TIRE BUSINESS

FISCAL 2005 RESULTS

Sales in the Tire business increased 11.6% to ¥398,170 million for the fiscal year under review and operating income surged 20.7% to ¥39,723 million.

Despite the harsh environment due to the sharp rise in raw material prices, sales volume and value surpassed the previous fiscal year in the domestic replacement, original equipment and export markets as well as at overseas subsidiaries. This was mainly attributed to successful efforts to increase sales volume, shift to high-value-added products and cut costs.

DOMESTIC REPLACEMENT MARKET

In the fiscal year under review, the SRI Group actively implemented sales promotions for new products in the domestic replacement market and increased sales prices to offset the sharp rise in raw material prices. Furthermore, snow in early 2005 and the record snowfall in December boosted winter tire sales, outstripping the previous fiscal year.

For the Dunlop brand, the Group's new LE MANS RV RV502 tire for RVs, global flagship SP SPORT MAXX tire and DIREZZA SPORT Z1 sports tire all enjoyed a high reputation in the market. In addition, the passenger car DSX studless tire received particular acclaim for its improved traction on frozen road surfaces.

The Falken brand strived to expand sales by releasing the new AZENIS RT615 sports tire that boasts both excellent traction and durability.

In its vigorous efforts to increase Goodyear brand sales, the Group launched the GT-HYBRID tire with advanced environmental performance and the EAGLE LS3000 Hybrid tire for premium cars.

ORIGINAL EQUIPMENT MARKET

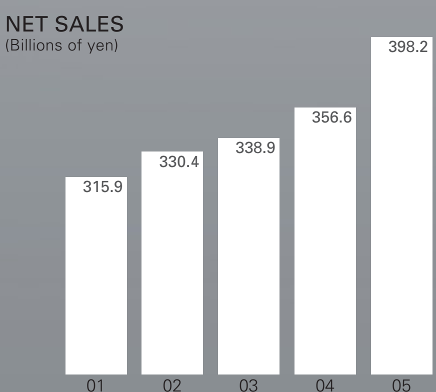
Automobile production in Japan increased slightly compared with the previous fiscal year. To effectively utilize and supply its three Dunlop, Falken and Goodyear brands, the Group's engineering, production and sales operations worked in unison to provide high-quality products that meet each automaker's demands. Sales in tires for the original equipment market topped the previous fiscal year.

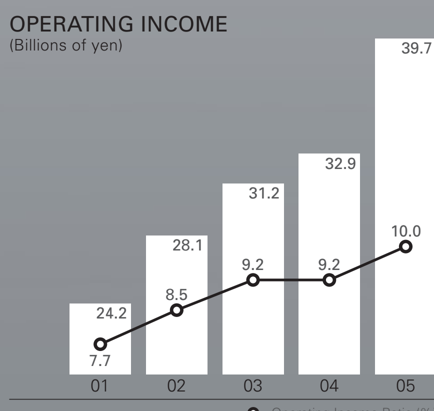
OVERSEAS REPLACEMENT MARKET

Overall sales in the overseas replacement market rose significantly year on year. This was attributed to the Group's carefully organized sales promotion activities tailored to the unique characteristics of each market, which contributed to upswings in exports to North America and the Middle East. Sales promotions by subsidiaries in Indonesia and China also bore fruit.

FISCAL 2006 OUTLOOK

The SRI Group expects sales to increase in the replacement, original equipment and overseas replacement markets in fiscal 2006. Operating income on the other hand is forecast to decline due to continued increases in the prices of petroleum-based materials as well as the price hikes





in natural rubber since the end of 2005. Under these conditions, the Group plans to step up cost-cutting measures, implement constructive sales promotions and shift to high-value-added products. The Group is constructing a tire factory in Thailand, which is scheduled to commence operations at the end of 2006.

GOODYEAR

EAGLE LS3000 Hybrid

GT–HYBRID

FALKEN

RI–188

ESPIA EP–03

AZENIS RT615

DUNLOP

DSX

LE MANS RV RV502

SP SPORT MAXX

TOPICS

DUNLOP RECEIVES TOP CUSTOMER SATISFACTION RATING IN COMPACT CAR SEGMENT

The SRI Group's mainstay Dunlop brand was ranked first in the compact car segment according to the "J.D. Power Asia Pacific 2005 Japan Original Equipment Tire Customer Satisfaction Index Study." Respondents were car owners who had purchased a new vehicle in the past 8 to 16 months. The study covered customer satisfaction in tires across six categories, namely: tire appearance, quality and durability, ride/comfort, handling, traction and contribution to fuel efficiency. In addition, Dunlop was ranked second in the passenger car segment for the same study.

REORGANIZATION OF DOMESTIC TIRE SALES SUBSIDIARY'S AGENTS

In July 2005, the SRI Group reorganized its sales agents affiliated with Dunlop Falken Tyres Ltd., a sales subsidiary for domestic replacement tires. Up until then, Dunlop and Falken tires had been marketed separately through 17 Dunlop-affiliated and 11 Falken-affiliated companies. Following the reorganization, the Dunlop and Falken brands are now sold by 22 affiliated companies. The Group is developing sales strategies that address customer needs by making full use of each brand's unique features.

M-FIL series

SPORTS BUSINESS

FISCAL 2005 RESULTS

Sales in the Sports business were down 4.6% year on year to ¥54,748 million. Operating income dropped 24.7% to ¥8,305 million.

In an effort to address a broad cross section of needs, the SRI Group introduced golf clubs in different price ranges and for a variety of purposes including the premium XXIO PRIME, the mid-priced HI-BRID ADFORCE and the SRIXON 505 series for competition use. Despite the Group's efforts, overall sales confronted difficult conditions. Entering a second year since the release of the third-generation of the Group's hit XXIO golf clubs, sales experienced a decline.

In the golf ball market, the Group proactively brought three new products to market: the new XXIO utilizing state-of-the-art nanotechnology, the SRIXON Z-UR providing dynamic flight for greater distance and the SRIXON Z-URS with a softer responsive feel.

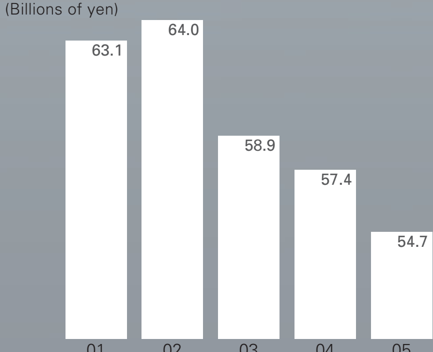
Sales of tennis balls maintained a high market share. The SRI Group released the new M-FIL series and the Diacluster RIM series to its lineup of tennis rackets and enjoyed a positive reaction.

Overseas, sales of the SRIXON brand's golf clubs and balls were strong in their leading markets in North America, Europe, Asia and Australia. The XXIO brand golf club also experienced a significant upswing in South Korea.

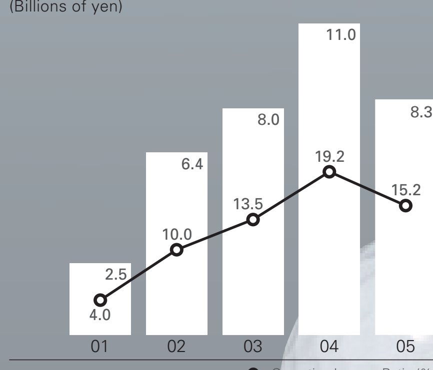
FISCAL 2006 OUTLOOK

The SRI Group anticipates an increase in Sports business revenues in fiscal 2006. The Group plans to expand sales of its fourth-generation XXIO, ALL NEW XXIO golf clubs and bolster the Diacluster RIM tennis racket lineup in the face of expected stagnant conditions in the sports market in Japan. Operating income is forecast to remain on a par with the fiscal year under review due to fluctuations in foreign currency exchange rates and soaring raw material prices.

NET SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)



TOPICS

LAUNCH OF FOURTH-GENERATION ALL NEW XXIO IN CORE XXIO BRAND

The SRI Group commenced sales of the ALL NEW XXIO series in January 2006. The ALL NEW XXIO is the fourth series in the Group's core XXIO golf brand. Since its initial launch in 2000, the XXIO brand has enjoyed great popularity and is a key driver of increased earnings in the Sports business. In order to provide an easier swing and increase distance, the Group took steps to renew product performance and structure. From a regulatory perspective*, the Group provides a variety of clubs that offer both high repulsion and regulatory compliance. In this manner, the ALL NEW XXIO series strives to satisfy all types of user needs.

*The Japan Golf Association (JGA) will change the rules in connection with the spring-like effect (SLE) of golf club heads and particularly for drivers from 2008. Accordingly, high-repulsion golf clubs that exceed a certain SLE level will be adjudged non-compliant.

INDUSTRIAL
AND OTHER PRODUCTS BUSINESS

FISCAL 2005 RESULTS

Sales in the Industrial and Other Products business rose 6.0% over the previous fiscal year to ¥59,920 million. Operating income edged up 0.9% to ¥1,667 million.

Sales of precision rubber parts for office automation equipment grew on the back of active demand together with sales growth in Japan and subsidiaries in China. Sales of the Group's highly acclaimed sand- and rubber chip-filled Hibrid-Turf, which is used on soccer, rugby and other sports pitches, also gained momentum.

In addition, natural rubber gloves manufactured by the Group's Malaysian subsidiary saw steady sales mainly in North America and Europe. Together with Misawa Homes, the SRI Group developed the durable anti-vibration MGEO structure that utilizes the Group's proprietary high damping rubber. The MGEO structure has enjoyed expanding sales since its market entry in January 2005.

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

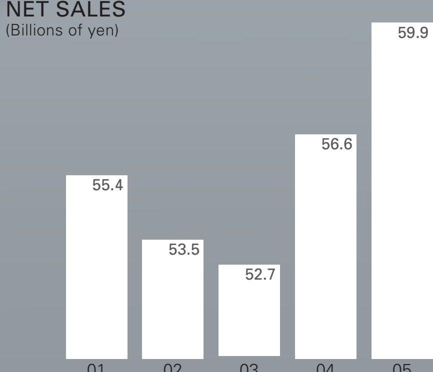
Sales of medical rubber products were brisk and exceeded the previous fiscal year's level. This can be attributed to vigorous sales promotion and efforts to cultivate new customers particularly for rubber stoppers.

In line with the slight turnaround in the European bed business, sales surpassed the previous fiscal year owing to successful efforts to bolster mattress sales primarily in Germany.

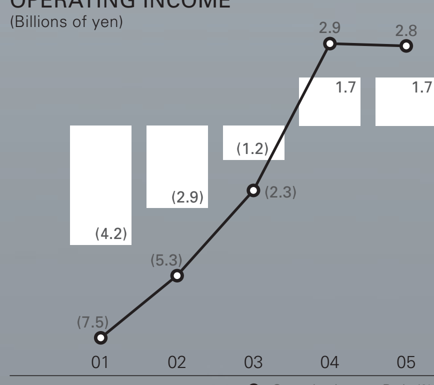
FISCAL 2006 OUTLOOK

The SRI Group plans to enhance sales with a focus on precision rubber parts, athletic facilities, industrial floor surfaces, natural rubber gloves and anti-vibration devices. In addition, the Group will implement sales promotions and customer relations improvements for the European bed business. On the back of these endeavors, the Group expects to increase revenues and earnings throughout the Industrial and Other Products business. Particularly in the anti-vibration structure business, the Group plans to commence full-fledged production and delivery of a new anti-vibration wall for high-rise buildings in collaboration with a major general contractor.

NET SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)



TOPICS

ESTABLISHMENT OF PRECISION RUBBER FACTORY IN VIETNAM

In January 2006, the SRI Group established Sumirubber Vietnam, Ltd. in Haiphong City, Vietnam, and will commence the production of precision rubber parts for office automation equipment in October 2006. The new factory has been established to support local procurement of parts by Japanese office automation equipment makers operating in Vietnam. Following the Group's factory in China, Sumirubber Vietnam, Ltd. is its second factory to produce precision rubber parts for office automation equipment in the Asian region outside Japan.

The SRI Group gives one of the top priorities to environmental preservation in all of its business activities and the entire Group has continued to make progress in the area of environmental management. The Group also vigorously implements contributions to local communities mainly in the area of its business operations. Principal activities in the fiscal year under review are discussed below.

COMPLETE ZERO EMISSIONS ACHIEVED AT SIX FACTORIES IN JAPAN

The SRI Group achieved complete zero emissions* at its two factories in Ichijima and Kakogawa as of June 2005. With this achievement the Group accomplished complete zero emissions at all six domestic factories, including Nagoya, Shirakawa, Miyazaki and Izumiohtsu. Overseas, Sumitomo Rubber (Changshu) Co., Ltd. and Sumitomo Rubber (Suzhou) Co., Ltd. in China achieved zero emissions* as of October 2005, leading to this achievement at all SRI Group's tire factories in Japan and overseas, including P.T. Sumi Rubber Indonesia.

*"Zero emissions" is achieved when waste disposed of in landfills is maintained at less than 1% of the total amount of waste. "Complete zero emissions" is achieved when 0% of waste is disposed of in landfills.

COMPLETION OF ISO 14001 CERTIFICATION AT ALL MAJOR BUSINESS FACILITIES IN JAPAN AND OVERSEAS

The Group promoted ISO 14001 certification acquisition and ensures that certification standards are maintained in pursuance of better environmental management in its daily operations. All six domestic factories had gained certification by 1998 and renew this annually. Overseas, the Group has strived for environmental management promotion with the participation of all employees by holding study sessions for local employees, enhancing energy-saving activities and implementing separate waste collection. As a result, Sumitomo Rubber (Changshu) Co., Ltd. and Sumitomo Rubber (Suzhou) Co., Ltd. in China acquired the certification as of October 2005, following P. T. Sumi Rubber Indonesia, Zhongshan Sumirubber Precision Rubber Ltd. and Sumirubber Malaysia Sdn. Bhd. in 2003, 2004 and 2005, respectively. This completed the certification acquisition process for all the Group's major business facilities in Japan and overseas.

INTRODUCTION OF COGENERATION SYSTEMS TO ALL DOMESTIC TIRE FACTORIES

In October 2005, the SRI Group introduced a large-scale cogeneration system utilizing ESCO** schemes at the tire factory in Nagoya. With the system in full operation, the Nagoya factory expects to reduce CO_2 emissions by

A monument commemorates the achievement of zero emissions at the Shirakawa factory.

A cogeneration system is installed at the Nagoya factory.

39.8% and make energy savings of 20.8% compared with the previous fiscal year.

With this achievement the Group completed introduction of cogeneration systems at all four tire factories in Japan including Miyazaki, Shirakawa and Izumiohtsu.

** ESCO: Abbreviation for Energy Service Company. A company that offers general services regarding energy conservation and receives partial compensation from customers that benefit from energy conservation.

RECEPTION OF REDUCE, REUSE & RECYCLE PROMOTION COUNCIL CHAIRMAN'S AWARD

In October 2005, the factories in Ichijima, Japan, and Indonesia were presented with this award in recognition of the noteworthy results they achieved in their 3R initiatives. The Ichijima golf ball factory earned the award for the second time since 2003. The reception resulted from its specific endeavors in reducing the use of organic solvents, through which it achieved a significant 77% reduction compared with the 1997 figure. The award also went to the Group's Indonesian factory, which manufactures tires and golf balls, for achieving zero emissions in 2004. This was the first time for a 3R Promotion Council Chairman's Award to be presented to a Japanese rubber production company's overseas factory.

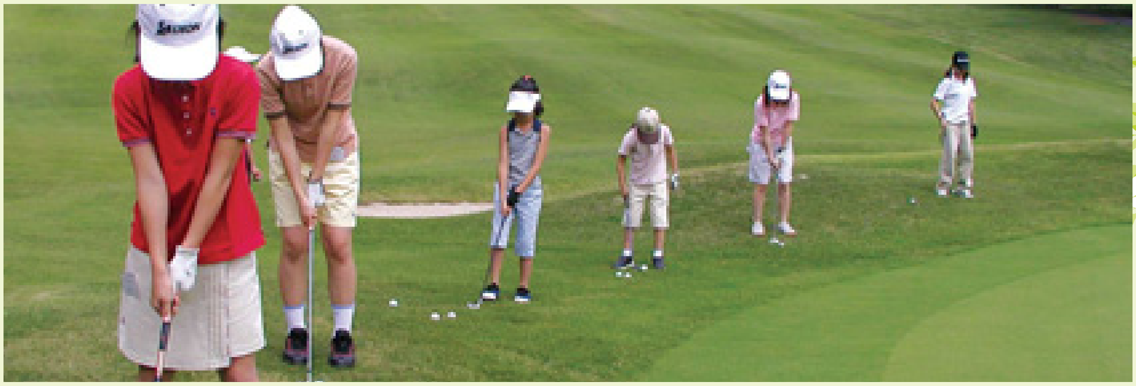
SOIL AND GROUNDWATER DECONTAMINATION AT THE KAKOGAWA FACTORY

Volatile organic compound levels in excess of environmental standards were identified on the premises of SRI Hybrid's Kakogawa factory in 2004. The SRI Group made a report to Kakogawa City and simultaneously commenced implementation of decontamination countermeasures. The Group also held an explanatory session for the neighboring residents. The land pollution was solved in December 2004 after the removal and treatment of the contaminated soil in compliance with the Soil Contamination Countermeasures Law. The Group continues to pipe up contaminated groundwater to purify it through the use of processing equipment.

GOLF LESSONS FOR CHILDREN

The SRI Group cooperated with the NPO-sponsored "Dunlop Junior Golf School" held on spring and summer holidays every year. This golf school, which is designed to increase golf's popularity among young people, is open to both inexperienced and experienced students from elementary to high school age (6 to 18 years). Dividing students by level, the classes provide instruction on correct technique appropriate to each level, etiquette and rules.

In the first week of August 2005, the Dunlop Junior Golf Trial Lessons were held at Dunlop Golf School's affiliated practice ranges. This lesson was free of charge in order to give an opportunity for children to play or experience the fun of golf.



Dunlop Junior Golf School

The SRI Group has been promoting the acquisition and utilization of industrial property rights, namely, patents, designs and trademarks, in order to support the business of each Group company.

INCREASE IN PATENT APPLICATIONS IN ASIAN COUNTRIES

The SRI Group focuses on the acquisition of rights not only in Japan but also on a global scale. The Group selects countries to apply for patents in light of the contents of inventions.

The number of patent applications in rapidly changing Asian countries is significantly increasing in accordance with its increasing presence. In fiscal 2005, patent applications in China doubled compared with the previous fiscal year. Likewise, patent applications in Indonesia and Thailand jumped approximately fivefold and sevenfold, respectively.

The number of patent applications filed in China surpassed those in Europe, making China one of the most important countries for the SRI Group's patent applications after Japan and the United States. This trend will continue.

BUILD STRONGER RELATIONSHIPS WITH PATENT OFFICES

In the application and authorization process of patents, designs or trademarks, the key factor is keeping in regular contact with such agents as each country's patent attorneys and lawyers. The SRI Group has endeavored to maintain a closer liaison with each patent office since fiscal 2005 to eliminate imitation of the products and infringement of the Group's rights and will continue these efforts in fiscal 2006.

EFFECTIVE UTILIZATION OF PATENT INFORMATION

Patent information is significantly helpful as a source of rights information and engineering data. For that reason, the Group's Legal & Intellectual Property Department improved the contents of the patent database and gave access privileges to the Group's engineers in 2005 to utilize the information and the data for their development.

EFFICIENCY IMPROVEMENT FOR INTELLECTUAL PROPERTY OPERATIONS

Industrial property rights incur considerable expense in their acquisition and maintenance processes. The SRI Group confirms application contents, raises registration rates and streamlines unnecessary rights to improve the efficiency of its intellectual property operations.

Reflecting its high achievement levels, the Group's patent registration rate in fiscal 2005 was approximately 1.3 times the national average. We are undertaking activities to improve on this figure.

Approximately 30% of the patents in our possession are currently enforced, and the Group is trimming unnecessary rights to increase this percentage.

REVISION OF COMPENSATION SYSTEM FOR EMPLOYEE INVENTIONS

In 2005, the SRI Group implemented the compensation system for employee inventions that was revised in 2004. Evaluating patents more precisely, the new system is intended to motivate engineers and promote superior technological development. The revisions were fully in line with Patent Law amendments in Japan, as we regard them as beneficial for both the corporate side and the employee side, although further improvements are under consideration.

Sumitomo Rubber regards the enhancement of corporate governance as a key management issue. Aiming for continued growth as a global corporation that can earn the trust of all stakeholders, including shareholders, the Company strives for increased operating transparency, compliance with statutory requirements and strengthened internal control systems along with overall management efficiency.

CORPORATE GOVERNANCE STRUCTURE

Board of Directors and Board of Auditors

The board of directors implements decision-making of managerial importance and supervises the execution of operations. Sumitomo Rubber has 11 directors, one of whom is an external director, as of March 30, 2006. The Company employs an auditing system, which is comprised of five corporate auditors. From the viewpoint of audit function enhancement, three of the five are external auditors, making possible a fair and objective audit system. In addition, the Company promotes the separation of supervisory and executive management functions to clarify each business' responsibilities and authority. To that end, the Company introduced an executive officer system in March 2003 for the purpose of establishing a streamlined management structure.

Internal Audit and Accounting Audit

Sumitomo Rubber established an audit office (currently with six auditors) under the direct control of the president as its internal audit department. In accordance with audit policies and annual internal audit programs, it implements audits on the execution of operations at the Company's Head Office, major business sites and subsidiaries from the perspective of business effectiveness, efficiency and appropriateness of compliance. After internal audits, results and suggestions for improvements are reported to the president and the board of auditors to maintain a close liaison.

The Company entered an audit contract with ChuoAoyama PricewaterhouseCoopers for the implementation of accounting audits under the Commercial Code of Japan and the Securities and Exchange Law.

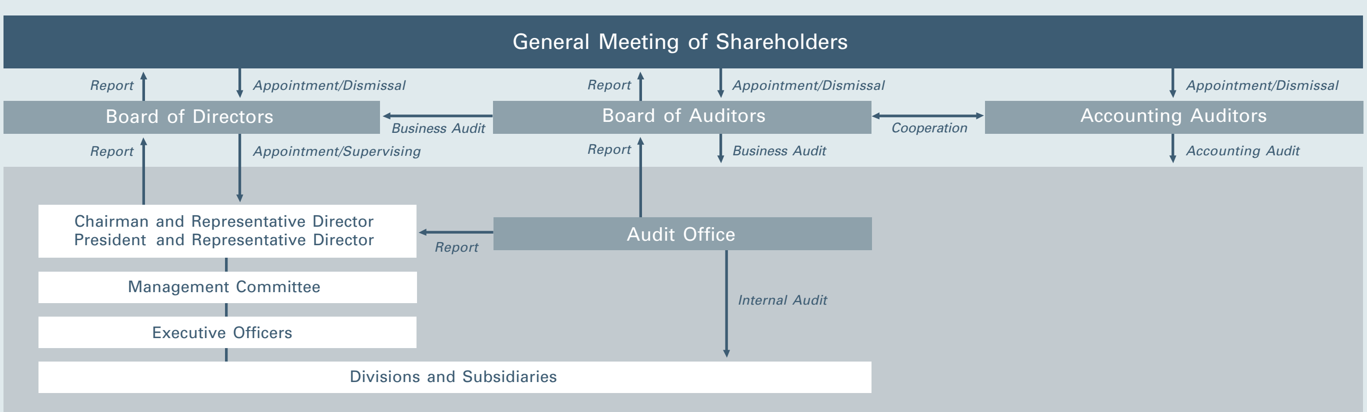
INTERNAL CONTROL SYSTEMS

Compliance

Sumitomo Rubber established "regulations on corporate ethics activities" in conjunction with the Corporate Ethics Committee in February 2003. On the back of this new regulatory structure, the Company makes every effort to assure compliance with statutory requirements and the articles of incorporation, and to establish corporate ethics and sound management. In addition, the Company set up a compliance counseling room as a corporate ethics helpline for employees and established an infrastructure. The Company also established a system focusing on a Corporate Ethics Committee to investigate any problems that arise and give sufficient attention to ensure that those employees who come forward are not penalized. Furthermore, the Company pays close attention to legal aspects by taking advice from a corporate attorney as circumstances demand.

Risk Management

The SRI Group practices risk management of any managerial risks related to business operations, law, environment, accidents and disasters that may have a crucial impact on its business activities. This is implemented through a process of prior risk analysis, countermeasures examination in related divisions and management committee discussions. The Group also receives advice from specialists such as corporate attorneys when necessary.



Sumitomo Rubber Industries, Ltd. and its Consolidated Subsidiaries

				Millions of yen
Years ended December 31	**2005**	2004	2003	2002
For the year:				
Net sales	**¥512,838**	¥470,562	¥450,491	¥447,893
Cost of sales	**325,286**	288,684	281,392	286,755
Selling, general and administrative expenses	**137,626**	136,352	131,333	129,394
Operating income	**49,926**	45,526	37,766	31,744
Net income (loss)	**25,640**	19,169	13,095	8,239
Depreciation and amortization	**25,755**	25,098	24,313	25,163
Capital expenditures	**40,415**	36,881	29,171	30,557
Cash flows from operating activities	**38,984**	32,056	44,225	50,700
Cash flows from investing activities	**(42,878)**	(37,622)	(28,545)	(31,269)
Cash flows from financing activities	**(3,376)**	7,609	(20,821)	(19,628)
At year-end:				
Total assets	**¥563,442**	¥520,157	¥481,553	¥477,293
Shareholders' equity	**174,267**	145,492	110,395	101,633
Interest-bearing debt	**205,751**	201,929	210,681	220,085

				Yen
Per share amounts:				
Net income (loss)	**¥97.10**	¥78.64	¥55.07	¥33.97
Net income—diluted	—	—	—	—
Cash dividends paid	**20.00**	14.00	12.00	10.00

				Percent
Key ratios:				
Operating income ratio	**9.7%**	9.7%	8.4%	7.1%
ROE	**16.0**	15.0	12.4	7.9
ROA (operating income base)	**9.2**	9.1	7.9	6.4
Shareholders' equity ratio	**30.9**	28.0	22.9	21.3

Notes: 1. U.S. dollar amounts are converted solely for convenience at the rate of ¥118 per US$1, the approximate exchange rate prevailing at December 31, 2005.
2. In 1995 the Company changed its method of translating financial statements of foreign subsidiaries and affiliates into Japanese yen from the modified temporal method to the current rate method. Had the method that was applied before January 1, 1995, been employed, total assets as of December 31, 1995, and net income for the year then ended would be decreased by ¥21,383 million and ¥100 million, respectively.
3. In 1999 the Company changed its reporting entity due to the global alliance in the Tire business with Goodyear. The change reduced its net sales, operating income, total assets and interest-bearing debt but the effect to net income and shareholders' equity was immaterial. The Company changed its amortization method for past service liability of the contributory defined pension plan. This change reduced net income by ¥3,545 million.
4. In 2000 the Company changed the accounting policy for technical aid income and expense. As a result of these changes, net sales increased by ¥2,728 million and operating income increased by ¥1,665 million, however, there were no effects on net income.
5. Depreciation and amortization, and capital expenditure figures include both tangible assets and intangible assets.

						Millions of yen	Thousands of U.S. dollars (Note 1)
2001	2000	1999	1998	1997	1996	1995	**2005**
¥434,463	¥423,247	¥509,215	¥653,525	¥613,753	¥582,360	¥533,307	**$4,346,085**
279,074	273,451	351,492	456,705	433,573	411,237	377,997	**2,756,661**
132,813	124,355	133,971	169,032	160,973	151,855	139,101	**1,166,322**
22,576	25,441	23,752	27,770	19,207	19,268	16,209	**423,102**
(7,207)	5,335	4,929	5,034	5,850	4,683	458	**217,288**
24,645	25,275	32,911	40,218	38,366	35,564	31,739	**218,263**
25,372	19,944	41,634	46,754	46,527	52,003	36,223	**342,500**
42,359	36,086	20,327	58,814	47,024	36,411	37,404	**330,373**
(25,284)	(21,685)	43,403	(43,213)	(40,310)	(47,120)	(38,651)	**(363,373)**
(15,172)	(25,690)	(64,559)	(4,871)	(9,385)	12,489	2,743	**(28,610)**

¥514,415	¥523,560	¥441,707	¥614,197	¥644,631	¥629,828	¥594,090	**$4,774,932**
107,391	109,995	97,475	96,091	93,855	89,962	75,289	**1,476,839**
241,600	252,143	223,727	311,574	324,327	313,069	300,332	**1,743,653**

						Yen	U.S. dollars (Note 1)
¥(29.71)	¥23.24	¥22.57	¥23.06	¥26.79	¥22.46	¥2.28	**$0.823**
—	—	20.63	—	—	—	—	—
10.00	10.00	9.00	9.00	9.00	9.00	9.00	**0.169**

						Percent
5.2%	6.0%	4.7%	4.2%	3.1%	3.3%	3.0%
—	5.1	5.1	5.3	6.4	5.7	0.6
4.4	5.3	4.5	4.4	3.0	3.1	2.8
20.9	21.0	22.1	15.6	14.6	14.3	12.7

SCOPE OF CONSOLIDATION

In fiscal 2005 ended December 31, 2005, six subsidiary companies and six equity-method affiliates were newly included in Sumitomo Rubber Industries, Ltd. and its consolidated subsidiaries' ("the SRI Group") scope of consolidation, while 15 subsidiary companies and one company accounted for under the equity method were excluded. One subsidiary company was newly included in the Group's scope of consolidation after an increase in its material significance. The remaining five subsidiary companies newly included in the Group's scope of consolidation commenced operations during the fiscal year under review as a production subsidiary in Thailand and domestic sales subsidiaries. The 15 subsidiaries were excluded from the Group's scope of consolidation as a result of company liquidations, the merger of domestic sales subsidiaries, etc. These changes had little impact on the Group's consolidated results for the fiscal year under review.

NET SALES

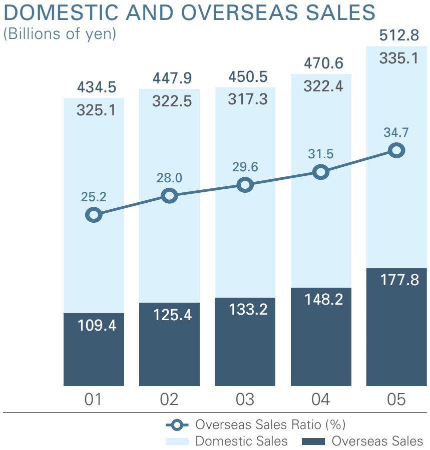
In fiscal 2005, consolidated net sales rose 9.0% compared with the previous fiscal year to ¥512,838 million. In the Group's core Tire business, sales were robust in replacement, original equipment and export markets. As a result, sales increased 11.6% to ¥398,170 million. Sales in the Sports business were down by 4.6% to ¥54,748 million, reflecting the sales decline of the Group's core brand, third-generation XXIO golf clubs as they entered the second year since their release. Sales in the Industrial and Other Products business were up by 6.0% to ¥59,920 million owing to the strong sales in precision rubber parts for office automation equipment and sand- and rubber chip-filled Hibrid-Turf.

Overseas sales grew 19.9% to ¥177,770 million, and the overseas sales ratio gained 3.2 percentage points to 34.7%. This is attributable to vigorous sales in North America and the Middle East, as well as to sales growth in Asia due to enhanced factory production capacity.

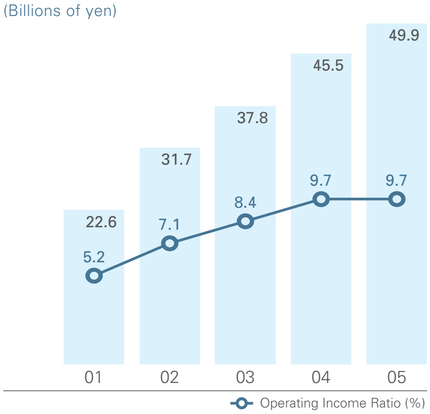
EARNINGS

In the fiscal year under review, consolidated operating income climbed 9.7% to ¥49,926 million, and the operating income ratio remained unchanged from the previous fiscal year at 9.7%. Price increases for raw materials such as petroleum-based materials including synthetic rubber as well as metals and natural rubber impacted Tire business sales. Despite the severe environment, the Group strived to implement cost-cutting measures while increasing sales volume and shifting to high-value-added products. As a result, operating income in the Tire business rose 20.7% year on year to ¥39,723 million. Operating income in the Sports business stood at ¥8,305 million, down by 24.7% from the year earlier. In the Industrial and Other Products business, operating income was on a par with the previous fiscal year at ¥1,667 million. Despite the growing market demand, the SRI Group decided to withdraw from the LCD backlights business amid intense sales

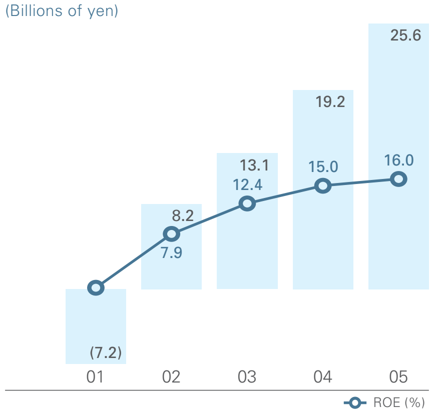
DOMESTIC AND OVERSEAS SALES
(Billions of yen)



OPERATING INCOME
(Billions of yen)



NET INCOME (LOSS)
(Billions of yen)



competition and little likelihood of a profit recovery.

Net other expenses fell 36.6% to ¥5,663 million, primarily owing to the interest expenses of ¥2,371 million, write-down of trademarks of ¥1,659 million and net exchange loss of ¥1,563 million. At the same time, equity in earnings of unconsolidated subsidiaries and affiliates recorded significant growth from ¥717 million in the previous fiscal year to ¥4,825 million, reflecting a sales recovery in our U.S. and European joint ventures with The Goodyear Tire & Rubber Company ("Goodyear").

As a result of the above factors, income before income taxes significantly improved 21.0% to ¥44,263 million. Income taxes rose 8.6% to ¥17,555 million, representing an effective tax rate of 39.7%, down by 4.5 percentage points. Minority interest in consolidated subsidiaries decreased 15.3% to ¥1,068 million. Net income jumped 33.8% to ¥25,640 million. Operating income and net income marked the third and fourth consecutive year of record profit, respectively.

Net income per share was ¥97.10, and ROE (net income base) improved 1.0 percentage point to 16.0%.

DIVIDENDS

Sumitomo Rubber Industries, Ltd. recognizes return of gains to shareholders to be a priority issue. While comprehensively assessing the standards for dividend payout ratios on a consolidated basis, performance prospects and retained earnings, the Group has adopted a basic policy of steadily rewarding shareholders over the long term. Sumitomo Rubber utilizes retained earnings for strategic investments aimed at expanding the Group's revenue base, with priority given to capital investments for both increased and streamlined production, as well as R&D.

The full-year dividend for fiscal 2005 is ¥20.00 per share, an increase of ¥6.00 over the previous year. Dividend payout ratio on a consolidated basis was 20.6%.

CASH FLOWS

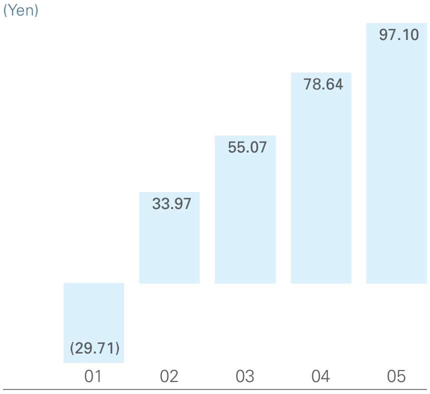
Net cash provided by operating activities rose 21.6% year on year to ¥38,984 million owing to the significant increase in income before income taxes.

Net cash used in investing activities climbed 14.0% to ¥42,878 million. Cash was primarily used in acquiring property, plant and equipment to actively expand production capabilities in support of brisk sales.

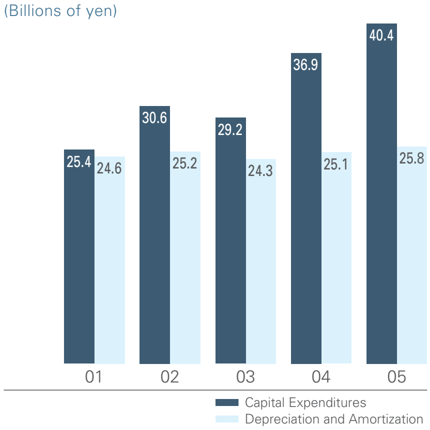
Free cash flow (net cash provided by operating activities minus net cash used in investing activities) ended with a negative balance of ¥3,894 million.

Net cash provided by financing activities declined from being a revenue source of ¥7,609 million in the previous fiscal year to a payout of ¥3,376 million at the end of fiscal 2005. Primary sources of revenue were proceeds from long-term debt and newly issued bonds of ¥33,714 million, net decrease in short-term borrowings of ¥6,208 million, repayments of long-term debt and redemption of bonds of ¥25,810 million and dividend payments of ¥4,201 million.

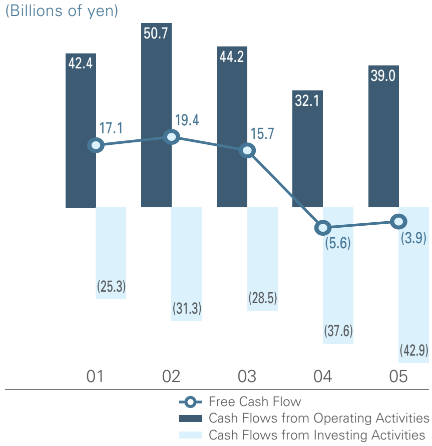
NET INCOME (LOSS) PER SHARE
(Yen)



CAPITAL EXPENDITURES/
DEPRECIATION AND AMORTIZATION
(Billions of yen)



CASH FLOWS
(Billions of yen)



As a result of these activities, plus the effects of exchange rate fluctuations and changes in the scope of consolidation, cash and cash equivalents at the end of the year dropped 33.3% to ¥12,829 million.

FINANCIAL POSITION

Total assets as of December 31, 2005, were up 8.3% year on year to ¥563,442 million. Total current assets climbed 8.6% to ¥225,185 million, reflecting the increase in sales.

Total investments and other assets rose 5.5% to ¥135,628 million, owing to an increase in investments in securities of ¥6,284 million reflecting the rise in market prices.

Property, plant and equipment grew 10.0% to ¥202,629 million due to capital expenditures for buildings and structures, and machinery and equipment in line with the Group's efforts to increase production.

Total current liabilities as of the end of the fiscal year under review edged up 0.1 percentage point to ¥214,448 million, while long-term liabilities were up 8.5% to ¥165,971 million. Total liabilities increased ¥14,343 million compared with the corresponding period of the previous fiscal year. Interest-bearing debt as of December 31, 2005, was ¥205,751 million, up ¥3,822 million year on year. Total shareholders' equity rose 19.8% to ¥174,267 million, thanks primarily to the gain in retained earnings due to the increase in profit.

As a result of these factors, the shareholders' equity ratio at the end of fiscal 2005 gained 2.9 percentage points to 30.9%. ROA (operating income base) increased 0.1 percentage point to 9.2%, and the debt-to-equity ratio improved by 0.2 of a point from a year earlier to 1.2 times.

R&D EXPENSES

Research and development expenses were ¥16,259 million, representing 3.2% of consolidated net sales. The Tire business accounted for ¥13,157 million, the Sports business ¥1,508 million, and the Industrial and Other Products business ¥1,593 million. Having its R&D organization and facility at its core, the Group works in close liaison with its subsidiaries and affiliated companies across the world to promote wide-ranging R&D activities in its Tire, Sport and Industrial and Other Products businesses. Particularly in the Tire business, R&D activities consisted of technology exchanges through its global alliance with Goodyear, as well as the formation of targeted project teams for joint product research.

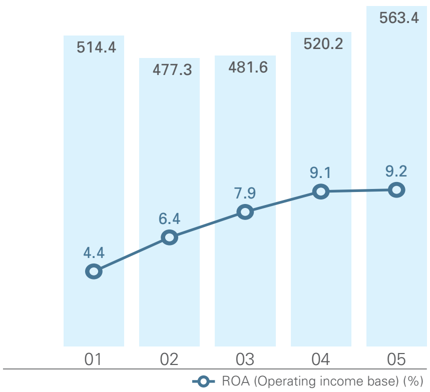
NUMBER OF EMPLOYEES

The total number of employees increased 696 from the end of the previous fiscal year to 17,433.

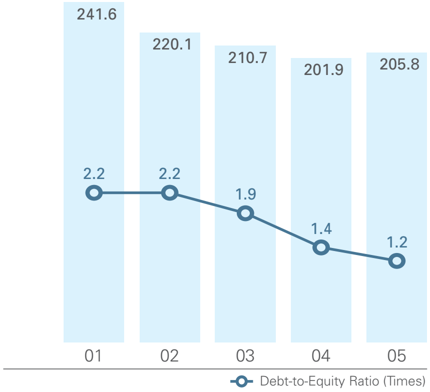
OUTLOOK

Net sales for fiscal 2006, ending December 31, 2006, are forecast to climb 7.2% to ¥550,000 million, while net income is forecast to decline 6.4% to ¥24,000 million. Assumed exchange rates are JPY110 = USD1.00 and JPY135 = EUR 1.00.

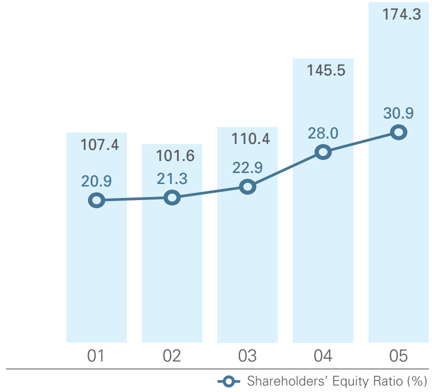
TOTAL ASSETS
(Billions of yen)



INTEREST-BEARING DEBT
(Billions of yen)



SHAREHOLDERS' EQUITY
(Billions of yen)



The SRI Group's business environment is expected to remain harsh due to the price increases in its primary raw materials of natural and synthetic rubbers. Under these circumstances, the Group will make further efforts to promote overall cost reductions and develop vigorous sales promotion, building up its earnings capabilities. In addition, the Group will strive to address medium- and long-term issues in an effort to add value for all stakeholders, including customers and shareholders.

RISK INFORMATION

The SRI Group has identified the following key risk factors that it considers may impact business performance and financial position. Risk factors relating to the future were determined based on information available to management as of the end of the fiscal year under review. The Group recognizes that such risks may occur, and strives to address them accordingly.

Exchange Rate Fluctuations

Exchange rate fluctuations impact the value of the Group's exports, raw materials, foreign currency-denominated assets, liabilities and financial statements. The appreciation of the yen against foreign currencies such as the U.S. dollar may have an adverse affect on the Group's business performance and financial position. Since the Group has raised its consolidated overseas sales ratio from 25.2% in fiscal 2001 to 34.7% in fiscal 2005, the possibility exists that its results may be further affected by exchange rate fluctuation. The SRI Group utilizes forward-exchange contracts and maintains a balance in its export and import activities on an individual currency basis with the aim of minimizing its exposure to exchange rate fluctuation. Such precautions, however, may not be sufficient to avoid all possible exchange rate fluctuation risks.

Changes in Raw Material Prices

The SRI Group's principal raw materials are natural rubber, petrochemicals and metals. The Group's operating results may thus be affected by price increases in natural rubber, crude oil, steel and other related materials.

Changes in Interest Rates

Promoting the reduction of interest-bearing debt to improve its financial standing, the Group also implements countermeasures to minimize the risk of changes in interest rates such as diversified financing methods and interest rate swaps. Despite these efforts, the Group's operating results and financial position may be affected in the event of rising fund procurement costs due to an increase in interest rates in the medium and long term.

Product Quality

In accordance with the prescribed quality standards, the SRI Group takes full-scale measures to assure product quality. Yet it is difficult to reduce defective products and customer complaints to zero. To offset the possibility of any claims for damages resulting from defective products, the Group obtains the appropriate casualty insurance. Despite this initiative, there is the possibility that a claim may occur that cannot be compensated by insurance. Furthermore, costs may arise associated with the resolution of claims, product recall and exchange. These cases may affect the Group's operating results, financial position and social standing.

Alliance with Goodyear

Based on the alliance with Goodyear, the Group operates several joint ventures. Under the alliance these joint ventures engage in tire production and sales in Europe and North America, tire sales in Japan, as well as the promotion of tire technology exchanges and procurement. The Group also maintains cross-shareholding with Goodyear. As each joint venture is included in the Group's scope of consolidation as either a consolidated subsidiary or an equity-method affiliate, changes in the alliance with Goodyear or the operating results of joint ventures may impact the Group's operating results.

Disasters

Centering on Japan and other Asian countries, the SRI Group develops its business on a global scale. The Group's operating results may be affected directly or indirectly by events such as natural disasters, disease, war and terrorism. Such events may have a negative impact on the Group's operating results.