dunlop LE MANS LM703 is a low-profile tire yet offers innovative added value such as pleasant features (quietness and ride/comfort). Please refer to pages 7 to 11 for product details.

The SRI Group will continue to promote cutting-edge product development with its proprietary simulation technology in order to offer new value-added tires ahead of competitors.

AIMING TO BE A GLOBAL EXCELLENT COMPANY

The basic concept of the Medium-Term Management Plan, GO for VALUE, is to promote value increase for all stakeholders, including customers and shareholders. The Group considers that it is essential to adhere to its value promotion despite various unfavorable conditions such as spiraling raw material prices. To that end, we revised the "Corporate Constitution Strengthening Activities" that was conducted until last year. Known as the "Value 10 Activities," under which the Group promotes further concerted cost reductions, they target everything from manufacturing costs to selling and administrative expenses. In addition, the Group will address medium- and long-term issues to enhance value for customers and shareholders through its Value 10 Activities.

With steady implementation of the Medium-Term Management Plan "GO for VALUE," the SRI Group will continue its transformation into a "global excellent company" in an effort to achieve a higher level of growth.

Your continued support will be greatly appreciated.

April 2006

Mitsuaki Asai
Chairman

Mitsuaki Asai

Tetsuji Mino
President

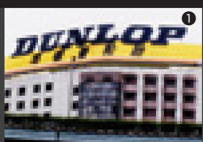
Tetsuji Mino

TARGET IN MEDIUM-TERM MANAGEMENT PLAN: GO for VALUE

(Millions of yen)

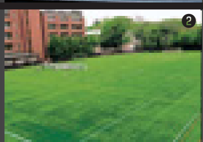
	2004	2005	2008
	Result	Result	Target
Net sales	¥470,562	¥512,838	¥550,000
Operating income ratio	9.7%	9.7%	Consistently over 10%
Net income ratio	4.1%	5.0%	5% or greater
ROA (operating income base)	9.1%	9.2%	Consistently over 10%
ROE	15.0%	16.0%	Consistently over 10%
Interest-bearing debt	¥201,929	¥205,751	¥160,000 (range)
Shareholders' equity ratio	28.0%	30.9%	35.0%
Debt-to-equity ratio	1.4 times	1.2 times	Under 1.0 times

HIGHLIGHTS IN 2005



Jan.

Domestic replacement tire sales subsidiaries, Dunlop Tyres Ltd. and Falken Tires Ltd., merged to become Dunlop Falken Tyres Ltd.



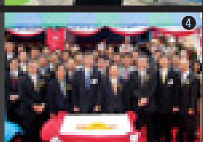
Feb.

Announcement of Medium-Term Management Plan for Fiscal 2006 through Fiscal 2008

Large Dunlop billboards erected in Beijing and Shanghai, China ❶

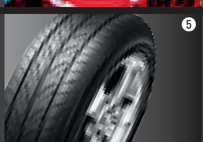
Apr.

Changshu factory commenced supply of tires to Tianjin FAW Toyota Motor Co., Ltd. in China



Jun.

Market launch of long-pile artificial turf Hibrid-Turf XP ❷



Jul.

Reorganization of Dunlop Falken Tyres' affiliated sales agents

Accomplishment of complete zero emissions at all six domestic factories of the SRI Group

Dunlop automatic swing diagnosis system developed ❸

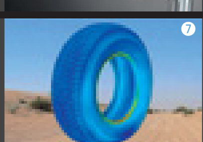
Aug.

Ground-breaking ceremony for the tire factory in Thailand ❹

Professional golfers using the SRIXON Z-UR golf ball have won 20 tournaments worldwide

Oct.

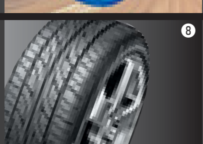
Announcement of ENASAVE ES801 tires, which use 70% non-petroleum materials ❺



Nov.

Announcement of Dunlop's ALL NEW XXIO series of woods and irons ❻

Group developed technology to simulate tire performance on sand ❼



Dec.

Realization of zero emissions at subsidiaries in Changshu and Suzhou, China, leading to complete achievement at all SRI Group factories in Japan and overseas

Announcement of LE MANS LM703 tire with special acoustic sponge ❽