



# TIRE BUSINESS

## FISCAL 2006 RESULTS

Sales in the Tire business rose 8.1% year on year to ¥430,620 million for the fiscal year under review while operating income declined 33.6% to ¥26,381 million.

Overall sales topped the previous fiscal year due to robust results mainly in overseas markets. Despite the shift toward high-value-added products and additional efforts to reduce costs, the Group confronted harsh operating conditions from an earnings perspective, impacted by the sharp increase in raw material prices.

## DOMESTIC REPLACEMENT MARKET

During the fiscal year under review, the Group conducted aggressive sales promotions for new products in the domestic replacement market while raising product prices in response to sharply rising raw material costs. Reflecting the impact of unusual weather, however, demand was stagnant. As a result, sales volume edged down year on year while

results were effectively on par compared with the previous fiscal year.

For the Dunlop brand, the Group undertook aggressive sales activities focusing on a variety of products. These included the LE MANS LM703 tire for passenger cars, which enjoyed a high reputation for its quiet ride realized through a special acoustic sponge to absorb cavernous resonance. In addition, the Group launched the ENASAVE ES801 eco-tire for passenger cars, which raises the ratio of non-petroleum-based materials to 70%. Furthermore, the Group opened 56 new directly operated "Tire Land" and "Tire Select" stores nationwide in pursuit of better customer service and selling power.

Under the Goodyear brand, the Sumitomo Rubber Group released the new ICE NAVI ZEA studless tire for passenger cars, a product that delivers stable performance on any road surface. In this manner, the Group worked diligently to expand sales.

## ORIGINAL EQUIPMENT MARKET

Automobile production in Japan surpassed the previous fiscal year due to increased exports. Under these conditions, the Group efficiently supplied products in response to each automobile manufacturer's needs for both performance and cost efficiency leveraging its robust development and manufacturing technology capabilities. As a result, sales outstripped the previous fiscal year.

## OVERSEAS REPLACEMENT MARKET

Overall sales in the overseas replacement market exceeded those of the previous fiscal year. This is attributed to successful efforts to adjust product prices in response to spiraling raw material prices. At the same time, the Group undertook aggressive sales promotions tailored to individual market characteristics. As a result, sales mainly in the Middle East and Latin America remained strong, while results for locally produced goods increased steadily in China. Complementing



VEURO VE302

ZIEX ZE329

EAGLE LS2000 Hybrid II

favorable conditions, the weak yen contributed to sales increase.

### FISCAL 2007 OUTLOOK

In fiscal 2007, 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 surrounding ongoing price hikes in nat-

ural rubber and petroleum-based materials. The Group, however, will continue efforts to reduce costs, leverage its proprietary technologies to launch new products, conduct aggressive sales promotion activities and strike a balance between production costs and sales prices. Based on these measures, the Sumitomo Rubber Group plans to secure and expand profits.

## TOPICS

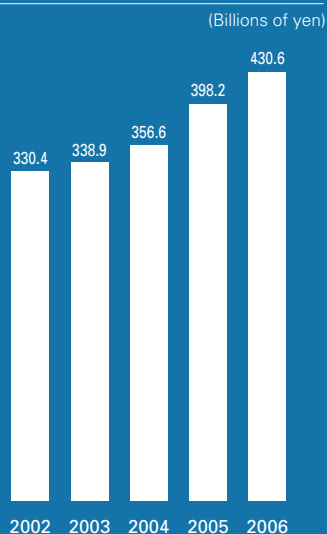
### ENASAVE ES801 RECEIVES FOUR PRESTIGIOUS AWARDS

Recognized for the significant use, 70%, of non-petroleum-based materials, the Dunlop ENASAVE ES801 tire has received four awards: the *Nikkei Sangyo Shimbun* Award of the 2006 Nikkei Superior Products and Services Awards; the Energy Conservation Center Chairman's Prize of the 17th Energy Conservation Grand Awards 2006; Japan's Minister of Economy, Trade and Industry Prize, the 16th Global Environment Award, and; the Hyogo Prefectural Governor Prize of the First Hyogo *Monozukuri* Technology Awards. Each award hails the Sumitomo Rubber Group's endeavors to address high-technology issues, increase the ratio of natural materials such as natural rubber to lower the dependence on oil and contribute to the reduction of CO<sub>2</sub> emissions by improving rolling resistance.

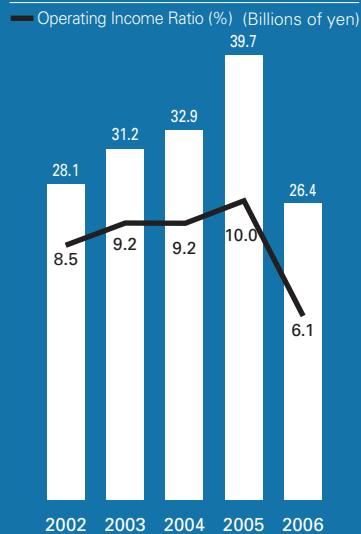
### DUNLOP RELEASES VEURO VE302

In February 2007, the Dunlop brand commenced sale of the VEURO VE302 premium comfort tire with a mounted special acoustic sponge. This special acoustic sponge was a world first and initially used in the Dunlop LE MANS LM703 tire for passenger cars. In addition, the VEURO VE302 tire boasts highly rigid edge bands and an asymmetry pattern, realizing both a quiet and high-performance driving experience required for high-end vehicles. Given its favorable reputation, the Group mounted special acoustic sponges to all sizes of the LE MAN LM703 tire.

### NET SALES



### OPERATING INCOME





# SPORTS BUSINESS

## FISCAL 2006 RESULTS

Sales in the Sports business increased 5.3% year on year to ¥57,649 million while operating income was down 10.1% to ¥7,469 million due to escalating prices of raw materials including titanium.

In the mainstay domestic golf business, the Group continued to garner wide market acclaim. During the fiscal year under review, the Sumitomo Rubber Group launched the ALL NEW XXIO series, a model change in the hit XXIO brand as well as the SRIXON ZR-600 series for competition use.

In the golf ball market, the Group

actively released new products including MIRACLE EVERIO, SRIXON Z-URC and XXIO DC in the pursuit of sales expansion. Overseas, sales of SRIXON brand products were strong in the key markets of North America and Europe while exports of XXIO brand products to South Korea and Taiwan were robust.

During fiscal 2006, domestic sales were strong in tennis balls, a market in which the Group holds a high market share. Amid stagnant market conditions, the Group's tennis rackets gained popularity, owing to the release of new products in the Diacluster RIM series and the Babolat brand.

## FISCAL 2007 OUTLOOK

On the back of spiraling raw material prices, the Group will aim for sales expansion mainly in golf clubs and balls under the SRIXON and XXIO brands as well as tennis rackets that are currently enjoying favorable sales. Buoyed by these initiatives, the Group is expecting sales and profit in this segment to remain flat.

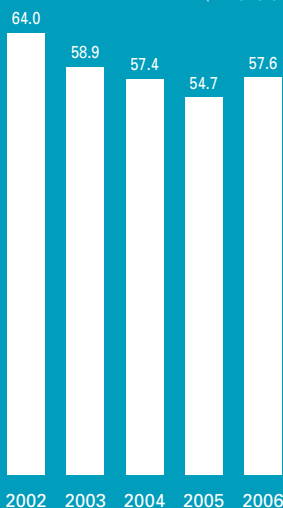
## TOPICS

### SRI SPORTS LIMITED IS LISTED ON THE FIRST SECTION OF THE TOKYO STOCK EXCHANGE

On October 13, 2006, SRI Sports Limited, a company responsible for the Sumitomo Rubber Group's sports business activities, was listed on the First Section of the Tokyo Stock Exchange. SRI Sports Limited was formed from a spin off of the Sumitomo Rubber Industries' sports business segment in July 2003. Public listing will facilitate SRI Sports Limited in its efforts to accelerate business development and to forge a position within the global market.

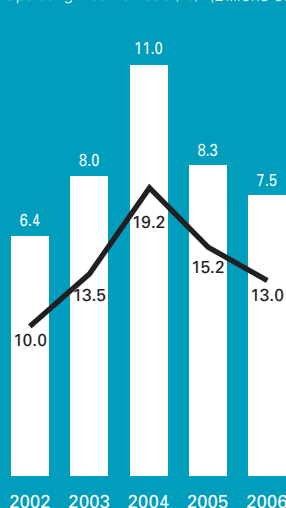
### NET SALES

(Billions of yen)



### OPERATING INCOME

Operating Income Ratio (%) (Billions of yen)





# INDUSTRIAL AND OTHER PRODUCTS BUSINESS

## FISCAL 2006 RESULTS

Sales in the Industrial and Other Products business declined 23.5% from the previous fiscal year to ¥45,817 million. Operating income on the other hand surged 74.4% to ¥2,907 million.

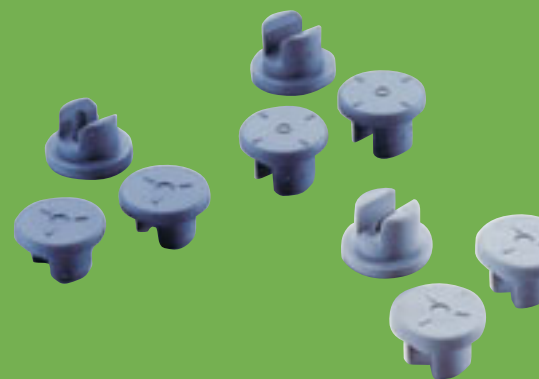
Sales of precision rubber parts for printers and photocopiers were strong on the back of robust demand. Results in anti-vibration devices using high damping rubber significantly exceeded the previous fiscal year particularly in the residential and office building sectors. In addition, sales of the highly acclaimed sand- and rubber chip-filled Hibrid-Turf used at a variety

of athletic facilities and stadiums, household goods including rubber gloves and civil works and marine facilities products such as marine fenders showed steady increase.

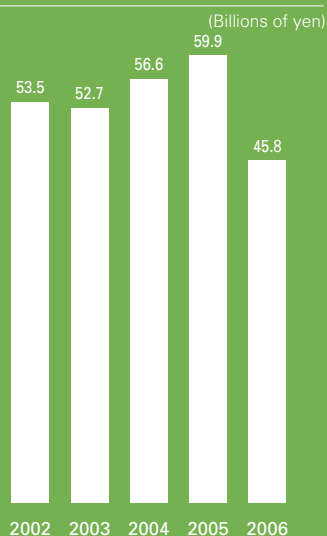
During the fiscal year under review, the Group sold the European bed and LCD backlight unit businesses in line with its commitment toward selective and concentrated allocation of management resources. Reflecting the impact of business withdrawals, sales declined by approximately ¥17,000 million. As a result, overall sales in the Industrial and Other Products business were down year on year.

## FISCAL 2007 OUTLOOK

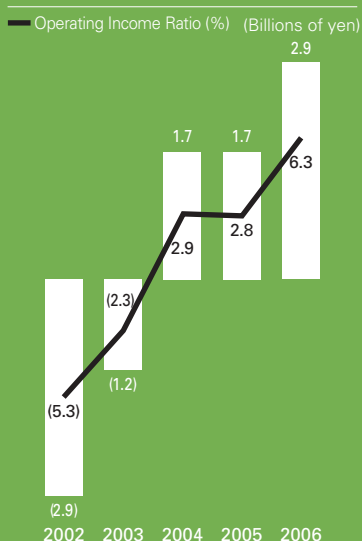
The Sumitomo Rubber Group will make every effort to expand sales by focusing on precision rubber parts, artificial turf and anti-vibration devices.



## NET SALES



## OPERATING INCOME



## TOPICS

### LONG PILE HIBRID-TURF BREAKS THROUGH THE ONE MILLION SQUARE METERS MARK

In June 2006, the cumulative supply of long-pile Hibrid-Turf exceeded one million square meters across Japan. Utilizing sand and fine rubber chips, this long-pile Hibrid-Turf has enjoyed steady sales increase since its release in 2000. The product is used extensively at training pitches for J.League professional soccer teams and Top League professional rugby teams. The long-pile turf market has continued to grow since 2000. As the leading manufacturer of long-pile artificial turf in Japan, the Group will pursue complementary services in response to maintenance and replacement demand.