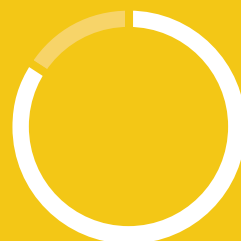


## **TIRE** Business

BUSINESS OPERATION COMPANY  
Sumitomo Rubber Industries, Ltd.

BUSINESS LINE

- Tires (for passenger cars, construction vehicles, agricultural vehicles, industrial vehicles, race and rally, motorcycles and new transportation systems)
- Aluminum wheels



84.3%



## **SPORTS** Business

BUSINESS OPERATION COMPANY  
SRI Sports Limited

BUSINESS LINE

- Golf goods (clubs, balls, bags, shoes and gloves)
- Tennis goods (balls, rackets, clothes and shoes)



10.5%

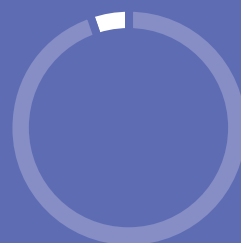


## **INDUSTRIAL and Other Products** Business

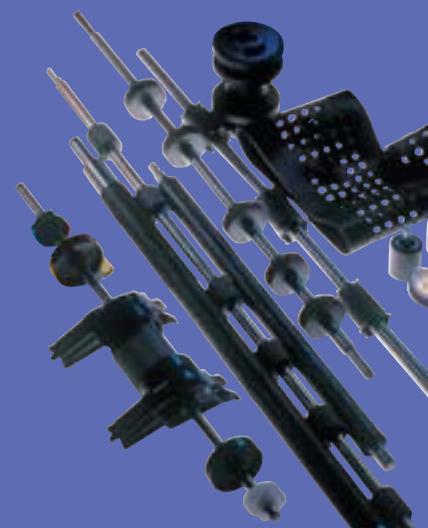
BUSINESS OPERATION COMPANY  
SRI Hybrid Limited

BUSINESS LINE

- Precision rubber products (rubber parts for printers and photocopiers, medical rubber stoppers, blankets for offset printing presses, rubber hoses)
- Construction products (vibration-control rubber dampers for bridge cables, buildings and single-unit housing, marine fenders, waterproof gaskets for immersed tunnels, flexible rubber joints, floating breakwaters, flooring materials for R&D, production and food facilities, long-pile artificial turf for sports and multipurpose uses, sand-filled artificial turf for tennis)
- Household and nursing care products (rubber gloves, nursing care goods)



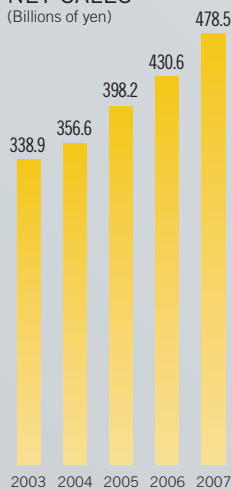
5.2%



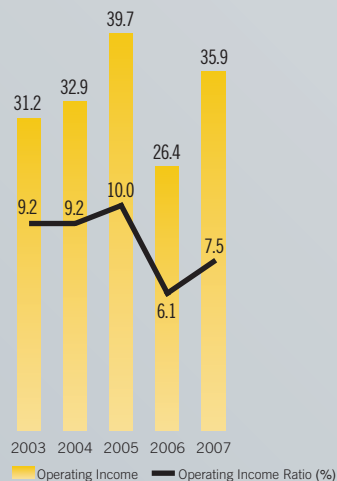


## TIRE Business

NET SALES  
(Billions of yen)



OPERATING INCOME  
(Billions of yen)



### FISCAL 2007 RESULTS

Sales in the Tire business rose 11.1% year on year to ¥478,483 million for the fiscal year under review, while operating income surged 36.1% to ¥35,893 million.

The increase in net sales was attributable to strong performance in overseas markets as well as a weak yen. Despite significant impact from soaring raw material prices, operating income showed growth due to various factors that included a weak yen, a shift to high-value-added products and promotion of cost reductions.

### YEAR-ON-YEAR INCREASE/DECREASE IN TIRE SALES VOLUME

	2007
Domestic original equipment	+3%
Overseas original equipment	+46%
Domestic replacement	-5%
Overseas replacement	+17%
Total	+8%

### DOMESTIC REPLACEMENT MARKET

In fiscal 2007, the Group released the VEURO VE302 premium comfort tires for passenger cars under the Dunlop brand. This new tire effectively orchestrates the Group's proprietary technologies, including special noise-absorbing sponge, and has received high evaluation in the domestic tire replacement market. In addition, the Group carried out sales promotion, mainly for high-value-added products such as the LE MANS LM703 tire for passenger cars, which realizes quietness and a comfortable ride by mounting special noise-absorbing sponge in a tire for the first time; the ENASAVE ES801 eco-tire for passenger cars, which boasts a ratio of non-petroleum-based materials of 70%; and the ECORUT tire series for trucks and buses, which provides fuel efficiency.

However, demand for tires was sluggish due to the unprecedented price hikes in fuel, and sales in the overall domestic replacement market fell below the previous fiscal year.



EAGLE LS2000 Hybrid II

ZIEX ZE912

VEURO VE302

#### ORIGINAL EQUIPMENT MARKET

During the fiscal year under review, automobile production in Japan was robust due to increased exports. Amid such circumstances, the Group efficiently supplied products under the Dunlop, Falken and Goodyear brands to meet each automaker's needs for performance, cost efficiency and quality by leveraging its advanced development skills, manufacturing techniques and various proprietary technologies. As a result, sales topped the previous fiscal year.

#### OVERSEAS REPLACEMENT MARKET

On the back of global market expansion, the Group implemented sales promotion activities tailored to individual market characteristics. As a result, significant sales growth was seen, mainly in Asia, including China, and also in North America, Europe, Russia and the Middle East. A weak yen during the fiscal year under review also helped, with sales in the overseas replacement market surpassing the previous fiscal year.

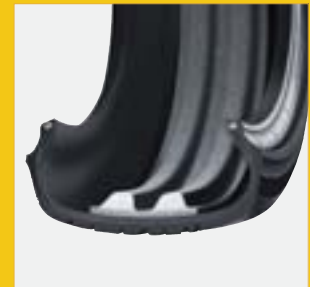
#### FISCAL 2008 OUTLOOK

In fiscal 2008, the Sumitomo Rubber Group expects to increase sales in the replacement and original equipment markets in Japan and overseas. On the earnings front, there are concerns that natural rubber and petroleum-related raw material prices will hover at a high level. However, the Group will aim to secure and expand profits by further promoting its overall cost reduction campaign, while reinforcing sales of high-value-added products and adjusting product prices to suit current cost conditions.



#### SPECIAL NOISE-ABSORBING SPONGE

The special noise-absorbing sponge unique to the Dunlop brand can absorb air vibrations inside tires, reducing noise inside the car. With special noise-absorbing sponge mounted in the tire, the VEURO VE302 premium comfort radial tire realizes excellent quietness and a comfortable ride. As a result, the Dunlop VEURO VE302 tire enjoyed high ratings and received several prizes, including the 2007 Good Design Award and the Nikkei Sangyo Shimbun Award of the 2007 Nikkei Superior Products and Services Awards.





**ENASAVE 97: Tire Made from 97% Non-Petroleum-Based Materials**

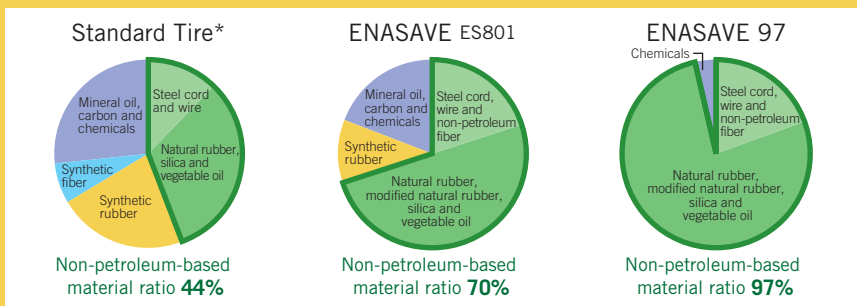
The Sumitomo Rubber Group succeeded in the development of the ENASAVE 97 eco-tire, which increases the ratio of non-petroleum-based materials to 97% by minimizing dependency on fossil-fuel resources, including petroleum and coal. The new ENASAVE 97 will be launched in 2008.

The ENASAVE 97 is an upgraded version of the ENASAVE ES801 introduced in 2006 that featured a non-petroleum-based materials ratio of 70% and received high valuations from various sectors. Using an advanced approach, the Group leveraged its proprietary technology to employ natural rubber, even in

the sidewalls and inner liners of the tire, in addition to the tread. Owing to these efforts, the Group was able to enhance the ratio of non-petroleum-based materials to 97%. The new ENASAVE 97 also reduces rolling resistance by 35% compared with DIGI-TYRE ECO EC201,

contributing to improved fuel efficiency. Furthermore, the enhanced ratio of non-petroleum-based materials realizes a new-generation of eco-tire that can reduce CO<sub>2</sub> emissions at each stage, from production and use to disposal.

**AVERAGE MATERIAL WEIGHT COMPOSITION OF PASSENGER CAR TIRES**

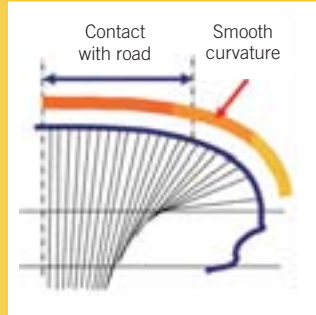


\* Composition of the average weight of materials for a passenger car tire manufactured by Sumitomo Rubber Industries [195/65R15 91S]

# ENASAVE

SP SPORT 600 DSST CTT  
RUNFLAT TIRE

The SP SPORT 600 DSST CTT runflat tire enhances ride comfort through Dunlop's unique tire shape while ensuring its runflat performance since it is able to run for some distance even when flat. The NISSAN GT-R multi-performance super car of Nissan Motor Co., Ltd. comes equipped with the SP SPORT 600 DSST CTT runflat tires.



CTT PROFILE



CONSTRUCTION



# RUNFLAT TIRE

## TAIYO PRODUCTION SYSTEM



### THE NEW TAIYO TIRE PRODUCTION SYSTEM

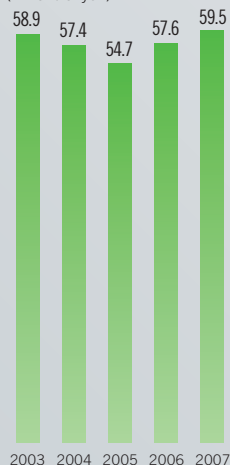
*Taiyo* is the Sumitomo Rubber Group's proprietary tire production system that compactly integrates the automated processes from component manufacture to final product inspection. This system has enhanced high-speed production uniformity by 50% compared with the conventional method, contributing greatly to improvements in product quality and performance. While using only about 30% of existing production facility space, this system can reduce energy consumption by approximately 35%.

# 97

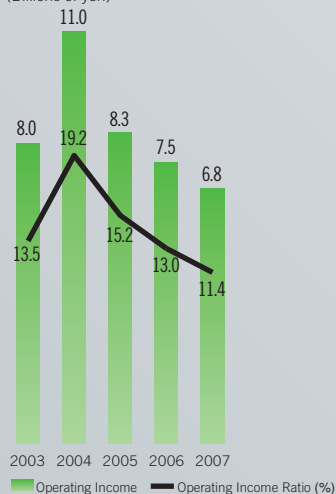


## SPORTS Business

### NET SALES (Billions of yen)



### OPERATING INCOME (Billions of yen)



### FISCAL 2007 RESULTS

Sales in the Sports business climbed 3.2% year on year to ¥59,518 million, while operating income decreased 9.2% to ¥6,780 million, due to the increase in purchase costs impacted by raw material price hikes and a weak yen during the first half of fiscal 2007.

In the mainstay domestic golf business, sales of golf goods remained on par with the previous fiscal year, though the number of visitors to golf courses edged up year on year.

Under these circumstances, the Group launched the XXIO XD golf balls that realize a straighter trajectory and more dynamic flight for greater distance. For experienced golfers, the Group effected all-out redesign of the SRIXON Z-UR series golf balls by improving their control and flight distance performance, aiming to meet extensive customer needs. For competition-use golf clubs, the Group introduced the SRIXON ZR-700 series with dramatically minimized directional instability, and these clubs are held in high repute. Furthermore,

in the XXIO series, which enjoys great popularity from diverse customers, the Group released The XXIO, the fifth-generation golf club in the brand in December 2007, getting off a good start. This product was developed and sales were started in advance against the backdrop of the application of new regulations for high-repulsion golf clubs\*.

Overseas, sales of the SRIXON strategic international brand's golf clubs and balls were strong, owing to successful results of contracted professional golfers and aggressive advertising promotion activities.

During fiscal 2007, the Group introduced new tennis rackets under the Dunlop Diacluster and AERO GEL series, while launching new products under the Babolat brand, and enjoyed high valuations for these products. Domestic sales remained strong in tennis balls, a market in which the Group holds a stable and large market share. This was attributable to proactive sales promotion activities, including the release of official tennis balls accredited by the International

➤ THE XXIO

Since the launch of the first-generation XXIO in 2000, XXIO brand golf goods have enjoyed popularity from a great number of golfers in Japan, South Korea and Taiwan.



➤

ACQUISITION OF CLEVELAND

In December 2007, SRI Sports Limited acquired the U.S. leading golf club maker Roger Cleveland Golf Company, Inc. and its five group companies ("Cleveland"). SRI Sports Limited currently enjoys the top share in the Japanese golf club market. The acquisition of Cleveland, which boasts the fifth largest share in the U.S. golf club market, enables SRI Sports Limited to reinforce its business foundation in the U.S. golf market. Propelled by this acquisition, SRI Sports Limited will accelerate its global business development.

Tennis Federation (ITF) under the SRIXON brand, which is also well-known for golf products.

FISCAL 2008 OUTLOOK

The Group anticipates increased sales and profit based on the assumption of contributions from the sales activities of Cleveland, which was acquired in December 2007, along with sales expansion of products under the SRIXON and XXIO brands both in Japan and overseas.

\* Regulation for high-repulsion golf clubs: Effective on January 1, 2008, The Royal and Ancient Golf Club of St. Andrews (R&A) and the Japan Golf Association (JGA) changed the rules in connection with the spring-like effect (SLE) of golf clubs. Accordingly, high-repulsion golf clubs that exceed a certain SLE level will be adjudged as noncompliant to golf rules and banned from use under the new regulations.



➤

SRIXON

Designed for professional and experienced golfers, SRIXON brand golf products are currently sold in 41 countries and regions around the world. Used by top golfers in Japan and overseas, the SRIXON brand is further enhancing the brand profile.

➤

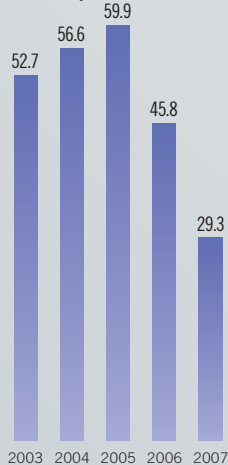
Dunlop tennis balls enjoy Japan's top share



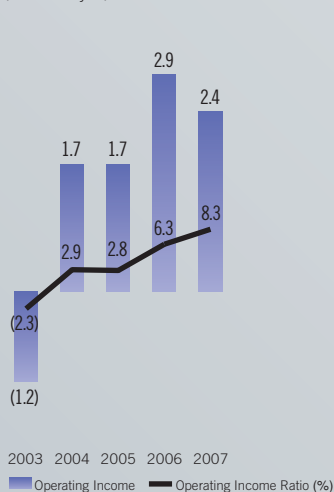


## INDUSTRIAL AND OTHER PRODUCTS *Business*

### NET SALES (Billions of yen)



### OPERATING INCOME (Billions of yen)



### FISCAL 2007 RESULTS

Sales in the Industrial and Other Products business fell 36.0% year on year to ¥29,306 million, and operating income declined 16.0% to ¥2,441 million. Sales of precision rubber parts for printers and photocopiers were strong, backed by robust demand in the ever-expanding market. Sales of rubber gloves and medical rubber stoppers were brisk during the fiscal year under review. However, the Group recorded an approximate ¥16,000 million sales decline due to the withdrawal from the European bed and LCD backlight unit businesses in fiscal 2006. As a result, overall sales in the Industrial and Other Products business decreased year on year.

### FISCAL 2008 OUTLOOK

In fiscal 2008, the Group will ensure sales and profit by expanding sales mainly in the businesses of the precision rubber parts for printers and photocopiers, medical precision rubber products, artificial turf and vibration-control devices loaded with high damping rubber.



Highly functional and high-value-added medical precision rubber products produced under strict quality control

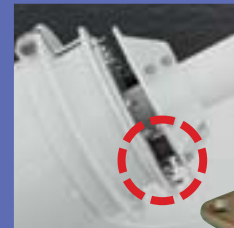






**GRAB VIBRATION-CONTROL TECHNOLOGY**  
 SRI Hybrid's GRAB vibration-control technology using high damping rubber with great energy absorption capacity is adopted in a wide range of fields including dampers for large bridge cables and bridge beams, and vibration-control devices for single-unit houses and high-rise buildings.

Dampers for large bridge cables



Vibration-control devices for single-unit houses



**LONG-PILE HIBRID-TURF**

Long-pile, sand- and rubber chip-filled Hibrid-Turf is used at sport facilities nationwide, including training pitches for J. League professional soccer teams and Top League professional rugby teams, as well as baseball stadiums.



The extensive lineup of Dunlop gloves encompassing natural rubber gloves for household and other uses

