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SUMITOMO RUBBER GROUP CSR Report 2013

◆ SUMITOMO RUBBER INDUSTRIES, LTD.

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CSR
Report
2013

for you, for the earth



◆ SUMITOMO RUBBER INDUSTRIES, LTD.

The Sumitomo Rubber Group is committed to making contributions to society by offering true value in our areas of business—tires, sports and industrial products.

What we can do to create a sustainable society;

Create new value for more comfortable and appealing lifestyles for people all over the world through our daily business practices and by providing high-quality products that are both safe and environmentally friendly.

Continuing to be a company whose existence is truly valuable, both for people and for the environment—this is the kind of CSR management that the Sumitomo Rubber Group aims to achieve.

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Sumitomo Rubber Group

Tire Business



Sports Business



Industrial and Other Products Business



Sumitomo Rubber Group Company Philosophy and CSR Philosophy

Ever since its founding as Japan's first modern rubber plant in 1909, the Sumitomo Rubber Group has always strived to offer attractive products throughout a history of changes and challenges. Throughout this history, certain ideas, including the Sumitomo Business Spirit, which has been formed and refined through the course of Sumitomo's long history, the Dunlop Spirit of Innovation and our own unique free-spiritedness, have formed the backbone of our group.

The Sumitomo Business Spirit reflects Sumitomo's strong sense of mission and commitment to improving society: our business is not only for the benefit of Sumitomo, but for the benefit of the nation and society as well. This spirit underlies our Group's corporate philosophy. We firmly believe that corporate social responsibility is simply a matter of putting the Sumitomo Business Spirit into practice.

The Sumitomo Business Spirit

Placing importance on integrity and sound management (Shinyo-Kakujitsu)

Respect for human resources Attaching importance to technology Harmony with public interests

Action Tag Line for the Long-Term Vision

In 2012, we developed VISION 2020, a new long-term vision of the Sumitomo Rubber Group up to 2020, with a new slogan: "Go for NEXT." Under this new vision, we will strive to meet new challenges, in addition to providing the "world's best value," to fulfill our corporate social responsibilities by becoming a true global player and achieving both high profitability and high growth, and to pursue increased value for all stakeholders and greater happiness for all employees.



The SRI Way

In 2009, the Sumitomo Rubber Group celebrated the 100th anniversary of its founding. In order to achieve another century of even greater growth, we formulated the SRI Way so that the values and principles of action that we hold so dear could be known and understood systematically by people throughout the world. With the expansion of our business scope and operational scale, including a rapidly growing number of overseas bases, an ever-increasing number of people, each with their own diverse values, have now become involved in our Group's business activities. We believe that it is essential for us not only to share a common set of values and ideas as the basis for employee decisions and actions, but to also standardize the way in which our work is carried out so that we may strengthen the overall solidarity of the Group and thereby continue to offer products and services of consistently high quality worldwide. By reaffirming these values and principles of action as core values of our corporate culture, we aim to revitalize our CSR activities and earn the trust of society.

Group Philosophy The Sumitomo Rubber Group aims to be known and trusted as a global corporate citizen that fulfills its responsibilities to society by seeking the wellbeing of all of its employees, making significant contributions to improving both communities and society and continuing to offer products that help people achieve more comfortable lifestyles.

- Meet customer expectations with ever-improving product quality, manufactured based on careful observation of what is happening in the market.
- Create new possibilities for the future by adapting to changing times while maintaining a sound business foundation.
- Make the most of proprietary technologies and advanced research and development to create new products and services to meet customers' changing needs.
- Take responsibility for environmental protection in all of our business activities and continue to develop eco-friendly technologies.
- Create an attractive workplace that helps employees to achieve their lifestyle needs.

Values	Integrity & Soundness	Communication	Dedication to Long Term Goals	Personal Development
Practical Guidelines	<ul style="list-style-type: none"> ● Customer first ● Direct confirmation ● Scientific approach ● Continuous improvement 	<ul style="list-style-type: none"> ● Inter-personal concern ● Face to face communication ● Report, liaise and consult on all levels. 	<ul style="list-style-type: none"> ● Break the status quo with critical thinking. ● Know your limitations and set benchmarks for better performance. 	<ul style="list-style-type: none"> ● On-the-job-training ● Accomplish goals and targets through teamwork.

Basic Philosophy of CSR

CSR Philosophy The Sumitomo Rubber Group's GENKI Activities are energetic contributions to the environment and communities, focusing on being both a trusted corporate citizen and part of a sustainable society.

CSR Guidelines

Green Green Initiative

- 1 Helping to curb global warming by planting trees.
- 2 Fostering better relationships with local communities through tree planting.

Ecology Ecological Process

- 3 Reducing CO₂ emissions.
- 4 Implementing worldwide environmental management.

Next Next-Generation Product Development

- 5 Developing environmentally friendly products.
- 6 Pursuing safety and comfort, economy, and quality.

Kindness Kindness to Employees

- 7 Fostering human resource development and making jobs rewarding.
- 8 Creating a safe, employee-friendly workplace.
- 9 Achieving a work-life balance.

Integrity Integrity for Stakeholders

- 10 Ensuring thorough corporate governance.
- 11 Ensuring thorough compliance.
- 12 Promoting dialog with stakeholders.
- 13 Keeping social contribution in constant motion.

Eco-First commitments make environmental protection a top priority.

The Sumitomo Rubber Group makes environmental protection efforts a top management priority. In March 2009, as part of the Eco-First Program established by the Ministry of the Environment, the Group made a "pledge of eco-first" to the Minister of the Environment. This pledge has been mostly accomplished, and in March 2012, a new "pledge of eco-first (renewal letter)" was signed.



Under the Eco-First Program, which aims to encourage leading companies to redouble their environmental preservation efforts, companies make a commitment to the Minister of the Environment to implement measures to curb global warming to help Japan meet its targets for the Kyoto Protocol.



Mt. Osuhara, which comprises a part of the Aichi Kogen Quasi-National Park is 419 meters high and about 2 hectares in area. Our Aichi Factory is planting and nurturing GENKI forest together with the local community. Over 50 persons (half of them were local residents) participated in the fourth tree-planting event held on March 17, 2013.



Participants planted 406 seedlings of hydrangea, azalea, Spirea thunbergii, Japanese dog's tooth violet and other plants, which had been individually grown from cuttings on the factory premises.



Participants included a group of people who came from outside Toyota City to develop relationship with the farming and mountain community. Activities to conserve the local natural environment have been spreading steadily.

Feature Reports
Report 1
Green Initiative
Green



The mountain, where the factory's Team GENKI cleared the land and constructed the mountain roads together with local people, will become lush with tree-planting.



Participants plant trees industriously as they discuss how to create a natural park where visitors can enjoy seasonal flowers.

Fostering Better Relationships with Communities through Planting Trees

Green Initiative Revives Mt. Osuhara

The Sumitomo Rubber Group has been focusing on green initiatives, primarily through the "One Million Trees for Local Forests Project," both in Japan and abroad. Green initiatives not only contribute to reducing CO₂ emissions but also have a variety of purposes, including preventing landslides by planting trees, conserving biodiversity and interacting with local communities. This report introduces a case in which tree planting on the slopes of a mountain helped us develop closer relationships with local residents.

<One Million Trees for Local Forests Project>

Since fiscal 2009, we have been advancing our "One Million Trees for Local Forests Project" with the goal of planting one million trees over a 20-year period. This project is progressing at a much faster pace than we had originally planned and so we have already revised the target upward to two million trees (see page 17 for details).



[Overseas]

Our Group is promoting tree planting at our production and sales sites throughout the world. These activities include our "Team ENASAVE Campaign," in which we plant mangrove seedlings in Thailand, where much of the natural rubber that we use is produced.

[In Japan]

Trees are being planted in Sumitomo Rubber GENKI Forests throughout the country as part of our "Acorn Project—Planting for the Future," which aims to conserve biodiversity by planting seedlings grown from locally collected acorns.

Restoring the mountain slopes deepened our relationships with the local community

Thinning made mountainsides that used to be covered by thick trees and plants look beautiful. Hiking paths were created, making the most of precious vegetation and existing unique-shaped rocks. People from the local community, where both depopulation and an aging population have hampered restoration of the mountain, were delighted when interaction between the factory employees and local people living around the mountain started in March 2012. They have since worked together to improve the mountain roads and plant trees. Enjoying local food in a local community center at the foot of the mountain after work has become a regular part of the event. The interaction has continued to deepen as the factory invites local elementary and junior high school students to the mountain and factory employees are invited to local events such as *bon* dance festivals.



Local elementary school students visited Mt. Osuhara as part of their integrated learning class and learned the importance of their immediate natural environment through improving the mountain roads and planting trees.

Widening circles of activities for maintenance

Development of the infrastructure on Mt. Osuhara is almost completed, but the mountain will return to its previous wild state if we don't keep up the maintenance. For this reason, we are considering shifting our focus to supporting locally-led maintenance initiatives.

Under these circumstances, a once-in-13-year festival is scheduled to be held at Okuwa Shrine on the mountain top on July 28, 2013. Now that the mountain has been restored, the festival is gaining momentum among the 13 *Aza* communities at the foot. With this attachment to the mountain as the driving force, we hope that we can work with the local community to help tree-planting activities take root and that the circle of interaction will widen.



Participants in the tree-planting event gathered in front of the community center in Higashi-hagihira, one of the 13 *Aza* communities at the foot of the mountain. Everyone enjoys the regular after-work party.

beginners in taking care of mountain slopes. Steep slopes, bees, poisonous snakes, parching heat in summer, cold wind in winter, and so on made their work extremely difficult. Despite all that, their one-and-a-half-year efforts to improve the mountain bore fruit; they have accomplished what seemed impossible.



Struggle after struggle—as we need to cut trees down to ground level to prevent people injuring themselves on the tree stumps, we had to resharpen saws damaged by the soil.

Encounter with Mt. Osuhara, and the struggle to restore it

Sumitomo Rubber Industries' Nagoya Factory has been proactive in interacting with the local community through green initiatives, including providing acorn seedlings grown from acorns on its premises.

As the factory continued such activities, it came to know that there was a neglected *satoyama*, a semi-natural area that coexists with a nearby community, in Toyota City. Representatives from the factory visited the local community in 2010 and started their relationship with *Osuhara-yama Aikokai* (association of people who love Mount Osuhara). In June in that year, the factory launched an initiative to borrow the mountain for five years to improve it as a GENKI forest. However, Sumitomo Rubber employees were complete

The greatest treasure is communication with local people

Sadao Kurashima
General Affairs, Nagoya Factory (left)

When I first met local people who gave me a tour of the mountain, I was fascinated by their honest characters. So, I said to them on the spot, "Please let us do it," although the mountain restoration project was in fact under discussion. Just as felt in my bones, the activity has proved to be so much fun that our desire to continue to work as part of the community has grown stronger and stronger.



May our partnership continue forever

Mr. Masaomi Kondo
Chief of Shikishima Community, Higashi-hagihira-cho

Restoring the mountain has been the dream of our community. We used to ask even people who had moved out of our community to continue to contribute community membership fees to raise funds for tree cutting, but our restoration work faced serious challenges: due to shortages of manpower and funds. Then Sumitomo Rubber came to help us and our neglected mountainsides were soon restored. Now even children are involved in the activity, cultivating their love for their home town. I really hope our partnership will last forever.

Business offices' interactions with local communities



Miyazaki Factory
Activities with the local community include letting local kindergarten children release killifish in the biotope.



Ichijima Factory
Growing Japanese honeytree (Celastrus japonensis) as food for *Omanakui* (great purple emperor) or *Sasaha* (charonda), the Japanese national butterfly, and inviting local kindergarten children to observation sessions.



Shirakawa Factory
Growing firefly handmade biotope and holding observation sessions to develop closer relationships with the local community.



Kobe Head Office
Local high school girls participated in growing and holding acorn seedlings. The circle of activity has been widened.



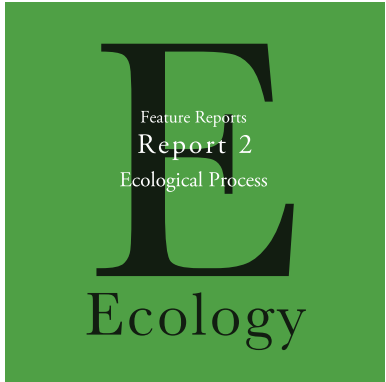
Participated in the village festival and explained STEC's environmental initiatives to local residents.



Many local employees are from farming families. They enjoyed learning about the importance of environmental initiatives, one by one.



Local residents responding to our questionnaire survey



Participants studying earnestly during the workshop using panels and text



On-site 4S training



Have participated in Thailand's national environmental activity since 2013.



Reciting catch phrases on quality, the environment and safety at the daily morning meeting

Implementing Worldwide Environmental Management

Initiatives to Achieve Complete Zero Waste Disposal at the New Thailand Factory

The Sumitomo Rubber Group achieved complete zero waste disposal* at its major domestic and overseas production bases in March 2010. New bases have followed the move and achieved complete zero waste disposal (see page 21 for details). One such base is STEC, a natural rubber processing factory in Thailand. Although efforts to achieve our goal have been made again and again within the Group, it was the very first experience for Thai employees. In February 2012, our Thailand Factory launched a factory-wide project to achieve zero waste with fresh enthusiasm.



Kingdom of Thailand

Starting from scratch with employees, many of whom are from farming families

Our Group has been making efforts to maintain ISO 14001 Global Integrated Certification and achieve complete zero waste disposal at all major production bases (see page 23 for details). Accordingly, STEC, our new factory in Thailand set their goal as acquiring ISO 14001 certificate and achieving complete zero waste disposal.

However, the factory is located in a farming area, where the natural rubber plantation in which Sumitomo Rubber Industries has a stake is situated. Many locally hired employees are from farming families, and more than half of them had never worked in a company before. So they had no previous knowledge of either the environmental initiatives expected at factories or sorting waste. These activities literally had to start from scratch. First of all, the leaders in charge of the activities studied hard to acquire knowledge needed to obtain a license as environmental managers. As the environmental facilities developed, factory-wide initiatives were launched. The biggest issue was how to get the employees on board.

Regular workshops providing comprehensive knowledge and on-site training

What the employees needed to acquire was environmental awareness and the habit of putting it into practice on site. Providing two major opportunities at the morning meetings and workshops was crucial to ensure that employees could learn about these subjects over and over again.

Employees were asked to recite phrases on quality,

Sumirubber Thai Eastern Corporation Co., Ltd. (STEC)

Our natural rubber processing factory established in 2009 in Udon Thani Province, Kingdom of Thailand. Started production in December 2010. Has 316 employees. (See page 39 for details.)

environmental policy, and safety at the daily morning meeting. At first, everyone just followed the text posted on the wall, but eventually they became able to recite them from memory. Workshops lasted for 90 minutes and were based on a specially prepared text. Lecturers sometimes took participants to actual sites to explain waste and other issues first-hand. With regard to the 4S initiative in particular (4S refers to *Seiri, Seiton, Seiketsu, and Seiso*, Japanese words referring to organizing and cleaning), training was provided using actual things on-site while various situations were arranged in which employees could enjoy working on those four topics, including an inter-section 4S contest. Thirty eight workshops were held over a 10-month period and dramatically changed the employees' awareness and behavior. The factory obtained ISO 14001 certification in December 2012, and achieved complete zero waste disposal in January 2013.

Collaboration with local residents help raise environmental awareness for both parties

As STEC handles natural rubber, it needs to deal with any problems concerning bad smells and wastewater. As local residents have a vested interest in these issues, gaining their approval was one of the most important challenges. To achieve this, in October 2012, STEC participated in a local festival where many people



A banner displayed in the factory to promote environmental activities

Aim at becoming a more environmentally friendly factory

Sirinapa Buamee (nickname Ann)
Leader of STEC environmental activities

We have made efforts to acquire ISO 14001 certification and achieve complete zero waste disposal. We particularly focused on getting all employees to understand environmental issues, and ensuring that neighbors understand STEC's activities. To that end, we held a total of 38 employee training sessions and gave environmental presentations for our neighbors. We will continue with these activities. I hope all STEC employees will step up their efforts together to make our factory more environmentally friendly.



Ann helping local residents to complete a questionnaire survey on STEC environmental initiatives

gathered, and held two presentation sessions for a total of 115 residents from two municipalities to explain its overall environmental initiatives, including measures to prevent problems with bad smells and wastewater. The sessions also served as a good opportunity to develop closer relationships with local people. In the future, STEP will hold similar presentation sessions for other four neighboring municipalities. It will also designate June 2013 as Green Month during which time they will organize factory tours and exhibitions on the theme of quality and the environment and invite as many local residents as possible. Meanwhile, STEP paid a courtesy call on the governor to explain its overall environmental activities. When an environmental inspector from the provincial government visited the factory, STEP provided detailed reports on its initiatives. These efforts helped the authorities have a clearer understanding of STEP's activities.

STEC's efforts to improve environmental facilities



Building a waste station

As part of the environmental construction work started in August 2012, a waste station for sorting waste was completed in October.



Dug drains around the factory

Dug drains to prevent watery discharge from raw materials in storage from flowing out of the factory site.



Constructing a reservoir

To prevent the drains from overflowing in the rainy season, constructed a reservoir to hold the water temporarily.



Setting up odor neutralizing nozzles

Set up poles with nozzles that automatically spray natural fragrances to neutralize any odor around the factory premises.

*Complete zero waste disposal: No waste is sent to landfill and 100% is recycled. (The Sumitomo Rubber Group defines the amount of waste treated for recycling purposes as the amount of waste recycled.)



It has become possible to use computers to simulate things that used to be impossible such as how carbons intertwine with polymers.



In the near future, Large-Scale Molecular Simulation will lead to new products that may drastically change the course of tire history.



Super computer K performs Large-Scale Molecular Simulation with its capability to carry out calculations several hundred times faster than conventional computers.

Photo: RIKEN

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Feature Reports
Report 3
Next-Generation Product Development

Next



Sumitomo Rubber Okayama Tire Test Course reproducing roads around the world and various driving situations



An observation pit that allows engineers to examine, from underneath the ground, how tires contact the ground while moving. Tread pattern development and material development are an indispensable part of developing environmentally friendly tires.



No matter how simulation technology advances, human ideas and aspirations lead the foundation of our technology.



Tires support safety and comfort in driving.



Tires are tested on-site under heavy rain and on frozen snowy roads.



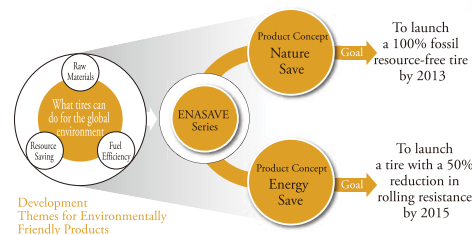
Sumitomo Rubber Tire Technical Center tests rolling resistance and abrasion energy using prototypes.

Developing Environmentally Conscious Products

New Material Development Technology

Expanding the Use of Environmentally Friendly Tires with Advances in 4D NANO DESIGN

In line with the three themes of raw materials, fuel efficiency, and resource saving, the Sumitomo Rubber Group has been developing and promoting the use of highly fuel-efficient next-generation tires made using environmentally friendly materials. The ENASAVE series, which best represents this approach, has been expanding its lineup of environmentally friendly tires for wider uses with the concepts of "Nature Save" and "Energy Save." What supports this move is a unique new material development technology, 4D NANO DESIGN.



Simulation technology to faithfully reproduce the inside of rubber at a large scale at the nanolevel

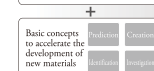
We developed our new material development technology, 4D NANO DESIGN, in 2011 by integrating the world's top performance synchrotron radiation facility, SPring-8, and the Earth Simulator, the computational capabilities of which are among the highest in the world. This innovative technology allows analysis in four dimensions (the three dimensions used for usual material development, plus time), and control of the structure and properties of molecules at the nanolevel (1/1,000,000 millimeters). The dramatically

expanded scope of simulation paved the way for innovative material development.



New Material Development Technology 4D NANO DESIGN

Technology to develop materials at the nanolevel through analysis and design in four dimensions (the usual three dimensions plus the fourth dimension: time)



Visualization of the Nano Scale

Expansion of the scope of simulation

Whole Application to Tires

4D NANO DESIGN expanding the categories of environmentally friendly tires

The key to promoting the use of environmentally friendly tires is enhancing the product lineup. However, the performance required of tires differs depending on the intended purpose. To expand application categories, we needed material development that goes beyond the molecular level. We used 4D NANO DESIGN to create environmentally friendly tires in another new category in fiscal 2012.



Application to studless tire WINTER MAXX

The most crucial performance of studless tires is braking performance on icy road surfaces. We used 4D NANO DESIGN for comprehensive nanolevel research into ice and simulated rubber properties. Consequently, we developed Nano-Fit Rubber, which balances nanolevel flexibility and macrolevel stiffness and has the best on-ice performance in Dunlop's history (see the diagrams below on the left page).

Application to truck/bus tires



Development of truck/bus tires involves designing for heavy loads. We adopted a new pattern for ENASAVE SP688 to reduce the deformation caused by the load and reduce rolling resistance. In addition, using 4D NANO DESIGN we developed a new compound that has the optimum carbon structure to better intertwine with polymers. These resulted in balancing fuel efficiency and abrasion resistance at a high level.

Large-scale simulation using Super Computer K opens the future for environmentally friendly tires

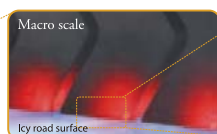
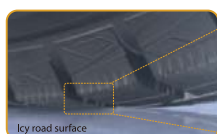
Simulation technology for new material development is becoming increasingly important. Our Group has been using Super Computer K, which has the world's most advanced computational capabilities to develop the 4D NANO DESIGN further. In the past, it was difficult to reproduce the inside of a rubber tire. We launched the technological development of Large-Scale Molecular Simulation, which allows faithful reproduction at a large scale and at the molecular and nano levels, in September 2012, and started to use the technology in March 2013. Using the results, we will establish ADVANCED 4D NANO DESIGN by the end of 2015 and apply it to new products to be launched in and after 2016.

Application of 4D NANO DESIGN to studless tires

Balancing nano-scale flexibility and macro-scale stiffness

Strong yet soft Nano-Fit Rubber with improved braking performance on ice

With a perfect balance of high-density silica and a newly-developed softener, we succeeded in making Nano-Fit Rubber, which is strong overall but becomes soft only across the area that makes contact with the ground. The rubber increases block stiffness at the macro level. In addition, it adheres firmly to icy road surfaces because of its nanolevel irregularities, dramatically improving braking performance on ice.



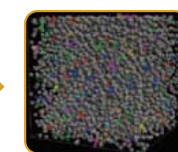
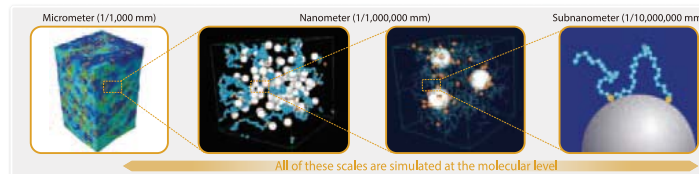
Increased stiffness at the macro level improves the edge effect on icy road surfaces.



Nanolevel flexibility of rubber helps the tread adhere firmly to irregular icy surfaces.

Developing ADVANCED 4D NANO DESIGN with Large-Scale Molecular Simulation

Faithfully simulates irregularities and structural imbalance within tire rubber material to predict tire rubber performance and design materials.



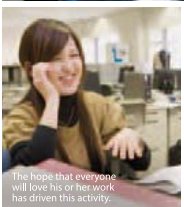
Large-Scale Molecular Simulation



With the aim of establishing the concept of "Friendly to People and Realizing Dreams" for individual employees, LYWP has made a wide range of efforts and accumulated results.



Loving your work, which is a big part of your life, makes you happy.



The hope that everyone will love his or her work has driven this activity.



The goal is to create an exciting company where people are connected with each other.



The focus activity in fiscal 2012 was a communication activity called "Kataruba" (conversation platform). To provide a relaxed atmosphere, Kobe Head Office opened the cafeteria for this activity.

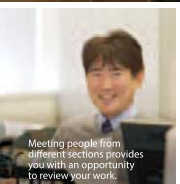
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Feature Reports
Report 4
Kindness to Employees

Kindness



Vertical and horizontal connections developed through "Kataruba" facilitate cooperation in daily business.



Meeting people from different sections provides you with an opportunity to review your work.



As people get connected with each other regardless of generation or job classification, the organization's capabilities increase.



This phrase "Friendly to People and Realizing Dreams" has been at the foundation of LYWP since it was selected through a competition in 2008.



"Kataruba" provides an opportunity to deepen communication. Connections between individuals are further enhanced as they work as a team for LWY STYLE activities.

*Communication activity called "Kataruba" (conversation platform)

LYWP DAY sums up the year's activities and unites people across the company

In fiscal 2012, LYWP launched activities with a focus on increasing communication, providing "Kataruba" to increase opportunities for people to gather and raise awareness of helping each other as a team through LWY STYLE activities. An event that sums up the activities carried out during the year and shares individual and team activities across the company is LYWP DAY. Every year, over 20 locations across Japan are connected by a TV conference system to announce the results and hold the award ceremony for the LWY STYLE Contest with the goal of sharing the dream of creating an exciting company together.



LWY STYLE Contest winner teams were announced and their activities were reported.



Reports on activities, including a presentation by young members of the Tire Technical Center on passing techniques on to the next generation and an activity designed to energize the local community and children, attracted attention of many participants.



Love Your Work! Project (LYWP) Friendly to People and Realizing Dreams

With the aim of creating an exciting company where people are connected with each other

LYWP refers to grass-roots activities that started in fiscal 2007 to establish the concept of "Friendly to People and Realizing Dreams". The Sumitomo Rubber Group hopes to create an exciting organization where people within the Group are connected with each other through these activities so that they can make their individual dreams come true. In fiscal 2012, group-wide fully-fledged activities were carried out with the focus on activating communication.



Gather together, talk, and bring about something new. "Kataruba" provides opportunities for employee communication across job classifications.

Through the LYWP Seminar, a discussion-centered initiative that was held in fiscal 2009 as part of LYWP activities, we learned of the importance of discussion between employees from different job classifications. That paved the way to start "Kataruba" communication activities, which provide employees who may hardly speak to each other in daily business operations with opportunities to get together and have open and free discussions. This attempt aims to help individuals with different values talk to each other and be stimulated to produce new ideas. It is also hoped that encounters through "Kataruba" will expand employees' mutual connections.



The idea to develop a LYWP Seminar discussion platform into a simpler platform that is open to everyone resulted in the creation of "Kataruba".

Introducing the "Kataruba" Leader System to initiate communication

Over 1,000 "Kataruba" events were held in the two and half years up to fiscal 2011, and became the company's key LYWP activity. Fiscal 2012 activities focused on activating communication through "Kataruba" and accordingly an environment to facilitate "Kataruba" events was provided. Specifically, the "Kataruba" Leader System was introduced across Japan to help employees run "Kataruba". The secretariat appoints "Kataruba" leaders who will coordinate the schedule and serve as facilitators. At Kobe and Tokyo Head Offices, teams, each consisting of six to seven members, were formed to exchange opinions on one subject during the one-hour "Kataruba" event. Directors and general managers participated in this group-wide initiative. Tea and sweets were served at "Kataruba" as part of the effort to create a relaxed atmosphere that helps employees who meet each other for the first time feel they can talk easily.



In fiscal 2012, 1,147 "Kataruba" events were held, well beyond the total of 1,088 for the previous two and half years, and this was a big leap both in terms of number and quality.



A book for studying real communication by members selected through a job posting system

Moshikomi (abbreviation of a Japanese sentence that means "What if I am Manaka, a female employee working for a sales office, is appointed as a member of the communication committee.")

In fiscal 2011, this novel-style communication guidebook was created based on an idea of the LYWP Secretariat, following a then hot novel titled "Moshidora." Under the guidance of a specialist, a total of 12 employees selected through a job posting system discussed how to develop the theme. All employees read the book, and how they changed after reading it became the topic of the first "Kataruba" event in fiscal 2012.

* Abbreviation for Japanese title that can be translated as "What If the Female Manager of a High-School Baseball Team Reads Drucker's Management" (published by Diamond, Inc.)



Meeting of the LYWP book Production Committee consisting of 12 members selected through a job posting system

As a result, all employees, except for a few on a long-term business trip, participated in these semi-annual "Kataruba" events. According to a post-event questionnaire, about 90% of respondents provided positive feedback. The "Kataruba" Leader System was also introduced to sales companies and factories to launch the activity group-wide.

LWY STYLE Contest helping employee teams carry out activities that cannot be done by an individual

Vertical and horizontal connections built through "Kataruba" help nurture "dreams that cannot be fulfilled by an individual" and make them come true. To support the team power and activities, we have organized an LWY STYLE Contest, and provided funds or other support for outstanding team activities selected through screening. In fiscal 2013, with more focus on practice, we changed the team requirements to screen teams formed per building or factory. Many teams are now carrying out activities that will turn their dreams into reality.



A poster in which the President and many employees appear was created to promote LYWP activities company-wide. Establishing these as voluntary activities is one of our future goals.

*Communication activity called "Kataruba" (conversation platform)



Our Malaysia Factory, which produces rubber gloves, needs water for washing during the production process. Purifying wastewater is one of its key environmental activities. Local employees always have a high interest in the water quality issue through their daily tasks.

Local and Global Social Contribution Activities in Practice

Purifying the Water Quality of the Sungai Petani River, Malaysia



Sungai Petani City, Kedah State
The state of Kedah located in the north-western part of Malaysia is a farming state. Sungai Petani is the second largest city in the state, after the state capital. "Sungai" means river and "Petani" means farmer in the Malay language.

In its Corporate Philosophy, the Sumitomo Rubber Group states that it aims "to be known and trusted as a global corporate citizen." To put that into practice, the Group has carried out group-wide initiatives, which currently include various social contribution activities both in Japan and abroad. At our Malaysia Factory, the oldest overseas factory in our Group, a willingness to contribute to the local community has steadily prevailed among local employees. Employees' growing awareness has led to a new way of contributing to the local community: purifying the quality of a familiar river.

Local employees proposed to clean their river

Our Malaysia Factory is located in Sungai Petani City, Kedah State, which has rapidly grown as a residential city in recent years. With the ongoing urbanization, pollution of the Sungai Petani River that runs through the central part of the city has become a social issue. The Malaysian government has worked on purifying the water in the river together with the state and city governments, but their activity has continued as a series of small-scale events led by school or city officials. When our local employees came to know that, they proposed that the company cooperate with the activity, and soon the initiative started as a new social contribution activity.

Local employees not only called for corporate help but also thought about the wider community.

With the support of the company, they have always pushed forward their initiative, which includes voluntarily negotiating with the city government with a view to allowing local people to join in the activity.

Launching proactive in-house promotions, making polo shirts and posters

The government promotes a method of purifying the water that involves making a large number of mud balls containing bacteria which they throw into the river and that work to purify the water. It is an application of a technology developed in Japan, and has proved to be effective. Many hands are needed, however, to make mud balls and throw them into the rivers.

To involve as many employees as possible in the

project, project members launched promotions wisely. They were creative in making the activity a fun event. They asked for the company's cooperation and made polo shirts for participants to wear, as well as posters to grab the attention of event-loving Malaysians. The number of people who wished to join gradually increased.

Resulted in a big event with 148 participants, a great hope for the future

Thanks to the promotion, a total of 148 persons participated in the river purification event, titled "Operation Mud Ball." Our employees and their families made the event a big success.

Officials from the environment ministry and the city government also participated in the event. Each participant made about 50 mud balls under the instructions of a specialist. After drying the balls for one week, the participants gathered again to throw the balls into the river. They worked in a festive mood on both days. Some people performed an aerobics dance. Some put on costumes. Food was served under a tent. The event also provided employees with a very significant opportunity to become acquainted with each other.

Our Malaysia Factory is planning to adopt the activity as a new pillar of its environmental initiatives and open it to local people in the future.



The activity was covered by a local newspaper as the first case of a company formally participating in water purification led by the national and local governments. This coverage helped gradually raise citizens' awareness of river purification.

Feature Reports
Report 5
Integrity for Stakeholders

Integrity



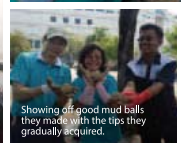
Employees took commemorative photos during breaks. As Malaysians love festivals, they made river purification activities a fun event.



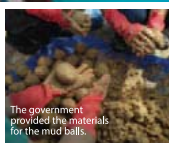
Making mud balls following the instructions of a specialist. Determining how much water to use is the key.



Wearing the same polo shirt, employees worked together in harmony.



Showing off good mud balls they made with the tips they gradually acquired.



The government provided the materials for the mud balls.



An official from the Ministry of Natural Resources and Environment of Malaysia visiting the factory. The government is encouraging them to improve the quality of all rivers by using mud balls containing bacteria.

Social contribution activities conducted at our bases in Japan



Hokkaido Region
Activities included picking up trash on roads surrounding all bases in Hokkaido and nearby parks.



Tohoku Region
Cleaned the banks of the Hirose River in Sendai together with local residents and collected plastic bottle caps.



Chubu Region
Carried out activities, primarily cleaning the community's Isuruma Park, together with affiliated companies and local people.



Kinki Region
Supported Kobe Marathon and held a cleanup along the Sumo Coast.



Chugoku/Shikoku Region
Donated clothes, something the region has continued since 2002, and collected used stamps.



Kyushu Region
Launched recycling of plastic bottle caps and Love Earth Cleanup, an activity to clean up the local community.

Top Commitment

To Create New Value for the Future

J. Ikeda

President and CEO, Representative Director
Sumitomo Rubber Industries, Ltd.

Profile: Ikui Ikeda

Graduated from the Faculty of Engineering at Kyoto University. Entered Sumitomo Rubber Industries, Ltd. in 1979. Assumed the position of General Manager of the Tire Production Technology Division in 2000, that of Executive Officer in 2003, that of Director & Senior Executive Officer in 2007 and that of Representative Director & Managing Executive Officer in 2010. He has been in his current position since March 30, 2011.



The Sumitomo Rubber Group set itself the goal of becoming a true global player in its VISION 2020, and declared that it will make new efforts to achieve the goal. To continue to be a company whose existence is truly valuable to people, local communities and society, our Group will solidify its business base, build an organization with strong vertical and horizontal communication that will stand firm even in the face of change, and contribute to the development of a sustainable society.

Contributing to Sustainable Social Development through VISION 2020 Initiatives

The pursuit of social value, as well as economic value, is essential for a company to achieve sustainable growth. This is a way of thinking that has been passed down from generation to generation throughout Sumitomo's 400-year history. Our VISION 2020, which we announced in September 2012, identifies our Group's commitment to pursuing social value, "becoming a true global player by achieving both high profitability and high growth" and "pursuing increased value for all stakeholders and greater happiness for all employees."

In line with our CSR message, "For you, for the Earth," we at the Sumitomo Rubber Group are committed to contributing to the

sustainable development of society, not only by fulfilling our various social responsibilities, such as compliance and environmental protection, but also by applying our great technical strength and research and development capabilities to future growth. At the same time, we will strive to develop and provide high-quality products that ensure safety, comfort and cost-effectiveness for our customers. In seeking to remain faithful and accountable to all stakeholders, we will also endeavor to enhance the soundness and transparency of our management.

Promoting Environmental Conservation and Developing a 100% Fossil Resource-Free Tire

Having been certified as an Eco-First Company in 2009, the Sumitomo Rubber Group has pursued various initiatives to protect the global environment. One of these initiatives is the "One Million Trees for Local Forests Project," whose goal is to plant one million trees at Sumitomo Rubber bases and their surrounding communities worldwide.^{*1} As part of the One Million Trees for Local Forests Project, the "Acorn Project—Planting for the Future" is also proceeding with active participation from all of our business locations in Japan. In this project, employees plant seedlings that were raised from acorns, with the goal of

planting 20,000 seedlings per year for a period of 10 years. It is estimated that after 25 years, the planted trees will absorb all of the annual CO₂ emissions from our bases in Japan.^{*2}

Along with the Acorn Project, we have also implemented the Team ENASAVE Campaign, in which one mangrove seedling is planted in Thailand and Indonesia for every set of fuel-efficient ENASAVE Series tires that a customer purchases. In 2011, the number of trees planted through this project, which started in 2009, reached one million. We believe that this great success is due to the fact that our fuel-efficient, environmentally friendly products have been well received by consumers, who have shown a growing interest in protecting the environment in recent years. With the introduction of the tire labeling system in January of 2010, enabling customers to compare tire performance with ease, we anticipate that consumer interest in and demand for fuel-efficient tires will increase even further in the future.

Sumitomo Rubber Industries is working on the development of next-generation eco-friendly products, including taking steps toward developing "100% Fossil Resource-Free Tires." We have already released tires that are 97% fossil resource-free, and in 2011 we succeeded in eliminating the remaining 3% through the application of biomaterial technology, producing a prototype tire that is complete free of fossil resources. This success has been a major step toward achieving our goal:

"to create the future of tire technology—perfect eco-tires that are completely free of fossil resources."

In addition to the launch of 100% Fossil Resource-Free Tires, we will develop high-performance biomass materials, a technology that will result in further progress in commercializing high-performance fossil resource-free tires.

Aiming Higher to Become a Truly Valuable Company

In order for a company to achieve sustainable growth, the company must continue to earn the trust of society by contributing to sustainable development. The Sumitomo Rubber Group aims to become a truly valuable corporate group for all its stakeholders by pursuing "the world's best value" through its VISION 2020 initiative. In order to achieve this goal, we will devote significant efforts to establishing and implementing the SRI Way as the core value of our corporate culture, encouraging individual employees to aim higher while endeavoring to grow and learn from each other in an open and active working environment.

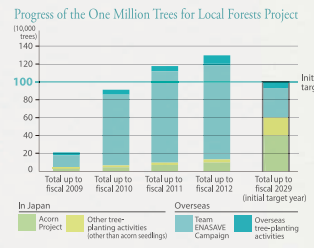
We respectfully request your continued guidance and support in our efforts. We welcome and would be grateful for your candid comments and opinions regarding the content of this report and our company.

^{*1}. We have already planted one million trees and revised our goal up to two million. ^{*2}. The CO₂ absorption is the amount of CO₂ absorbed by the leaves, not a fixed amount of CO₂.

Our Network of Tree-Planting Activities Is Expanding from Japan to the World, Safeguarding a Sustainable Future for the Earth and for Humanity.

Helping to Curb Global Warming While Fostering Better Relationships with Local Communities through Tree Planting

The Sumitomo Rubber Group is actively promoting green initiatives at its business sites and in surrounding communities throughout the world as part of its CSR Guidelines. The One Million Trees for Local Forests Project launched in fiscal 2009, whose goal is to plant one million trees over a 20-year period at our business sites and in surrounding areas both in Japan and overseas, has progressed at a much faster pace than originally planned, and by the end of 2012 a total of 1.3 million trees had been planted.

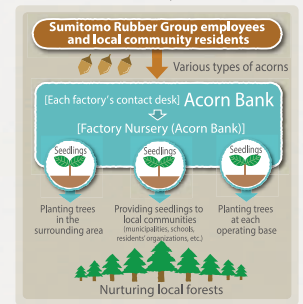


The Acorn Project—Planting for the Future

As one of our green initiatives, in 2005, the Sumitomo Rubber Group launched a project to cultivate and plant acorn seedlings. In 2007, we established the Acorn Bank so that employees' families and community members could also participate in collecting acorns. In 2008, we expanded these acorn-planting activities into our Acorn Project—Planting for the Future. Since then, Sumitomo Rubber's eight business sites across Japan have continued to cultivate acorns collected in the Acorn Bank into seedlings and plant them on their premises and in surrounding areas. Our target is to plant 200,000 seedlings over a 10-year period.

In fiscal 2012, 25,834 trees were planted, bringing the total number of trees planted under the project to 93,963. As part of our environmental conservation efforts, we plan to continue involving current and former employees, as well as local residents, in the Acorn Project at all of our domestic bases.

■ Outline of the Acorn Project



Tree-Planting Activities in Japan—GENKI Forests

As part of the Acorn Project, Sumitomo Rubber Group factories and offices in Japan have been planting trees not only on their own premises, but in surrounding areas as well. Since planting non-native tree species may have a negative impact on local ecosystems, we only plant seedlings that were raised from locally collected acorns. We will continue with our tree-planting efforts while also working to ensure that we are preserving biodiversity. The areas where the Sumitomo Rubber Group promotes tree-planting activities, known as Sumitomo Rubber GENKI Forests, are expanding year by year. At present, there are GENKI Forests in nine locations throughout



Tree-planting activities by Shirakawa Factory members in the GENKI Forest

Japan, primarily in the areas around our sites of business, covering a total area of 21 hectares. In fiscal 2012, we planted 12,000 acorn seedlings in our GENKI Forests.

Tree-Planting Activities in Japan—Planting Species Other than Oak (Acorns)

The Acorn Project is a key pillar of our tree-planting activities in Japan. To enhance local biodiversity, we are also planting various tree seedlings other than acorn seedlings on our business sites and in GENKI Forests throughout Japan. Between 2009 and 2012, a total of 35,936 trees were planted, including 7,408 trees planted in 2012. Trees planted include *Camellia sasanqua*, Japanese cherry, dogwood, Japanese yew, satsuki azalea, and azalea.



Tree-planting activities at Miyazaki Factory, together with local elementary students



Mangrove planting activities by Thailand Factory employees

Overseas Tree-Planting Activities

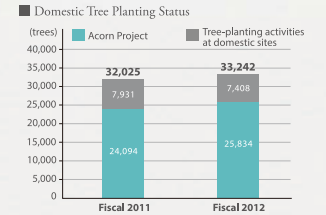
Sumitomo Rubber Group's overseas production and sales bases have also been planting trees to help prevent global warming and encourage interaction with local communities. In fiscal 2012, our Group's China Changshu and Zhongshan Factories, Indonesia Factory, Malaysia Factory, Thailand Factory, Vietnam Factory and overseas sales companies planted a total of 34,356 trees. Our "Team ENASAVE" Campaign was launched in fiscal 2009 as a way to involve our customers in tree-planting activities. A portion of the sales of our fuel-efficient



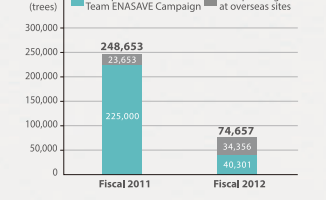
For details See the Team ENASAVE page on DUNLOP's website (Japanese only) <http://team.enasave.jp/>

ENASAVE Series tires is used to plant mangrove seedlings. The total number of seedlings planted since the beginning of the campaign has now reached 1,055,874. In fiscal 2012, 40,301 seedlings were planted in Indonesia.

Sumitomo Rubber Group's Tree Planting Status



Overseas Tree Planting Status



TOPICS

Miyazaki Factory Receives Fiscal 2012 METI Minister Award for Factories Making Outstanding Contributions to the Environment.

At the 31st National Factory Greenery Promotion Conference, the Miyazaki Factory was awarded the "Fiscal 2012 METI Minister Award for Factories Making Outstanding Contributions to the Environment" for its outstanding contributions to improving the environment in and around the factory premises through active tree-planting activities. The Miyazaki Factory has been promoting tree-planting in and around the factory based on its comprehensive greenery plan. This award was given in recognition of the factory's long-term greenery efforts and its significant contributions to preserving the local environment. Currently, the Miyazaki Factory is growing *Echinops setifer*, which has been designated as a near-threatened species, on its premises to help conserve endangered species. The Factory also opens its playing field

and green space (located on the north side) to local residents and schools so that they can enjoy baseball, soccer, ground golf and other fun-filled activities. In one corner of the green space on the north side of the factory premises, a biotope was constructed by factory workers as part of their biodiversity conservation efforts and with the aim of creating a place where local residents and workers can relax and interact. The biotope was completed in November 2012. The Miyazaki Factory is also actively promoting tree planting activities. Taking advantage of the support provided by Miyazaki Prefecture under its program to promote companies' afforestation initiatives, the factory has planted 1,920 trees (oak, *Lithocarpus edulis*, etc.) in the Sumitomo Rubber GENKI Forest of approximately one hectare in Sekino-o Town.



Award presentation ceremony (Left of photo—Sugimoto, General Manager of the Miyazaki Factory)

METI Minister Award for Factories Making Outstanding Contributions to the Environment is presented to factories in Japan that have made significant contributions to the local environment. Award winners are selected from nominees, which were recommended by prefectural governors or the mayors of ordinance-designated cities from among factories that have received a METI Regional Bureau Director-General Award or Japan Greenery Research and Development Center Chairperson Award. Nominated factories are subjected to an on-site inspection and are examined by a review committee comprising external experts.

The Voice of Our Employees

Koichi Sugimoto
General Manager, Miyazaki Factory
Sumitomo Rubber Industries, Ltd.



Working Together with Local Residents to Create Relaxing Green Space

I am very proud and honored that our factory has received the METI Minister Award in recognition of our greenery promotion activities conducted in cooperation with local communities. Hoping to further strengthen ties with local communities, we will continue to work to create a relaxing and comfortable space with lots of greenery. To ensure that these activities continue long into the future, we will endeavor to get more people involved in our tree-planting activities by making the tree-planting experience more interesting and enjoyable.

Environmental Protection Activities Are a Top Management Priority.

Reducing CO₂ Emissions

Global warming is a pressing issue facing the entire human race. Resolving this issue requires urgent action, as well as continuous and determined efforts from a broad perspective. In keeping with our key Environmental Policy of striving to combat global warming in all of the Sumitomo Rubber Group's business activities, we are employing our utmost devotion and wisdom to further reduce our CO₂ emissions.

Renewing Our Eco-First Commitments

In March 2009, the Sumitomo Rubber Group was certified as an Eco-First Company by the Ministry of the Environment. As a result of vigorous group-wide efforts, we were able to fulfill all the commitments we initially made.

In March 2012, we made new Eco-First commitments to the Minister of the Environment (with fiscal 2015 as the target year).

In our renewed Eco-First commitments, we promised to implement six proactive measures under three key themes: "creating a low-carbon society," "building a recycling-oriented society," and "promoting harmonious coexistence with nature." In fiscal 2012, all the measures progressed as planned.

Combating Global Warming in Our Production Process

In fiscal 2012, emissions at the Sumitomo Rubber Group's six Japanese factories totaled 264,000 tons-CO₂ (90% of fiscal 1990 levels), down 1,000 tons-CO₂ from the previous year. However, we did not achieve our target of at least a 14% reduction from fiscal 1990 levels. Per-unit CO₂ emissions increased by 3% compared with the previous year. This was primarily due to increased production losses resulting from the production transfer following the Great East Japan Earthquake of 2011 and a significant decrease in production volumes in the second half of the last fiscal year. Aside from CO₂, greenhouse gases emitted during production include methane, nitrous oxide, hydrofluorocarbons and sulfur hexafluoride. In fiscal 2012, our factories emitted 400 tons-CO₂ of these greenhouse gases (approx. 0.1% of our CO₂ emissions). Per-unit energy usage (crude oil equivalent) increased by 3% compared with the previous year.

In fiscal 2012, both per-unit CO₂ emissions and per-unit energy usage (crude oil equivalent) at our eight overseas factories and five factories operated by our domestic affiliates decreased by 2% compared with the previous year, although falling short of set targets.

In fiscal 2013, in line with the medium-term plan revised last year, we will strive to achieve the targets at all domestic and overseas production bases.

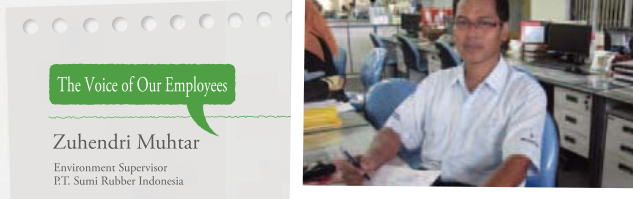


CO₂ Emissions and Energy Usage (Crude Oil Equivalent)



*1 According to the Guide to Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association (used to calculate per-unit figures). The electricity emission factor used is the value announced by the electricity company in 2004.
*2 Total emissions do not take into account cogeneration credits.

*1 According to the Guide to Calculating Greenhouse Gas Emissions, published by the Japan Rubber Manufacturers Association. The electricity emission factor used is as per the WRI/WBCSD GHG Protocol Initiative Calculation Tool (2004).



The Voice of Our Employees

Zuhendri Muhtar

Environment Supervisor
PT. Sumi Rubber Indonesia

Indonesia Factory Aims to Be Number One in CO₂ Emission Reduction.

To reduce CO₂ emissions from electricity and fuel consumption, we have set a per-unit CO₂ emission reduction target for each system in our factory and carefully controlled energy usage. As a result, our CO₂ emissions from electricity and fuel consumption decreased by 5% and 7%, respectively, compared to the previous year. Our Environment and Energy Committee plays a leading role in raising individual employees' awareness and implementing various energy-saving measures, including turning off unnecessary lights and minimizing air leaks. We will step up our efforts to reduce CO₂ emissions toward our goal of being carbon neutral, and aim to have the highest reduction in CO₂ emissions among the Group companies.

Reducing CO₂ Emissions Involved in Transportation

In fiscal 2012, emissions from the transportation of tires totaled 34.33 thousand tons-CO₂ (down 26% from fiscal 2006 levels), which was a 1% increase over the previous year. This was largely due to increased transportation distances (the tire transport distance index increased by 5 points over the previous year), resulting from transferring production of some products (sizes that were previously produced at overseas factories and our Shirakawa Factory) to the Miyazaki Factory. At the same time, however, we successfully achieved our targets for the modal shift ratio and large-vehicle transport ratio, with the modal shift ratio reaching 15.4%, up 1.7 points over last year, and the large-vehicle transport ratio reaching 20.6%, up 1.4 points over last year. CO₂ emissions per unit were 0.0388 (t-CO₂/t), up 1% over last year.

In fiscal 2013, we will focus on reducing transportation distances by increased vaning of export tires at inland warehouses, while at the same time implementing other measures to improve transportation efficiency.

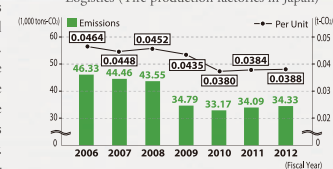


Modal Shift (transportation by ship)

Green Logistics Guideline

In December 2007, the Sumitomo Rubber Group established and announced our Green Logistics Guidelines. In accordance with these Guidelines, we have been working in close cooperation with our business partners to reduce CO₂ emissions and our overall environmental impact. In fiscal 2012, we implemented various measures in support of green logistics, including programs that raise awareness and an understanding of our environmental policy, education on eco-friendly driving (idling stop, compliance with speed limits, etc.) for the drivers who transport our tires. We plan to continue these activities in fiscal 2013.

Total and Per Unit CO₂ Emissions Involved in Logistics (Tire production factories in Japan)



Tire Transport Distance Index*



*Tire transport distance index: primary transport t-km / primary transport weight t. Index uses 2006 level (base year for regular reporting under the Law Concerning the Rational Use of Energy) as 100.

Modal Shift Ratio*



*Modal shift ratio: the percentage of the total accounted for by transportation via rail or ship

Large Vehicle Transport Ratio*



*Large vehicle transport ratio: transport by large vehicles as a percentage of the total primary transport



Sumitomo Rubber Group Green Logistics Guidelines (pamphlet)

Environmental Protection Activities Are a Top Management Priority.

Contributing to the Creation of a Recycling-Oriented Society

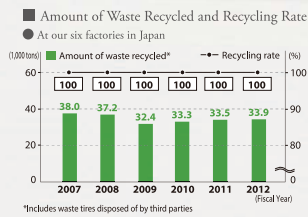
It is imperative to implement the 3Rs (reduce, reuse, recycle) to create a recycling-oriented society in which economic growth and environmental conservation go hand in hand. In the future, the Sumitomo Rubber Group will not only work to maintain complete zero waste disposal, but also pursue innovative environmental protection activities.

Maintaining Complete Zero Waste Disposal at Our Major Domestic and Overseas Production Bases

The Sumitomo Rubber Group has been actively promoting the recycling of waste materials with the goal of achieving complete zero waste disposal* at all of our major production bases in Japan and overseas by the end of 2010. This goal, which was part of our Eco-First Commitment, was achieved in March of 2010. Our Tennis Ball and Natural Rubber Processing Factories in Thailand have also achieved complete zero waste disposal status. We will work in a systematic manner to ensure that our newly launched production bases also achieve complete zero waste disposal status. We are also working to increase recycling rates for the waste materials generated by our business operations. In fiscal 2012, we successfully achieved our goal of reaching a material-recycling rate of at least 82%. We have set an even higher goal of 85% for fiscal 2013, and we will endeavor to achieve it.

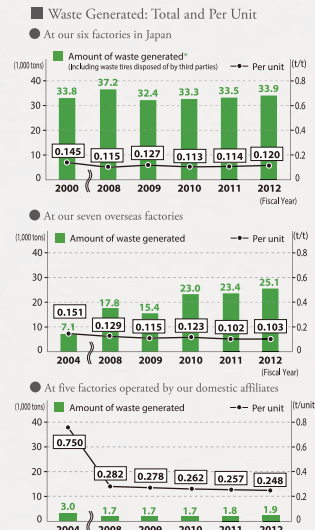
Zero Waste Disposal Status at Our Production Bases

Factory Name	Month/year zero waste disposal status achieved	Month/year complete zero waste disposal status achieved
Shirakawa Factory	December 2001	December 2004
Nagoya Factory	December 2001	December 2004
Izumiotsumi Factory	December 2003	March 2005
Miyazaki Factory	December 2003	December 2004
Kakogawa Factory	December 2002	June 2005
Ichijima Factory	December 2001	June 2005
Indonesia Factory	December 2004	August 2008
Changshu Factory (China)	October 2005	September 2006
Thailand Factory	November 2008	June 2009
Malaysia Factory	August 2006	March 2010
Zhongshan Factory (China)	November 2006	October 2008
Vietnam Factory	October 2008	March 2009
Thailand Factory (Tennis Balls)	November 2010	July 2011
Thailand Factory (Natural Rubber Processing)	December 2012	January 2013
Dunlop Retread Service Co., Ltd.	September 2006	January 2010
Dunlop Retread Service Co., Ltd. Hokkaido Factory	September 2006	March 2010
SRI Engineering Ltd.	March 2008	May 2008
Nakata Engineering Co., Ltd.	July 2006	March 2008
Dunlop Golf Club Corp.	July 2004	May 2006
Number/proportion of production bases achieving (complete) zero waste disposal status	19/19 (100%)	19/19 (100%)



Status of Per-Unit Waste Generation Reduction Targets

In fiscal 2012, our six factories in Japan generated 33,900 tons of waste, a 400-ton increase over the previous year. The target for per-unit waste generation was also not achieved, with a 5% increase compared to last year. Per-unit waste generation at our overseas factories remained at the same level as last year, meaning that the 2012 target was not achieved. Per-unit waste generation at five factories operated by our affiliates in Japan decreased by 3.5% over last year. Although we did not quite reach our target of a 5% reduction over last year, a significant



The Voice of Our Employees

Takeyuki Fukuyama
Assistant Chief, Production Group 1
Kakogawa Office, SRI Engineering Ltd.



We Continue to Take on Challenges to Help Create a Recycling-Oriented Society.

The casting process for a tire mold generates three transfer molds, two of which are waste. Drawing on the wisdom and ingenuity of all our members, we reduced and recycled this waste, achieving complete zero waste disposal. We also succeeded in reusing part of the transfer molds by making changes in materials and shape, thus meeting the requirements of the 3Rs (reducing, reusing, recycling). In the future, we will further reduce and reuse waste materials. We will also work to transfer our know-how to overseas facilities, contributing to global environmental conservation.

Actively Developing Our Retread Tire Business

Over the past several years, there has been an increasing demand for retread tires among transport companies. Retread tires help them to achieve cost-efficient, environmentally friendly operations by saving both resources and energy while also reducing CO₂ emissions. Retread tires are also covered by the Law on Promoting Green Purchasing. In 1972, the Sumitomo Rubber Group established a subsidiary dedicated to producing retread tires. With two retread tire factories in Hokkaido and Hyogo Prefectures, this subsidiary is working to meet our customers' retread tire needs.

Whether a used tire can be reused as a retread tire or must be disposed of as a waste tire is determined by its condition. We also provide customers with advice on how to treat tires and also offer a support service so that they can use their tires more economically and for a longer time.



Retread Tire Consignment System

Under the retread tire consignment system, tires (tire castings) that have been used by customers are reprocessed as retreads. This system enables us to manage the total tire lifecycle from new product to retread, thus offering customers both peace of mind and cost savings.

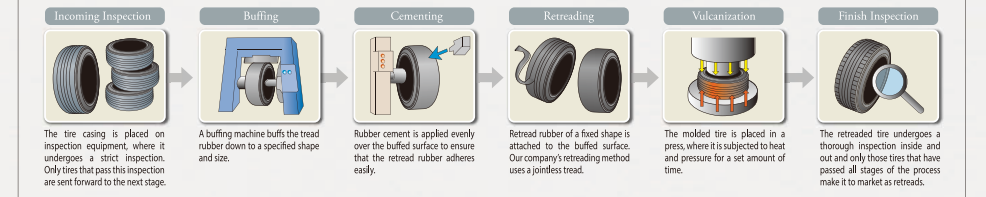


Benefits to Customers

- SAFETY**: Tires are managed at every stage of the tire lifecycle, from new tire to retread, offering customers peace of mind.
- COST MERIT**: Customers receive economic benefits, including lower tire costs.
- ECO**: Recycling tires helps to protect Earth's natural environment.

Retread Tire Manufacturing Process (Remolding Method)

In the remolding method, the tread rubber on the surface of a tire casting is buffed and unvulcanized rubber is applied and then vulcanized. Tread rubber is attached firmly over the entire surface to create a high-quality retread tire that looks and performs like new.



Environmental Protection Activities Are a Top Management Priority.

Implementing Worldwide Environmental Management

Environmental protection is one of the most critical responsibilities that a corporation must fulfill in the global society. Global corporations are obliged to implement the same level of good environmental management practices in all of the countries and regions in which they operate. With the accelerating globalization of our businesses, the Sumitomo Rubber Group will continue striving to promote global environmental management.

Global Environmental Management System

In order to strengthen our environment management, since fiscal 2007, the Sumitomo Rubber Group has held twice-annual Global Environmental Management Central Committee meetings, in which those who are in charge of environmental management at our domestic and overseas bases gather from around the world. In fiscal 2012, committee meetings were held in February and July to report on and discuss the environmental efforts being made at our domestic and overseas bases. The reports included one from the Production Division on "Results of environmental performance indicators (CO₂ emissions, waste, water discharge, etc.) and improvement measures taken," one from the Engineering Division on "Development trends in environmentally friendly products," and one from the Material Development Division on "Development of fuel-efficient materials." We will continue holding committee meetings twice a year in order to promote information sharing and to learn from each other, thereby invigorating environmental activities at each of our business sites around the world.



Fiscal 2012 Global Environmental Management Central Committee



ISO 14001 training for new employees



Briefing session on environmental management held by Zhongshan Factory (China) for its subcontractors



The Voice of Our Employees

Huang Bingfang

Vice Manager, Audit Department
Zhongshan Sumirubber Precision Rubber Ltd.



Promoting Environmental Activities Together with Our Cooperating Companies

Zhongshan Sumirubber, which produces precision rubber parts for OA equipment, is working to strengthen its management of hazardous chemical substances. The number of chemicals restricted under the RoHS and REACH Directives is increasing year by year, making chemical management more difficult. We hold briefing sessions on chemical management for our cooperating companies producing metal and resin parts, to ensure that they strengthen their chemical management practices. In fiscal 2012, to motivate increased participation, we held a combined briefing session that covered two topics: environmental management and quality management. In the briefing session, in addition to regulations on hazardous chemical substances, Zhongshan Sumirubber's quality and environmental management policies and procedures were explained in a clear and easy to understand manner. The briefing session was well received by participants. We will continue to work together with our cooperating companies to provide safe products with less environmental impact.

Having Obtained Global Integrated Certification in December 2010, We Are Now Expanding Our Global Environmental Management System

As part of our efforts to build a low-carbon society, in December of 2010 the Sumitomo Rubber Group obtained ISO 14001 Global Integrated Certification for its 30 bases, both in Japan and overseas, to implement an integrated worldwide environmental management system throughout our business activities. The Sumitomo Rubber Group became the first company in the tire industry to obtain Global Integrated Certification that includes overseas business sites. We now have an environmental management system encompassing all of our major production and development sites, both within and outside of Japan. In 2012, Sumirubber Thai Eastern Corporation Co., Ltd. (STEC), a subsidiary involved in natural rubber processing, obtained ISO 14001 certification, and was included in the Global Integrated Certification. We have some other new production facilities that are scheduled to start operation in the near future. We plan to have these new facilities ISO 14001 certified and included in the Global Integrated Certification.



Certificate of Approval for ISO 14001 Global Integrated Certification



Certificate of Approval issued to Sumirubber Thai Eastern Corporation

Green Procurement Activities Ensure the Proper Management of Environmentally Harmful Substances

The Sumitomo Rubber Group promotes green procurement through various initiatives, such as giving preference to ISO 14001-certified suppliers when purchasing raw materials, reducing hazardous substances in raw materials through reinforced substance management and introducing low-emission vehicles and fuel-efficient vehicles. In February of 2011, we revised our Procurement Guidelines, asking our suppliers to understand and comply with our CSR guidelines. At the same time, we also shifted to a GADSL-compliant chemical substance management system. The decision to revise our Procurement Guidelines was made in order to reduce the burden on suppliers by adopting the automotive industry's standard list, thus eliminating the need to support individual standards, while at the same time strengthening our global chemical substance management system at all of our business sites in Japan and overseas, where regulations for hazardous chemical substances are becoming increasingly stringent. The Sumitomo Rubber Group remains committed to environmentally conscious purchasing and raw material management.

Green Procurement Policies

- 1 Manage chemical substances in compliance with GADSL*, as stipulated in the Procurement Guidelines.
- 2 Give preference to ISO 14001-certified suppliers when purchasing raw materials.
- 3 Promote the reduction of PRTR**²-regulated substances.
- 4 Introduce low-emission vehicles and fuel-efficient vehicles.
- 5 Reduce the use of packaging materials.
- 6 Purchase reclaimed rubber.

*1 Global Automotive Declarable Substance List (GADSL)
A universal industry standard list of declarable substances compiled by automotive manufacturers, automotive parts suppliers and chemical manufacturers in Japan, Europe and the United States
**2 Pollutant Release and Transfer Register "Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management"
A system for collecting, aggregating and publishing data on various hazardous chemical substances in order to ascertain how much of these substances are released (amount released) into the environment (atmosphere, water and soil) from what sources, or transferred (amount transferred) as waste and from waste facilities.

The Voice of Our Employees

Pham Thanh Tung

Manager, Production Engineering Department
Sumirubber Vietnam Ltd.



Committed to Responsible Environmental Management as a Proud Member of the Sumitomo Rubber Group

I participated in the Global Environmental Management Central Committee meeting last year. I was very impressed to learn that group-wide efforts are being made to promote environmental management, energy-saving and tree-planting initiatives. Sumirubber Vietnam achieved complete zero waste disposal in 2009, the third year of its operations. We also conduct tree-planting activities regularly. With production start-up of new products planned for fiscal 2013, our company is expected to grow significantly. We will step up our efforts to reduce defects in the process and continue our tree-planting activities. As a proud member of the Sumitomo Rubber Group, we will actively promote environmental management activities.

Developing Products That Provide Maximum Safety While Minimizing Environmental Impact

Developing Environmentally Friendly Products

Sumitomo Rubber Industries' Tire Division has established its own environmental standards, and is devoting a great deal of effort to develop tires that are not only superior in performance, but are also user-friendly and eco-friendly, by increasing the usage rate of non-fossil resources, improving tire fuel efficiency and equipping our tires with special noise-absorbing sponge. Utilizing our advanced tire-making technologies, we aim to develop and release 100% fossil resource-free tires in 2013 and fuel-efficient tires with 50% lower rolling resistance in 2015.

Promoting the Widespread Use of Eco-Friendly Tires

Regardless of size, all of our eco-friendly tires—LE MANS 4 and ENASAVE Series (ENASAVE PREMIUM, ENASAVE 97, ENASAVE RV503★, ENASAVE EC202)—conform to the requirements for fuel-efficient tires under the tire labeling system, a voluntary industry standard that came into effect in January of 2010.

In addition to automobile tires, we have also been developing and manufacturing eco-friendly tires for vans, light trucks and even motorcycles.

In 2012, we released new eco-friendly tires, including ENASAVE PREMIUM, a fuel-efficient tire that has received an AAA¹ rating, which is the highest ranking for

rolling resistance, and two new ENASAVE brand tires for commercial vehicles: ENASAVE VAN01 and ENASAVE SP LT38.

In 2013, we released VEURO VE303, a premium comfort tire. We will redouble our efforts to raise consumer awareness of the tire labeling system and promote our eco-friendly products through TV commercials and in-store promotions.

Quality Improvement Activities in Japan and Overseas toward Achieving the World's Best Quality

In line with our Group philosophy of "meeting customer expectations with ever-improving product quality, manufactured based on careful observation of what is happening on the market," we are striving to provide products that satisfy and please customers by listening attentively to their needs and demands. In upholding the quality policy of "achieving the world's best quality," we are promoting group-wide continuous quality improvement activities.

Our Group's quality management system is based on ISO/TS 16949² international quality standards for automotive parts and related service parts. We are actively working on establishing quality management systems in our overseas factories; in December 2012, the Hunan Factory in China obtained ISO 9001 certification.

Aiming to achieve the world's best quality as stated in our quality policy, we will continue to promote quality improvement activities, while working on improving the effectiveness of the quality management systems at our Group's production sites.

¹ Some sizes are rated AA

² ISO/TS 16949: an international standard for quality management systems for the automotive industry, with requirements unique to automotive applications added to ISO 9001



VEURO VE303

Pursuing Safety and Comfort, Economy and Quality

The Sumitomo Rubber Group believes that the environmental performance of a product has significance only when that product is also superior in various aspects that customers value, such as safety, comfort, cost effectiveness and quality. We will continue to go all-out to develop environmentally friendly products that are widely appreciated by customers.

National Tire Safety Checks Held throughout Japan

On October 4 in 2008, the anniversary of the company's founding day, the Dunlop Tire Sales Division launched the "National Tire Safety Check" program. Tire safety checks are held twice a year in spring and autumn at roadside rest stops (*Michi-no-Eki*) and other venues in 47 prefectures of Japan.

At the tire safety check event, our tire specialists inspect tires on the vehicles of visitors, including tread depth, inflation pressure and surface damage, to prevent accidents caused by tires. During the event, our tire specialists also explain to drivers how to use and maintain tires as well as the importance of regular tire inspections.

Through these activities we will continue to educate drivers on the safe and correct ways of using and maintaining tires.



Tire safety check



Winning prizes for five consecutive years at the Toyota Manufacturers Club Kaizen Festival

Development and Launch of a New MIRAIE, a Seismic Damper for Wooden Houses

We developed MIRAIE, a seismic damper for wooden houses that uses our original high-damping rubber, and released it in March 2012. With its superior durability, MIRAIE requires no regular maintenance. In addition, with only a limited number of units, MIRAIE can reduce seismic vibrations by up to 70%.^{*} Due to its superior performance and features, MIRAIE has been very popular among home builders who place safety and security at the top of their priority list.

To respond to further needs, in addition to MIRAIE for conventional framework method houses, we have developed MIRAIE for 2x4 houses, and released it in March 2013. MIRAIE 2x4 is a plywood panel-based seismic damper system, with six high-damping rubbers placed in a balanced way on either side of the plywood panel, and boasts a high earthquake-resistant performance.

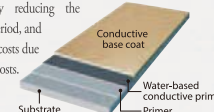


^{*} Figures are based on the shaking table test results and may vary depending on the shape of the building, arrangement of dampers, and seismic wave.

We will actively and widely promote this technology to offer safety, security and comfort to our customers.

Promoting Development of Water-Based Primer for Painted Floor Material

Conductive floors are widely installed in factories manufacturing precision electronic components to prevent products from being damaged by static electricity. However, since a solvent-based primer is used in the conductive primer layer, when renovating factory floors, it is necessary to do the renovation work on holidays when the factory is closed, and perform curing to control the pungent smell of the solvent-based primer, and this costs a considerable amount of money. To overcome these problems, we have developed a water-based conductive primer. While maintain the same level of performance, our newly developed water-based conductive primer is (1) environmentally friendly, (2) makes it possible to renovate floors while the factory is in operation, thereby reducing the renovation work period, and (3) reduces overall costs due to reduced curing costs.



Water-based conductive primer for painted floors

The Voice of Our Employees

Yoshiaki Takemoto

Technical Department 1
Sumitomo Rubber Industries, Ltd.



Always Seeking to Achieve Both High Fuel Efficiency and High Performance

One of the most difficult elements in developing environmentally friendly tires is to find a good balance between fuel efficiency and other performance characteristics. Our VEURO VE303 achieves high levels of performance in many aspects, through optimization of the stiffness distribution during the pattern development process and adoption of a basic skeleton. We now offer a full lineup of fuel-efficient tires. In order to deliver tires that customers truly want, I will continue to strive hard to develop tires that achieve the highest levels of fuel-efficiency and performance.

TOPICS

Winning Prizes for Five Consecutive Years at the Toyota Manufacturers Club Kaizen Festival

The 25th Toyota Manufacturers Club Kaizen Festival was held on December 1, 2012, with a total of 34 companies supplying auto parts to Toyota's manufacturing companies in Indonesia participating in the event. Sumitomo Rubber Group participated in both the Individual and QC Circle categories.

Mr. Abdul Rahman from the Engineering Department at the Indonesia Factory won first place in the Individual category, and a combined team of members from the Engineering, Production, and Production Engineering Departments won second place in the QC Circle category. This marks the 5th consecutive year that Sumitomo Rubber Group has figured in the top three places at the Festival.

These awards recognize the Indonesia Factory's outstanding kaizen performance and unceasing efforts to pursue continuous improvement through PDCA cycles and the implementation of the 2G principles (*Genchi Genbutsu*). The Indonesia Factory will continue to promote factory-wide improvements to achieve even higher goals, so as to ensure a stable supply of safe, high-quality yet affordable products.



Kindness

Creating a Positive Work Environment Where All Employees Can Fully Exhibit Their Unique Personalities and Talents

Fostering Human Resource Development and Making Jobs Rewarding

The Sumitomo Rubber Group encourages its employees to develop their abilities by providing a variety of educational and training programs, including hierarchical employee training, self-development and on-the-job training (OJT).

We have also been implementing various measures to increase employee motivation, such as holding technical skill competitions and improving the variety, content and facilities for training programs, thereby enhancing overall job satisfaction.

Reinforcing Employees' Ability to Delve Deeply into Problems, Management Skills, and Global Competence

Since fiscal 2010, the Sumitomo Rubber Group has been making efforts to develop its human resources with particular emphasis on reinforcing employees' ability to delve deeply into problems and their management skills. As part of these efforts, we have developed a variety of training programs for our employees. Candidate managers are offered training to enable them to acquire the basic knowledge and skills needed for effective decision-making in business and to learn the basic knowledge required for effective workplace management and subordinate training. In addition, on-the-job leader training is provided to all young employees. These training courses aim to increase the ability of managers to lead and to nurture the young employees working under them and to improve young employees' interpersonal and leadership skills.

In fiscal 2012, we started a training program for managerial staff to improve their job execution abilities and management skills.

"Skills Olympics"—Passing on Proprietary Tire Manufacturing Skills to the Next Generation and Improving Employee Motivation

We have held the "Skills Olympics" since 2009, when the Shirakawa Training Center was completed. Our sixth and seventh Skills Olympics were held in 2012. The winners of the sixth Olympics (tread extrusion category) held in May were: Gold Medal: Shirakawa Factory; Silver Medal: Indonesia Factory; Bronze Medal: Changshu Factory (China); and

Special Prize: Izumiotsu Factory. The winners of the seventh Olympics (molding category) held in October were: Gold Medal: Nagoya Factory; Silver Medal: Shirakawa Factory; Bronze Medal: Miyazaki Factory; and Special Prize: Thailand Factory. Factories that have won the gold medal in the past are Shirakawa Factory (three times), Nagoya Factory (twice), and Izumiotsu Factory (twice). Domestic factories have demonstrated outstanding performance at the Skills Olympics.



The 7th Skills Olympics



Prize winners at the 8th Skills Olympics

Promoting Manufacturing Education Based on Unified Global Standards

The Sumitomo Rubber Group opened its Manufacturing Training Center in January 2007 to encourage all of the Group's manufacturing bases throughout the world to carry out consistent, unified training in manufacturing.

We have developed training courses on the themes of "passing on manufacturing skills and the *monozukuri* philosophy" and "response to global business expansion," and offered them to factory supervisors, staff, instructors for overseas factories, and supervisors/managers at overseas factories.

In April 2009, we opened the Shirakawa Training Center. The Center provides a wide variety of training seminars, including upskill training for production management supervisors and would-be overseas representatives, and training to standardize our production technologies. For a true "hands-on experience," training is conducted using actual production equipment.

In fiscal 2012, a total of 1,668 employees received training at the Shirakawa Training Center.



Training in manufacturing at the Shirakawa Training Center

Creating a Safe, Employee-Friendly Workplace

A workplace must be a place where employees can develop professional skills and achieve job satisfaction, while at the same time it must provide them with a safe and pleasant environment. The Sumitomo Rubber Group has been working to create a safe, pleasant working environment while placing special emphasis on the mental and physical health of its employees, occupational health and safety, disaster preparedness, and diversification of employment.



Employees during the virtual risk experience course

training courses and follow-up courses on a regular basis, while accurately monitoring the skill and knowledge levels of individual employees. In fiscal 2012, a total of 34,300 employees participated in these regular training courses.

In addition, to improve employee awareness of workplace hazards, we started a virtual risk experience course, using actual machine models, to allow employees to experience the hazards and risks of the workplace first-hand. A total of 23,500 employees have participated in this course thus far. We also open this course to local companies, and have accepted a total of 900 people from local companies and schools.

In fiscal 2013, as part of our ongoing efforts to develop safety-aware human resources, we plan to improve our safety training programs including the virtual risk experience course, and to create an opportunity for employees to identify potential hazards through observation of actual production activities and the machines used on the shop floor and to discuss how to reduce the risks.

Protecting Employees' Mental Health

To promote employees' mental and emotional well-being, we hold mental health seminars for general employees and managers/supervisors on a periodic basis. In fiscal 2012, we held a total of eight seminars at our business sites nationwide on the theme of "Get Healthy through Self Care." The seminars were attended by 422 participants in total. We also conducted a stress survey across all of our business sites, and to ensure that the results of the stress survey were shared among employees, we presented the results of the stress survey to the entire company and by factory/office. We also held line care training sessions given by counselors for managers/supervisors to deepen their understanding of mental health care in the workplace.

We provide support for employees with mental health problems to assist them in maintaining their mental health in close cooperation with their supervisors, industrial physicians and families. We also ensure that employees with mental health problems are able to access counseling services provided by mental health specialists.



Mental Health Seminar

Training Programs Incorporating Employees' Opinions

In fiscal 2007, 2008, 2010, and 2012, we distributed questionnaires to employees on job satisfaction and attitudes toward the company. Based on the results, we have held training sessions to upgrade coaching skills mainly for managers since fiscal 2010. In the results of the 2012 survey, Sumitomo Rubber's score for the item on relationships between employees and their managers was substantially higher than the average for the manufacturing industry.

The next employee survey is planned for 2014.

Preventing Lifestyle-Related Diseases

To avoid lifestyle-related diseases, in fiscal 2012 we gave

specific health guidance to employees at our eight business locations, based on the data from their annual health checkups. In fiscal 2013, we plan to strengthen our health guidance to reduce the number of employees at risk of developing lifestyle-related diseases.

We also work hard to prevent damage to health from smoking. As part of efforts to encourage our employees to stop smoking, we hold briefing sessions for employees who have abnormal findings in their periodic general health examinations and those wishing to quit smoking. At each session, a detailed explanation is given by an industrial physician to the effect that "cigarette smoke contains carcinogenic substances and cancer promoters, and can promote arteriosclerosis, resulting in the development of respiratory, lung and heart diseases." Our quit smoking briefing sessions aim to get smokers to understand the bad effects of smoking, both for themselves and for the people around them, and to support employees who want to quit smoking.

Education/Enlightenment Activities to Increase Employee Awareness of Occupational Health and Safety

The Sumitomo Rubber Group believes that the most important key to achieving zero workplace accidents is developing safety-aware human resources. To increase employee awareness and understanding of health and safety issues in the workplace, we provide hierarchical

The Voice of Our Employees

Maiko Murashima

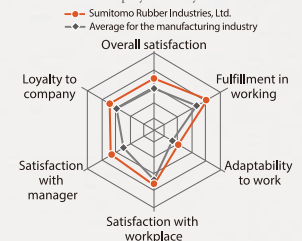
Planning Department
Hybrid Rubber Products HQ
Sumitomo Rubber Industries, Ltd.



I have Learned the Importance of Taking a Broad Perspective and Long-Term View on the Fifth-Year Training Course.

I participated in the 5th-year training course in which participants (in small groups of four people) simulate the management of a company. I learned the importance of looking at and closely analyzing the company's situation and the whole market in making a decision on the future direction of the company. I also learned the importance of fulfilling our responsibility to all stakeholders with sincerity, including a return on profits for shareholders. I think our Group's hierarchical training is very good in that it focuses on strengthening the ability to delve into problems and yields immediate effects.

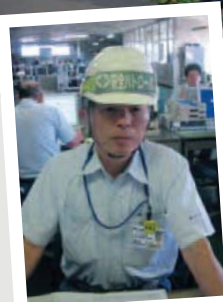
Fiscal 2012 Employee Survey Results



Creating a Positive Work Environment Where All Employees Can Fully Exhibit Their Unique Personalities and Talents



A firefighting and evacuation drill at the Izumiotsu Factory



The Voice of Our Employees

Ryoji Makimoto

Person in charge of health and safety
Izumiotsu Factory
Sumitomo Rubber Industries, Ltd.

Achieving Zero Workplace Accidents by Developing Employees Who Can Protect Themselves by Themselves

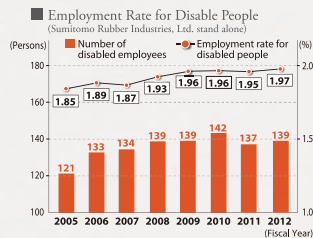
In fiscal 2012, we promoted safety activities, with a special focus on developing "employees who can protect themselves by themselves." As part of this, we introduced hazard prediction activities, in which employees working at our factory were encouraged to find hazards in their workplace and submit hazard prediction (KY) sheets. Each workplace discussed the hazards pointed out in the submitted KY sheets and how to deal with them, and set their own rules to improve their workplace. The Safety and Environment Department followed up the progress of the measures being implemented at each workplace and they were all successfully completed. We also held firefighting drills to train employees how to use fire extinguishing equipment properly. We introduced various initiatives to encourage individual employees to think about what needs to be done to prevent accidents, and act independently. As a result of these efforts, in fiscal 2012 we achieved zero workplace accidents. In fiscal 2013, we will continue with our factory-wide accident prevention involving all factory members to achieve zero workplace accidents.

Auditing Measures to Prevent Workplace Accidents at Actual Production Sites

With a fire at another company and within the Sumitomo Rubber Group acting as the trigger, in 2007 we began to audit the accident prevention measures implemented at our factories to prevent the lessons learned from past accidents involving fire from being forgotten. In the first year (2007), only nine factories were audited in Japan and overseas, but in fiscal 2012, we audited a total of 20 factories inside and outside of Japan. In each audit, we check the status of fire prevention activities including hazardous materials management, and activities to minimize damage from fire, including installation of fire equipment signs and evacuation route signs, and fire extinguishing and evacuation drills. Since 2010, our domestic factories have undergone a comprehensive accident prevention audit, including dealing with large earthquakes. We believe that thanks to our daily accident prevention activities, we were able to minimize the damage to our factories during the Great East Japan Earthquake. Under the slogan: "All employees participating in accident prevention activities to achieve zero workplace accidents," we will strive to protect our employees and local communities from accidents.

Expanding Employment Opportunities for Disabled People

The Sumitomo Rubber Group companies encourage the recruitment of disabled people by keeping close contact with their local Hello Work offices (public employment security offices). Many disabled people are working in various departments and are engaged in various types of work—not only ordinary office work, but also light work on production lines and CAD work. Before deciding where they will work, we carefully assess the aptitude and abilities of each person jointly with a candidate section, to ensure that each individual is assigned to an appropriate workplace. We also seek to create an environment that is easy and comfortable for disabled employees to work in. Such efforts include making our new buildings completely barrier-free, installing disabled-accessible toilets and elevators, and setting the height of card readers to meet official standards for disabled people.



Roundtable Meeting with the President

Achieving a Work-Life Balance

The Sumitomo Rubber Group has active discussions internally about what are the ideal working style and work-life balance of our employees. To enable individual employees to realize the working style they desire and live a fulfilling life, we will continue to work proactively to raise awareness and improve systems.

Free and Open-Minded Exchange of Views with the President

The Sumitomo Rubber Group provides periodic opportunities for management and employees to share problems and exchange their ideas and views. Since fiscal 2006, informal roundtable meetings have been held to deepen communication between the President and young employees. Usually, about 10 young employees attend each meeting and discuss various topics freely with the President, including family, hobbies, and the President's view of life. To ensure a frank dialogue, all discussions are kept off-the-record. Also to help strengthen horizontal relationships between employees, we ensure that participants are in the same age group at each meeting. In fiscal 2012, a total of 18 meetings were held for employees in the position of deputy section manager and new employees, attended by 199 people in total. We plan to continue providing employees in all sections and at all job grades with opportunities to exchange opinions with the President.

Promoting Various Work-Life Balance Initiatives as the First Company in the Tire Industry to Obtain KURUMIN Certification

Sumitomo Rubber Industries, Ltd. has established various support systems for maternity and child rearing, and worked to raise employee awareness of maternity leave and other support systems. As a result, at Sumitomo Rubber



Mini-Athletic Meet



The Voice of Our Employees

Satomi Inoue

Material Department 1
Sumitomo Rubber Industries, Ltd.

Expecting Greater Support for Work-Life Balance

I took childcare leave for one year-and-seven-months from September 2011. Thanks to an adequate period of time to hand over my work, I was able to take leave and concentrate on taking care of my child without any worries. After returning to work, I am taking advantage of the short-time work system to allow me to handle both work and child rearing. I hope that our working environment will be further improved, enabling employees to use the short-time work system and paid leave reserve system more easily. I anticipate that the company will continue to provide support for work-life balance.

Industries, all female employees who gave birth took childcare leave. We also encourage male employees to take childcare leave when their partners have a baby. Other measures to improve work-life balance include: introducing a flexible working style that allows childcare, setting up workshop observation days for family members, reducing overtime and encouraging employees to take paid holidays. In recognition of these efforts, in fiscal 2009 we became the first company in the tire industry to obtain KURUMIN certification and we have maintained this certification since then. We will continue working actively to help our employees balance their work with their private lives through various work-life balance programs.



Encouraging Employees to Take Advantage of Our Childcare and Family-Care Support Systems

In 2010, the Sumitomo Rubber Group enhanced its childcare and family-care support programs. We relaxed the limit on the number of times a male employee can take

childcare leave, so that when a male employee takes his first childcare leave within the first eight weeks after the birth of a baby, he can take a second childcare leave before the child reaches the age of two. We also introduced the family-care leave system to allow employees who need to care for family members to take leave. In fiscal 2012, we relaxed the restrictions on the start and end dates for the short-time work system for childcare. We will continue to make employees aware of our childcare and family-care support systems through our intranet, and thereby increase the use of these systems.

■ Number of Employees Who Took Advantage of Childcare Leave, Short-Time Work and Family-Care Leave Systems (Sumitomo Rubber Industries, Ltd. stand alone)

	Fiscal Year	2008	2009	2010	2011	2012
		Childcare leave				
Male		0	1	1	3	0
Female		12	8	18	15	15
Short-time work						
Male		0	1	0	1	0
Female		5	10	4	18	15
Family-care leave						
Male		0	0	0	1	2
Female		1	0	0	0	0

(Units: persons)

Always Listening to Stakeholders Company

the Voices of Our to Remain a Open to Society

Ensuring Thorough Corporate Governance

Good corporate governance is essential for a company to act with integrity toward all its stakeholders and protect their interests. With the aim of contributing to the development of society and economy as a good corporate citizen, the Sumitomo Rubber Group has strived to enhance all aspects of its corporate governance. As a global company, we will continue to make efforts to promote good corporate governance, while paying close attention to the voice of international society.

Basic Approach to Corporate Governance

The Sumitomo Rubber Group's basic management policy is to enhance its corporate value as a promising and reliable global company for the benefit of all stakeholders including shareholders. Enhancing corporate governance is a major management objective, and we are continuously striving to achieve strict compliance with relevant laws and regulations and to strengthen our internal control system so as to improve overall management efficiency and transparency. Sumitomo Rubber Industries, Ltd. has adopted a corporate system with a Board of Auditors. To reinforce the management supervisory function, three of the five corporate auditors serve as outside auditors. Each corporate auditor hears reports on the status of job execution from directors and carries out on-site audits to examine the operations of each division and department, and provides comments and opinions at important meetings including Board of Directors meetings. All of our outside directors (two outside directors and three outside auditors) are registered as independent directors, in accordance with the rules of the Tokyo Stock Exchange.

Basic Approach to Risk Management

The Sumitomo Rubber Group defines a risk as "a factor that may interfere with or exert a bad effect on the smooth execution of business activities or the achievement of management objectives/strategies based on the Group's management philosophy." To reduce or minimize risks rationally, we identify risks, assess their relative importance, and dedicate an appropriate amount of our operating expenses and efforts to priority risks. We determine the relative importance of risks by taking into account not only financial impact, but also the following: 1) ensuring quality and safety; 2) maintaining a good relationship with stakeholders; 3) compliance with laws and regulations, maintaining corporate ethics; and 4) the Sumitomo Business Spirit, Group Philosophy, and Group Code of Conduct.



BCP training

In fiscal 2012, we developed and implemented measures to address the priority risks identified in fiscal 2011. In fiscal 2013, while continuing to implement measures to address the priority risks, we plan to conduct a group-wide risk assessment to reevaluate the key risks that were previously identified and identify new risks.

Business Continuity Plan (BCP)

Since fiscal 2010, we have been developing earthquake BCPs for our tire factories. In fiscal 2012, we developed earthquake BCPs for Kobe Head Office and Tokyo Head Office, in addition to BCPs for some of the factories for which a BCP has not yet been developed. Our earthquake BCPs are centered on disaster

preparedness, initial response immediately after the disaster, and early recovery activities, to enable us to continue or resume business operations as quickly as possible in the event of an earthquake. In fiscal 2013, we plan to develop an earthquake BCP for the Kakogawa Factory, to ensure that all our business sites in Japan have an earthquake BCP in place. For the factories where an earthquake BCP has already been in place, we will monitor the progress of the measures specified in the earthquake BCPs and assess their effectiveness.



Compliance training

Ensuring Thorough Compliance

Compliance with laws and regulations and maintaining corporate ethics is the most basic of the basics of corporate governance. Continuing to do so perfectly is a company's social responsibility. The Sumitomo Rubber Group has been implementing various initiatives to ensure thorough compliance.

Preventing Misconduct through Dissemination of the Code of Conduct

By clearly laying out compliance with the Political Funds Control Act and the Public Offices Election Act, prohibition of bribery, and prohibition of association with anti-social forces, the Sumitomo Rubber Group Code of Conduct requires its employees to act in an ethical and legal manner and not engage in any wrongful conduct. In fiscal 2012, we continued our efforts to propagate the Code of Conduct through all our business sites both in Japan and overseas. We also conducted legal risk assessments and worked to raise the compliance awareness of our employees. For overseas representatives, we held training seminars specifically designed for them and

provided information via the intranet to deepen their understanding of the Code of Conduct. In line with our overseas business expansion, in fiscal 2012 we deepened and expanded our compliance efforts overseas to prevent misconduct. As part of such efforts, we conducted compliance risk assessments for our overseas sales companies, and held training courses on competition law for local employees.

Establishing Internal and External Reporting Systems to Respond Appropriately to Reported Incidents

We established a compliance counseling room in February 2003. Since then, we have been working to encourage our employees to promptly report any suspected misconduct

The Voice of Our Employees

Yutaka Hatada

Lawyer
Deputy Section Manager
Legal Department
Sumitomo Rubber Industries, Ltd.



Striving to Ensure Thorough Compliance at Overseas Bases

With our accelerating global expansion, we are working to improve local staff members' ability to perform legal examinations and their ability to exercise good judgment, through the provision of translated manuals and legal training courses. Enforcement of the competition law is getting stricter around the world. Under these circumstances, we held a lecture on overseas competition laws in November 2012. We also conducted compliance risk assessments at our major overseas bases. We will step up our efforts to ensure thorough compliance at our overseas business bases. We plan to conduct compliance audits and hold legal training courses at our business bases in Japan.

by ensuring that whistleblowers do not suffer retaliation or adverse consequences. In fiscal 2012, a total of six complaints or reports were filed, mainly about labor issue. Through the compliance counseling room, we will continue to work to discover unfair practices and wrongdoings and to prevent little difficulties from growing into serious problems.

Raising Compliance Awareness among Employees

As part of efforts to raise compliance awareness among our employees, the Sumitomo Rubber Group provides a detailed explanation of compliance issues during new employee training, hierarchical training and other training sessions. In fiscal 2012, we held lectures on overseas competition law and briefing sessions on export control and the Subcontract Act for managerial staff. We also held briefing sessions on compliance, the Anti Monopoly Law, and the Subcontract Act for our group companies. In an effort to increase compliance awareness in every employee, we improved the Legal Department's website and provided compliance-related information via the intranet.



"Write Smart" Training Course
(Training on how to write documents that are in compliance with the Product Liability Law and the Law for the Prevention of Unreasonable Premiums and Misrepresentation concerning Products and Services)

Always Listening to the Voices of Our Stakeholders to Remain a Company Open to Society

Promoting Dialog with Stakeholders

As corporate activities expand globally, stakeholders are becoming increasingly diverse. Always staying open-minded, the Sumitomo Rubber Group has been actively working to promote dialogue with its stakeholders to win their support, and thus continue to grow as a company that can take on greater social responsibilities.

1 For Customers

Tire Business Unit's Efforts

In the tire business unit, the Dunlop Tire Sales Division set up its Customer Service Office in fiscal 2001. The Office analyzes inquiries and complaints received from customers, and liaises with the relevant departments to collaborate in resolving the issues, thereby improving our products and services. In fiscal 2012, the Office received a total of 6,819 inquiries and complaints. The inquiries were mostly related to tire specifications (part names, dimensions) and production selection, while the complaints mostly pertained to tire abrasion. The Office responded to these inquiries and complaints quickly. In response to customer feedback, we publicized on our website a "List of Characteristics by Brand," which had been available only in printed catalogs, enabling customers to check out each product's characteristics easily online. To shorten the time



List of Characteristics by Brand on our website

customers spend on a call, we combined several separate documents into one to enable service staff to retrieve the information they need more easily and rapidly. As a result, the average response time per inquiry was reduced by 15% compared to the previous year.

We will continue to improve our website as well as our customer support services at the Customer Service Office, thereby further increasing customer satisfaction.

Sports Business Unit's Efforts

Dunlop Sports Co., Ltd. established its Customer Service Office in fiscal 2003. The Golf Products Division and the Tennis Products Division set up After Service Centers in fiscal 2007 and 2008, respectively to upgrade their customer support systems.

In fiscal 2012, numerous inquiries were received about new products, events & campaigns, products used by professional golfers and tennis players, overseas models, and whether customers' golf clubs are counterfeit or not. We worked to improve the quality of our service by responding to inquiries and requests promptly and efficiently. Our customer service staffs are committed to providing prompt and appropriate response to customer inquiries, complaints and suggestions. They also liaise with the relevant departments to ensure that opinions and suggestions received from customers are used quickly and effectively to develop new products, to improve our products and services, and to enhance our sales promotion activities (advertisements, descriptions in catalogs, etc.).

Industrial and Other Products Business Unit's Efforts

In our industrial and other products business, Dunlop Home Products, Ltd. which sells general-purpose gloves and housewares, released a new glove series made from trees in 2010. When a customer buys a pair of the new gloves, one yen is donated to global environmental

preservation or social contribution activities under the slogan "1 PAIR for 1 LOVE." In fiscal 2012, various activities were undertaken, including tree-planting activities in Malaysia, support for the Pink-Ribbon campaign and Ikumen (men who proactively take part in child-rearing) campaign, and support for recovery efforts for the Great East Japan Earthquake. We also participated in "Earth Day Tokyo," where we publicized the environmental friendliness of natural rubber gloves, as well as our social contribution activities "1 PAIR for 1 LOVE."

We are striving to further raise customer satisfaction by improving our website to make the information provided easier to understand and by disseminating product information through various internet channels, including Twitter and Facebook.



"Gloves made from trees"



Tree-planting activities in Malaysia



Tire Replacement Skills Contest

Tire Replacement Skills Contest

With the aim of eradicating accidents during tire replacement and improving the quality of our tire service, the third Tire Replacement Skills Contest was held under two categories: passenger cars and trucks/buses. Ten participants representing sales companies throughout Japan competed in both practical skills and written tests. The practical skills test was very difficult, requiring a high level of skill; in the passenger cars category, participants were asked to put flat tires onto wheels with TPMS (tire pressure monitoring system), and in the trucks/buses category, participants were asked to replace 19.5-inch tires. In addition to tire replacement, participants were judged on tire inspections, in which they had to find problems. (They were not informed whether there was a problem.) The winners of the passenger cars and trucks/buses categories were Mr. Masatoshi Yamamoto and Mr. Yusaku Terada, respectively. Both of them are service staff members of Tire Land Niihama West of Dunlop Tire Shikoku Co., Ltd. In their shop, a transfer of skills and knowledge from experienced members to newer members takes place on a daily basis, which led to them winning in



Tire Replacement Skills Contest

The Voice of Our Employees

Shinji Takahashi

Deputy Section Manager
Technical Service Department
Dunlop Tire Sales HQ
Sumitomo Rubber Industries, Ltd.



Building a Personal Connection with Customers through Telephone Inquiry Service

To shorten the time customers spend on a call as much as possible, we combined several separate documents into one to enable service staff to retrieve the information they need more rapidly. When we cannot answer the telephone inquiry immediately, we ask the customer to allow us to call back later with a reliable answer. Thanks to these improvements, the average response time was reduced by 13% (3.03 minutes/inquiry), exceeding the target of 10% from the previous year. Aiming to become a customer service office that earns the gratitude of its customers, we will work not only to provide a quick response, but also to create a personal connection with our customers.

both categories (for two consecutive years in the trucks/buses category).

We will continue this contest in the future, and through various activities including this contest we will strive to improve the quality of technical service at stores directly operated by our sales companies throughout Japan.

Customer Service Skills Contest

The 2012 event marked the seventh Customer Service Skills Contest. Ten participants representing sales companies competed against one another in role-playing events, in which participants simulated an interaction with a customer, from welcoming a customer to seeing a customer off.

The winner was Mr. Mizumoto, Store Manager of Tire Select Takatsuki of Dunlop Tire Kinki Co., Ltd. His excellent customer service skills backed by long experience, coupled with his enthusiasm for the contest brought him first place with a marked difference from the second participant. In addition to good manners and consideration toward the customer, he demonstrated outstanding skills in explaining products in plain language and in an easy-to-understand manner. We will continue our efforts to improve customer service at our directly-managed stores, keeping the viewpoint of our customers in mind, so as to increase the number of Dunlop fans.



Customer Service Skills Contest

Making Use of Customer Feedback to Improve Our Products and Services

The Sumitomo Rubber Group strives to improve customer satisfaction by utilizing customer feedback. The sales department and quality assurance department at each office

serve as the point of contact with customers by responding to their requests and opinions. Comments received from customers are shared among relevant departments and assembled to improve our products and services. We also set up a customer service office in each business unit to obtain honest and straightforward opinions from our customers. We ensure that customer inquiries and complaints—whether important or trivial—are addressed appropriately.

2 For Suppliers

Building Solid Partnerships with Suppliers through Fair and Open Corporate Activities

Under the Sumitomo Rubber Group's commitment to fair and open business activities, we have prepared and implemented Procurement Guidelines to establish solid partnerships with our suppliers. We also revise our Guidelines when necessary in order to reflect changes in laws and regulations as well as changes in the external environment. We also welcome suppliers' suggestions regarding improvements (value-analysis [VA] suggestions) and suggestions for design modifications (value-engineering [VE] suggestions). We have established a centralized purchasing system, under which the purchasing activities of the Group are centralized, except for Dunlop Sports Co., Ltd. and SRI Engineering Ltd., both of which handle different products from Sumitomo Rubber Industries, and suppliers, quantities, items, etc. are managed in an integrated manner. We will continue to standardize parts, fully exploiting the advantages of centralized purchasing.

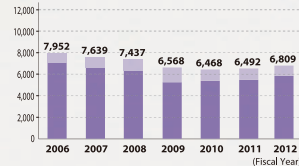
Promoting CSR Procurement in Cooperation with Suppliers

The Sumitomo Rubber Group aims to promote CSR procurement, encompassing not only quality, price and delivery time, but also legal compliance, human rights and labor practices.

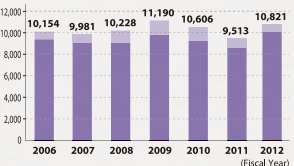
In fiscal 2012, we held several meetings, inviting five to 10 companies to each meeting, to discuss and exchange views on CSR with our suppliers, thereby expanding CSR activities across the entire supply chain.

We will continue to create opportunities to exchange information and interview our suppliers regarding CSR.

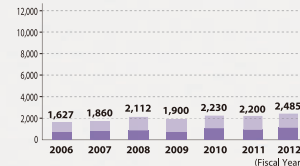
Number of Complaints and Inquiries Received by Each Business Unit



Sports Business



Industrial and Other Products Business



Always Listening to the Voices of Our Stakeholders to Remain a Company Open to Society

Strengthening Online Reverse Auctions for Material Procurement Open to Both Domestic and Foreign Suppliers

To ensure fair and open procurement of materials, the Sumitomo Rubber Group established an open procurement system on our website in fiscal 2004. We provide an open environment where any company that meets all the standards (including standards for chemical substance management) in our Procurement Guidelines can participate in our procurement auctions, regardless of whether or not they have engaged in transactions with us in the past. Since our website is part of the World Wide Web, overseas suppliers can also participate in our auctions. We believe that online auctions are effective means of global material procurement. In fiscal 2012, we held a total of 68 auctions, mainly for leasing and equipment installation. In fiscal 2013, we will continue our efforts to expand participation in our online reverse auctions, which allows buyer to select the sellers they prefer.

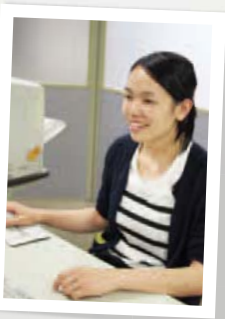


financial settlement briefing



Employees take part in the "KOBELIVE 2012" Yosakoi dance festival

The Voice of Our Stakeholders



Mayumi Yukawa
Representative Director of SEIN,
a specified nonprofit corporation

Working Hand in Hand to Expand the Circle of Cooperation

SEIN recommends NGOs/NPOs worthy of receiving donations from Sumitomo Rubber Industries' CSR fund and follows up recipients' activities. We also provide information to the Izumiiso Factory on local volunteer activities in which the factory could participate. In fiscal 2012, we asked SRI's CSR Promotion Office to dispatch the person in charge of CSR activities to talk about the CSR activities undertaken by SRI. We will coordinate the cooperation between companies and NPOs/NGOs. We hope that SRI will be our partner in our efforts to solve local problems and build an ideal community. We hope for the active participation and cooperation of SRI employees.

3 For Shareholders and Investors

Steady Returns for Shareholders

In fiscal 2012, Sumitomo Rubber Industries, Ltd. paid a dividend of 30 yen per share to our shareholders, up seven yen from last year. We regard the return of profits to shareholders as one of our most important management priorities. Our basic policy is to provide steady returns to our shareholders over the long term while carefully assessing payout ratios, prospects for future performance and retained earnings levels on a consolidated basis. Retained earnings are directed towards capital investments and advance investments such as R&D to expand our future revenue base.

Meaningful Communication with Shareholders

In addition to letting shareholders know about company management and our business activities at general shareholders' meetings, Sumitomo Rubber Industries, Ltd. hosts explanatory meetings for analysts and institutional investors to coincide with our quarterly earnings announcements. We also organize personal interviews and press events for analysts and institutional investors. In addition to these investor relations activities, we also disclose information on our financial and operating performance and other management information through our IR Website. Information contained in the IR

section includes: schedules of general shareholders' meetings and explanatory meetings for institutional investors, convocation notice of general shareholders' meeting, information for shareholders, brief financial statements, reference materials for financial settlement briefings, securities reports and annual reports (in both English and Japanese). Since fiscal 2010, we have conducted a questionnaire survey of individual shareholders in September. Some of the comments and questions raised in the survey are answered in our "Information for Shareholders" leaflet (the March issue of the following year). We will reflect shareholders' opinions in our future management and IR activities.



Annual report



Information for Shareholders leaflet

Keeping Social Contributions in Constant Motion

In addition to GENKI Activities—local contribution activities planned and implemented by each factory/office that have continued for 20 years—as a good corporate citizen, the Sumitomo Rubber Group has been promoting group-wide social contribution initiatives, including tree-planting and volunteer activities and interaction with local communities in cooperation with NGOs and NPOs. In the future, we will continue to promote our social contribution activities, based on our policy of "relationship with society" outlined in our Code of Conduct.

Corporate Code of Conduct—Relationship with Society

As a good corporate citizen, the Sumitomo Rubber Group will actively promote local and social contributions and global environmental preservation.

- Based on its Basic Philosophy for CSR, the Sumitomo Rubber Group seeks to be a trusted corporate citizen that contributes to building a sustainable society.
- All executives and employees of the Sumitomo Rubber Group will engage in social contribution activities oriented to local communities, so that all Group companies become trusted and valued members of their communities.
- The Sumitomo Rubber Group will not only comply with all applicable environmental laws and regulations, but will also make the greatest possible efforts to minimize any adverse impact of our business activities and our products and services on the global environment.

Cooperation with Local NGOs and NPOs

Working in cooperation with local NGOs and NPOs, we have been promoting dialogue and interchange with a wide range of stakeholders. In fiscal 2012, we cooperated with NPOs in Hyogo, Tokyo, Fukushima, Aichi, Miyazaki and Osaka Prefectures in determining which groups and organizations should receive support under our CSR fund. We also conducted volunteer activities to support reconstruction of the areas affected by the Great East Japan Earthquake, in cooperation with local NPOs. In addition, we also received information on volunteer activities from the Kobe Empower Center, an officially specified nonprofit corporation, and SEIN, another specified nonprofit corporation, so that our employees could participate in volunteer activities more easily. During the same fiscal year, our employees took part in "KOBELIVE 2012," a *yosakoi* dance festival sponsored by Sasso Japan, which is also a specified nonprofit corporation.

Dialogue and Cooperation with Local Citizens' Groups

The CSR Promotion Office and the sections in charge of CSR activities at our operating sites are responsible for dialogues with local stakeholders, and arrange for opportunities to speak with local residents and citizens' groups. The Safety Environment Management Division and other relevant departments also participate in dialogues, when necessary. The topics and issues discussed in dialogues with local residents and citizens' groups are reviewed at the management meeting. Since fiscal 2009, we have held annual stakeholder dialogues with outside experts. The CSR Promotion Office serves as a contact for local stakeholders, and organizes dialogues with various stakeholders to maintain a good relationship with local communities. In the future, we will develop a system that enables us to reflect the opinions and suggestions of stakeholders more effectively in our business activities.



The Voice of Our Employees

Akihiro Hamana
Purchasing Department
Sumitomo Rubber Industries, Ltd.

Strengthening CSR Activities throughout the Entire Supply Chain

We held meetings to exchange views on CSR with our suppliers. These meetings were well received, and we were greatly encouraged by the comments from our suppliers, such as "The meeting gave me an opportunity to become aware of CSR." We will continue to hold seminars and other events to ensure that CSR activities take root throughout the supply chain. In recent years, the issue of conflict minerals has received increased attention, making it necessary for companies to trace the source of conflict minerals in their supply chain. In accordance with our basic CSR philosophy, the Sumitomo Rubber Group will continue to work to raise CSR awareness among our suppliers and promote CSR activities throughout the supply chain.

CSR Fund

In July 2009, Sumitomo Rubber Industries, Ltd. established a CSR fund to financially support groups and organizations that are working to protect the environment, provide relief to disaster victims and solve various other societal problems specific to areas in which our group companies and their business offices are located. This fund is operating using a Matching Gift system in which all donations from employees are matched by donations from the company. The number of areas and organizations that our CSR fund supports has increased year on year, and in fiscal 2012, our CSR fund made total contributions of 5.5 million yen to 27 different groups in six prefectures (Fukushima, Tokyo, Aichi, Osaka, Hyogo, and Miyazaki).



An activity by a non-profit organization, sponsored by our CSR fund

Domestic Site Reports

Domestic Factories and Affiliated Companies

Domestic Factories and Affiliated Companies

*All of the business sites presented in this section have obtained ISO 14001 Global Integrated Certification and have implemented an integrated environmental management system (Certificate Number: YKA 4004047).

Shirakawa Factory

Location 1 Hirokubo, Kurabeishi, Shirakawa, Fukushima 961-0017, Japan
Tel: +81-248-22-3311 Fax: +81-248-22-5689

Number of Employees 1,646

Opened 1974

Main Products Automobile tires

Achieved Complete Zero Waste Disposal 2004



■ "Playing with Nature in the Shirakawa Factory," an event jointly conducted with an NPO to provide an opportunity for children who cannot play outdoor due to fear of radiation to play in natural surroundings



■ Donating PET bottle caps (680kg) collected at the Shirakawa Factory to Fukushima Prefecture

Nagoya Factory

Location 4-1 Shinsei-cho, Toyota, Aichi 471-0837, Japan
Tel: +81-565-28-2345 Fax: +81-565-29-3565

Number of Employees 1,408

Opened 1961

Main Products Automobile tires

Achieved Complete Zero Waste Disposal 2004



■ Children invited from a local children's group to observe "Medaka no Ike (Killifish Pond)"



■ "Firefighting Festa" visited by many local residents, where seedlings grown from acorns were presented to them, free of charge

Izumiotsumi Factory

Location 9-1 Kawahara-cho, Izumiotsumi, Osaka 595-8650, Japan
Tel: +81-725-21-1286 Fax: +81-725-21-1112

Number of Employees 451

Opened 1944

Main Products Automobile tires, Precision rubber parts for medical equipment

Achieved Complete Zero Waste Disposal 2005



■ Participating in local traffic warden program, to help elementary school children cross the street safely on their way to and from school



■ Cleaning the areas along the marathon route, as part of activities to support the Senshu International City Marathon

Dunlop Retread Service Co., Ltd.

Location 355-9 Kitaoka-cho, Ono, Hyogo 675-1318, Japan
Tel: +81-794-63-0543 Fax: +81-794-63-6510

Number of Employees 54

Opened 1972

Main Products Manufacture/sale of retread tires

Achieved Complete Zero Waste Disposal 2010



■ Cleaning up Ebetsu Industrial Park



■ Tree-planting at Shigosen-no-Mori

Miyazaki Factory

Location 3 Tohoku-cho, Miyakonojo, Miyazaki 885-0004, Japan
Tel: +81-986-38-1311 Fax: +81-986-38-4129

Number of Employees 1,469

Opened 1976

Main Products Automobile tires

Achieved Complete Zero Waste Disposal 2004



■ "Kokenger" presenting beetles to local children. Kokenger is very popular among children!



■ Planting *Echinosia setifer* (an endangered species) with local residents

Ichijima Factory

Location 5 Kajiwara, Ichijima-cho, Tamba, Hyogo 669-4323, Japan
Tel: +81-795-85-3000 Fax: +81-795-85-3002

Number of Employees 130

Opened 1996

Main Products Golf balls

Achieved Complete Zero Waste Disposal 2005



■ Presenting watermelons grown in the company's vegetable garden to a nursing home



■ A golf lesson for local residents

Kakogawa Factory

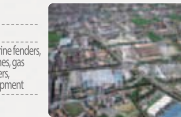
Location 410-1, Kitano, Noguchi-cho, Kakogawa, Hyogo 675-0011, Japan
Tel: +81-79-424-0111 Fax: +81-79-426-0189

Number of Employees 446

Opened 1972

Main Products Blankets for offset printing presses, marine fenders, precision rubber parts for office machines, gas tubing, vibration control rubber dampers, precision rubber parts for medical equipment

Achieved Complete Zero Waste Disposal 2005



■ A Rubber Class for elementary school children in the neighborhood



■ Inviting local elementary school students to tour the factory (gas pipe production process)

Nakata Engineering Co., Ltd.

Location 619 Kande-cho-minami, Nishi-ku, Kobe, Hyogo 651-2312, Japan
Tel: +81-78-965-1015 Fax: +81-78-965-0300

Number of Employees 129

Opened 1914

Main Products Design/manufacture/sale of machines and equipment for the manufacture of rubber products

Achieved Complete Zero Waste Disposal 2008



■ Collecting PET bottle caps, pull tabs and Ball Marks under the "Eco-Love for the Earth, Love for Children" campaign



■ Cleaning up the area around the factory bus stop (in addition to annual clean ups)

Dunlop Golf Club Corp.

Location 3 Tohoku-cho, Miyakonojo, Miyazaki 885-0004, Japan
Tel: +81-986-38-4679 Fax: +81-986-27-5026

Number of Employees 223

Opened 1989*

Main Products Golf clubs

Achieved Complete Zero Waste Disposal 2006



■ Guiding cars into parking spaces at the Miyakonojo Volunteer Festival venue



■ Tire-check (tread depth, air pressure, cracks/abrasions) event at the Michi-no-Eki Takaoka

*The year in which the Miyazaki Head Office and Factory commenced operations

SRI Engineering Ltd.

Location 1960 Mizuashi, Noguchi-cho, Kakogawa, Hyogo 675-0019, Japan
Tel: +81-79-426-2702 Fax: +81-79-426-2977

Number of Employees 157

Opened 2003

Main Products Design/manufacture of metallic molds for tire production

Achieved Complete Zero Waste Disposal 2008



■ Picking up litter around the company



■ Cleaning up around the parking lot

Overseas Factories

*All of the business sites (except the Golf Club Factory in the US) presented in this section have obtained ISO 14001 Global Integrated Certification and implemented an integrated environmental management system (Certificate Number: YKA 4004047).

Indonesia Factory

(P.T. Sumi Rubber Indonesia)

Location Cikampek, Indonesia
Tel: +62-264-351346 Fax: +62-264-351345

Number of Employees 3,445
Opened 1997
Main Products Automobile tires, golf balls
Achieved Complete Zero Waste Disposal 2008



■ Mosquito control activities conducted to prevent the spread of dengue fever



■ Donating trees

Changshu Factory (China)

(Sumitomo Rubber (Changshu) Co., Ltd.)

Location Economic Development Zone, Changshu, Jiangsu, China
Tel: +86-512-5269-0502 Fax: +86-512-5269-5022

Number of Employees 2,198
Opened 2004
Main Products Automobile tires
Achieved Complete Zero Waste Disposal 2006



■ Volunteer employees visiting orphanages



■ Green curtain project

Hunan Factory (China)

(Sumitomo Rubber (Hunan) Co., Ltd.)

Location Changsha, Hunan, China
Tel: +86-731-8978-0001 Fax: +86-731-8978-0022

Number of Employees 453
Opened 2012
Main Products Automobile tires



■ Cleaning up the park



■ Cleaning up around the factory

Thailand Factory

(Sumitomo Rubber (Thailand) Co., Ltd.)

Location Amata City Industrial Estate, Rayong, Thailand
Tel: +66-38-953-000 Fax: +66-38-953-021

Number of Employees 4,409
Opened 2006
Main Products Automobile tires
Achieved Complete Zero Waste Disposal 2009



■ Cleaning up the beach, with the participation of all employees



■ Volunteer activities at a nearby temple

Thailand Factory (Natural Rubber Processing)

(Sumitomo Rubber (Thailand) Corporation Co., Ltd. (STEC))

Location Udonthani City, Udonthani, Thailand
Tel: +66-42-130-199 Fax: +66-42-130-200

Number of Employees 316
Opened 2010
Main Products Natural rubber products
Achieved Complete Zero Waste Disposal 2013



■ Cleaning up around the factory



■ Making donations for construction of a recreation and relaxation facility for local residents

Zhongshan Factory (China)

(Zhongshan Sumirubber Precision Rubber Ltd.)

Location Zhongshan Torch High-Tech Industry Development Zone, Zhongshan, Guangdong, China
Tel: +86-760-85314773 Fax: +86-760-85598924

Number of Employees 472
Opened 2001
Main Products Precision rubber parts for office machines
Achieved Complete Zero Waste Disposal 2008



■ Donating books



■ Picking up litter around the factory

Vietnam Factory

(Sumirubber Vietnam, Ltd.)

Location An Dong Commune, Hai Phong City, Vietnam
Tel: +84-31-3743270 Fax: +84-31-3743272

Number of Employees 558
Opened 2007
Main Products Precision rubber parts for office machines
Achieved Complete Zero Waste Disposal 2009



■ Planting roses in the factory garden



■ Tree-planting activities

Malaysia Factory

(Sumirubber Malaysia Sdn. Bhd.)

Location Sungai Petani, Kedah, Malaysia
Tel: +60-4-4213121 Fax: +60-4-4213123

Number of Employees 622
Opened 1981
Main Products Rubber gloves
Achieved Complete Zero Waste Disposal 2010



■ Cleaning up around the factory



■ Tree-planting within the factory

Thailand Factory (Tennis Balls)

(Srixon Sports Manufacturing (Thailand) Co., Ltd.)

Location Kabinburi District, Prachinburi Province, Thailand
Tel: +66-3720-4868-71 Fax: +66-3720-4872

Number of Employees 306
Opened 2007
Main Products Tennis balls
Achieved Complete Zero Waste Disposal 2011



■ Tree-planting in local areas



■ Making donations to a local elementary school on Children's Day

Cleveland Golf Head Office and Factory, USA

(Roger Cleveland Golf Company, Inc.)

Location Huntington Beach, California, USA
Tel: +1-714-889-1300 Fax: +1-714-889-5890

Number of Employees 290
Opened 1982
Main Products Golf clubs



■ A poster for the campaign to encourage paper recycling



■ Children heading for the Golf Clinic Event for juniors organized by the company



Hiroaki Tanaka
Representative Director and Managing Executive Officer
Sumitomo Rubber Industries, Ltd.

PROFILE
Joined the company in 1976. Served as General Manager of the Industrial Product Planning Division in 2000, Executive Officer in 2003, and Director & Senior Executive Officer in 2007. He has been in his current position since 2011.

Stakeholder Opinions

Stakeholder Dialogue

How an outside expert sees the Sumitomo Rubber Group



Katsuhiko Kokubu
Professor at the Graduate School of
Business Administration, Kobe University

PROFILE
Completed the doctoral program in business administration at Osaka City University Graduate School. After serving as assistant professor at Osaka City University and Kobe University, he assumed his current position in 2001. His recently published works include "An Accounting System that Supports Environmental Business Decision Making" (Chuokeizai-sha, Inc.) and "Material Flow Cost Accounting" (Japan Environmental Management Association for Industry).

What will be required of the Sumitomo Rubber Group in the future?

On March 26, 2013, Professor Katsuhiko Kokubu of the Graduate School of Kobe University was invited to speak to us on topics that included the Sumitomo Rubber Group's CSR initiatives and its CSR reports.

Initiatives taken for employees highlight the CSR Report

Kokubu: Since last year I have been responsible for writing the Third Person's Comments for the CSR Reports of the Sumitomo Rubber Group. My impression of those publications is that they cover a wide range of aspects and demonstrate the integrity of the Group's activities. Currently, many people believe that they can fulfill their CSR by addressing the individual issues related to CSR. In Europe, where the concept of CSR originated, however, it is believed that CSR activities should be integrated in a holistic management strategy. Moreover, many opinion leaders who are eager to promote CSR activities believe that the spirit of CSR is vital in addressing various problems deriving from the present unstable world economy. They believe that underlying the recent financial and economic crises is a move toward seeking short-term profits, which drives individuals into high-risk and high-return investments. At the same time, the excessive quest for profit leads to a widening of income gaps and the diminishing of purchasing power. This eventually leads to impoverishment of the whole of society, including both winners and losers in the economic race. To stop this trend, we must comply with the spirit of CSR.

I read your company's CSR Report 2013 from this viewpoint. I found that the publication is highlighted by the Group's approach to promoting CSR activities by raising CSR awareness among employees. This is truly crucial, since it is individual employees, essential constituents of any company, who should uphold the

ethics that underpin the spirit of CSR. I understand that there is a dispute among academics regarding this issue. Yet, it is clear that the company itself cannot uphold ethics since it does not have a mind. Raising employees' awareness is therefore vital. I have found that the executives of your company definitely support this view, and that its employees are voluntarily committed to diverse CSR activities.

Tanaka: Thank you very much for your kind comments from a broad perspective. I have been working for this company for 37 years. The longer my service has become, the more strongly I feel that Sumitomo Rubber Industries is truly a serious and solid company. I believe that corporate management has two pillars: management strategy and frontline operations. I believe that one advantage of our company is that it is sincere and stable in performing its frontline operations.

Our basic philosophy, which we now call the SRI Way, has been responsible for giving us this advantage. The primary value of the SRI Way is Integrity & Soundness. "Integrity" is achieved by keeping whatever promises you make, ranging from a verbal promise to the Constitution itself. "Soundness" is achieved by basing our actions on direct confirmation of the facts. We have inherited these values from generation after generation of our predecessors. We impart these values to younger staff members in our own workplaces, seminars, and on every possible occasion. I believe that these daily endeavors have resulted in CSR awareness being embedded in the minds of our employees, as you have pointed out.

Kokubu: That is very important. I am impressed that you make the most of in-house communication to share your values.

Tanaka: The level of communication we have with

employees determines their level of satisfaction. Once every two years we conduct a questionnaire to study employee's views on and levels of satisfaction with their work and the company. Based on the survey results, we indicate employees' satisfaction levels by division in terms of a score. There is a definite correlation between communication levels and scores. Divisions with higher scores have good communication with their employees and control the frontline well. On the other hand, divisions with lower scores feature either poor control over employees or a large communication gap between management and employees. By reinforcing communication within their division, however, they can improve their employees' levels of satisfaction. Thus improving communication has been shown to be effective.

Kokubu: Regarding initiatives for employees, public concern is focused on working hours, remuneration, and the appointment of women managers. Will you please say more about those issues?
Tanaka: Regarding working hours, we used to suffer from a chronic labor shortage, which in turn resulted in longer working hours. After the Great Hanshin-Awaji Earthquake of 1995, our company remained in a challenging situation. To ensure the company's survival, it formed a partnership with The Goodyear Tire and Rubber Company in 1999, and merged with The Ohtsu Tire & Rubber Co., Ltd. in 2003. During the 10 years after the disaster, the company cut back on recruiting new employees. In 2004, however, we began to increase the number of new employees, and to reduce working hours in cooperation with the labor union. We also revised the payment system. By increasing the size of bonuses to reflect the company's business performance, we are striving to improve employee satisfaction levels.

Stakeholder Dialogue



As regards promoting women to higher positions, we have only a small number of women employees probably because few women are interested in the tire business. Out of the 1,400 employees on the main career track, only 84 are women. Every year we have recruited about 10 women to the track. Currently, we have two women general managers and six women section managers. So women in the company finally have their long-awaited role models.

Kokubu: So there are eight women managers now. This number is not so small compared with other Japanese companies. I look forward to seeing an increase in the number of women managers. Will you also explain your reemployment policy for employees who have reached mandatory retirement age?

Tanaka: To date, we have continued to employ 70 to 80% of the people who have reached mandatory retirement age. In April 2013, a related law was revised and we have to continue to employ all workers who have served the company for at least five years, if they request it. In our company's case, I expect that 90% of employees will want to continue employment. As I described earlier in this interview, our company once cut back on recruitment, so we do have enough job opportunities for them. In seeking an optimum balance between new employees and ones that we reemploy, we will strive to make jobs rewarding for each employee. Since our company has expanded its overseas business relatively quickly, we need many more staff members to work in the global arena. I hope that young people who have the right skills will join our overseas business.

Kokubu: I am often asked to survey overseas companies. Recently I surveyed some companies located in China. Unfortunately, I found that Japanese companies don't have a good reputation in China, partly because local employees are not promoted to management positions. From the viewpoint of CSR, greater authority should be transferred to local people.

Tanaka: We have a labor shortage both within and outside Japan, since we once cut back on our

recruitment. There are many vacant positions from frontline managers to executives, not just in China, but also in Indonesia and Thailand. In addition, we have overseas factories that have just begun to operate. In these facilities, we need more individuals to fill management positions, and we are recruiting mid-career employees to fill these positions. At the same time, we are working to train outstanding local staff to fill higher positions. Since we assign individuals to management positions regardless of their nationality, I am expecting the number of local managers and executives to steadily increase.

Reinforcing our commitment to CSR procurement

Kokubu: Thank you for explaining your company's initiatives towards employees, which clearly characterize your company's CSR activities. I have another question. This concerns supply chains. Currently, we increasingly hear voices calling for CSR activities that involve the entire supply chain. These voices were triggered by the Carbon Disclosure Project (CDP), in which institutional investors jointly urge major companies to disclose their environmental preservation strategies, greenhouse gas emissions, and other environmental data. I understand that as a supplier, your company is also asked by your customers to furnish detailed environmental data.

Tanaka: Certainly. In addition to tires, we also produce parts for OA equipment. The OA equipment industry has strong ties with its supply chain, just like the auto industry, whose strong ties with its supply chain are well known. Regardless of the type of industry, our major customers who are active on the global stage are eager to introduce CSR activities and committed to diverse initiatives unique to their respective companies. They ask us for detailed environmental data. Since we have built

solid business relationships with our customers, it is quite natural for us to share our environmental goals with them and to take a holistic approach as a member of the supply chain.

Kokubu: At the same time, your company is expected to promote CSR procurement, and to ask your suppliers to take the necessary measures. Would you please tell us about your company's efforts for CSR procurement?

Tanaka: Rather than rigorously controlling our suppliers, we want to collaborate with them. However, due partly to the rapid overseas expansion of our business, we began monitoring overseas suppliers only recently. Judging from global business trends, we believe that CSR procurement is crucial. With this recognition, we are building a solid system and mechanism for CSR procurement, so as to fulfill our responsibilities.

Global trend toward integrating the annual report and the CSR report

Kokubu: There is a global trend toward integrating the annual and the CSR report into what is known as an integrated report. Guidelines for such integrated reports will be issued this year. Since the Global Reporting Initiative (GRI), which provides international criteria for preparing environmental reports and CSR reports, will be revised in light of the new guidelines, companies should be prepared for this change.

Tanaka: We have noticed that trend, and we have already begun case studies on companies that have integrated their annual report with their CSR report. However, we hope to achieve something more significant than simply combining the two publications. I would be delighted to hear your professional view as to what a company should do in response to this new trend.

Kokubu: What is important is not simply combining

two publications into one. Instead, a company should place equal priority on fulfilling its corporate social responsibility and on earning profits. To do so, you will need more Key Performance Indicators (KPIs) with which to evaluate and control the process leading to your goals. In other words, in addition to conventional financial KPIs, you will need CSR-related KPIs. For instance, in addition to financial indicators such as per-share profit, you will need CSR indicators, including CO₂ emissions and employees' satisfaction levels. And you are expected to work on improving those KPIs with equal enthusiasm.



Integrating the two reports will be a good way to report endeavors in a form that is easy for readers to understand. However, I do not believe that all those reports should be integrated. What is even more important is the company's approach to establishing a yardstick by which it can objectively evaluate the progress in its CSR activities and in disclosing related numerical values.

Tanaka: We are currently preparing a long-term vision, and in doing so, we have set goals for CSR-related items, including those related to environmental conservation and safety. To set goals, we held in-depth discussions, paying attention to the process, which is relatively invisible to outsiders. Setting goals, however, is an extremely challenging management task. To publicize those goals in the form of objective KPIs, we have to study more extensively and hold more in-depth discussions. "Dedication to Long Term Goals" is one of the four values in the SRI Way. This value is linked at its roots with "Integrity & Soundness," which I explained earlier in this interview. From this viewpoint, it is crucial for us to set appropriate goals in the form of KPIs, and to evaluate and control the process of our CSR activities. Professor Kokubu, thank you for your valuable suggestions about KPIs. We will continue to study more about them. Thank you very much.



What will be required of the Sumitomo Rubber Group in the future?

Checklist Suggested in the Dialogue



I. Management

[1] In-house communication

To learn from the divisions that marked high scores for employee satisfaction levels in a questionnaire survey, and to improve communication between the management and employees in all divisions.

The company makes the most of in-house communication to share the values and spirit of CSR among all employees.

[2] Assignment of women to management positions

To promote assignment of women to management positions.

Currently, the company has eight women managers. With their appointment, the company has established long-awaited role models for other women.

[3] Reemployment of employees reaching mandatory retirement age

To make jobs rewarding for each individual being reemployed, and seek the optimum balance between new employees and those being reemployed, the ratio for which is expected to reach 90% of all employees reaching mandatory retirement age.

All workers wanting to continue to be employed will be reemployed.

[4] Recruitment and development of human resources outside Japan

To appoint more young employees to overseas tasks, and train outstanding local staff to take over management and executive positions.

As a result of the rapid expansion of our overseas business, the company needs many more staff members to be active in the global arena.

[5] CSR Procurement

To ensure scrupulous monitoring of overseas suppliers while accelerating overseas business expansion.

The company must make more efforts to monitor its overseas suppliers and promote green logistics.

II. Reporting

[6] Integration of annual report and CSR report

To conduct case studies of companies that have integrated their annual report with their CSR report, and to consider new KPIs more deeply.

Rather than simply combining two publications into one, it is essential to place equal priority on fulfilling CSR and on earning profits.

Independent Verification Report

To enhance the reliability of this report and the environmental data disclosed on our website, data marked with an asterisk * has been verified by the third party.

The target data for verification and the verification criteria used are as follows:

1. Total global CO₂ emissions and emissions per unit
Criteria: ISO 14064-1
2. Total amounts for domestic water consumption, discharged wastewater, waste generation, and their per-unit amounts
Criteria: LRQA's Report Verification (pursuant to ISAE3000, AA1000AS, and GRI)

LRQA Business Assurance
Assurance Statement
related to the GHG Inventory for Calendar Years 2010 to 2012 of
Sumitomo Rubber Industries Limited
1-1-2 chome, Tsutsui-cho, Chuo-ku, Kobe 651 0071, Japan

Terms of Engagement
This Assurance Statement has been prepared for Sumitomo Rubber Industries Limited (SRI Ltd.).

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by SRI Ltd., to verify its Greenhouse gas (GHG) Inventory for the three calendar years 2010, 2011 and 2012 (01 January 2010 to 31 December 2012). The GHG Inventory covers direct GHG emissions (Scope 1) and energy indirect GHG emissions (Scope 2), as summarised in Table 1 below.

Management Responsibility
The management of SRI Ltd. was responsible for preparing the GHG Inventory and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the GHG Inventory in accordance with our contract with SRI Ltd.

Ultimately, the GHG Inventory has been approved by, and remains the responsibility of SRI Ltd.

LRQA's Approach
LRQA's verification has been conducted in accordance with ISO14064-3:2006 "Specification with guidance for validation and verification of greenhouse gas assertions" to provide limited assurance that the GHG data as presented in the GHG Inventory have been prepared in accordance with ISO14064-1:2006 "Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals."

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- Visiting SRI Ltd. Head Office in Kobe and conducting a site tour of the Shirakawa factory;
- Interviewing key personnel responsible for the management of GHG emissions data, information and records, and for the preparation of the GHG Inventory;
- Assessing the effective implementation of in-house procedures and systems for collecting and reporting the GHG emissions data and information; and
- Reviewing the historical GHG emissions data and evidence at an aggregated level made available at the corporate and facility levels for calendar years 2010, 2011 and 2012.

Level of Assurance & Materiality
The opinion expressed in this Assurance Statement has been formed on the basis of a limited assurance and at a materiality of the professional judgement of the verifier.

LRQA's Opinion
Based on LRQA's approach, nothing has come to our attention that would cause us to believe that the total direct GHG emissions and energy indirect GHG emissions data and information as presented in the GHG Inventory, are not materially correct or that the GHG Inventory was not prepared in accordance with ISO14064-1 with the following exception:-

- SRI Ltd. has only included the six Kyoto Protocol GHGs (i.e. CO₂, N₂O, CH₄, CFCs, PFCs and SF₆) in its GHG inventory from its Head Office and Technology Centre in Kobe, and its six factories in Japan.

LRQA's Recommendations
SRI Ltd. should:

- Identify and disclose the six Kyoto Protocol GHGs emission sources for all of its domestic and overseas operations and further demonstrate completeness and relevance of direct energy emissions, particularly in relation to its overseas facilities;
- Further improve the data management system with internal self-verification controls at both the corporate and facility levels and put appropriate control systems and methodologies in place to ensure accuracy, completeness and consistency of its data collection and management systems; and



Third Person's Comments



Katsuhiko Kokubu

Professor at the Graduate School of Business Administration, Kobe University

Completed the doctoral program in business administration at Osaka City University Graduate School. After serving as assistant professor at Osaka City University and Kobe University, he assumed his current position in 2001. His recently published works include "An accounting System that Supports Environmental Business Decision Making" (Chuokeizai-sha, Inc.) and "Environmental Management and Accounting" (Yuhikaku Publishing Co., Ltd.).

Promoting CSR activities as a global company

As indicated by President Ikeda in his Top Commitment, the Sumitomo Rubber Group is committed to achieving its goal of becoming a true global player. CSR Report 2013 gives details of various initiatives taken to achieve that goal. For instance, the publication describes the initiatives taken to achieve complete zero waste disposal at a new factory in Thailand, water purification activities in Malaysia, tree-planting activities outside Japan, and the promotion of global environmental management. I evaluate these activities highly. While global CSR activities are essential for all companies active in the global arena, I believe that the Sumitomo Rubber Group is making significant achievements in those activities. In the coming years, I hope that the Sumitomo Rubber Group will integrate the independent projects that it implements on a global basis into its global CSR management, and apply its Group-wide environmental and CSR targets to those projects.

Energetic environmental conservation activities

The Sumitomo Rubber Group is keenly committed to environmental conservation activities, particularly those aimed at reducing CO₂ emissions, creating a recycling-oriented society, developing environmentally conscious products, and promoting tree-planting activities. I understand that these activities are being implemented consistently, even though some targets set for 2012 were not achieved due mainly to changes in the economic environment. Since the Sumitomo Rubber Group belongs to an industry whose activities have relatively extensive environmental impact (ranging from their impact on ecosystems to global warming), the Group is expected to make greater environmental conservation efforts than corporations in other industries. In relation to this, I believe it is crucial for the Group to develop new technologies and expand the scope of its environmental conservation activities by involving its supply chain.

Fostering human resource and promoting stakeholder communication

Highlights of this CSR Report include articles on initiatives to foster human resources and communication with diverse stakeholders. I highly evaluate Sumitomo Rubber Group's activities in fostering human resources and making jobs rewarding, which are the most important tasks among its CSR activities. I also highly evaluate the fact that the Sumitomo Rubber Group regards it essential to maintain good communication with stakeholders inside and outside the Group, and seeks to remain a company open to society by always listening to the voices of its stakeholders. Although the Group's business activities are anticipated to become more globalized, this trend will result in local aspects assuming greater importance as sources of corporate value. I hope that as a true global player, the Sumitomo Rubber Group will continue to reinforce its ties with local stakeholders and promote its CSR activities.

In response to the third person's comments

I would like to express my heartfelt gratitude to Professor Kokubu for his valuable opinions in these Third Person's Comments, as well as in the Stakeholder Dialogue. I am pleased that, in addition to our environmental conservation activities, he evaluated our efforts in the areas where it is difficult to perform self-evaluation, areas such as human resources development, attitudes toward diverse stakeholders, and communication. We will take his advice and reinforce our efforts to promote CSR in those areas. At the same time, I am grateful for his suggestions regarding the development of new technologies, CSR activities involving our supply chain, and reinforcement of communication and partnerships with local stakeholders from a global perspective. In response, we will make greater efforts to promote global CSR management by setting more definite goals.



Toshiaki Hojo
CSR Promotion Office General Manager

Guides for Readers

By fulfilling our corporate social responsibilities for the betterment of society, the Sumitomo Rubber Group aims to be a corporate group that is trusted and whose continued existence is beneficial to society. In February 2008, the Group established its Fundamental Philosophy on CSR Activities (see p. 4) and, in July of the same year, we established the CSR Promotion Office to lead our Group's CSR affairs. As an organization dedicated to CSR, the Office is enthusiastically promoting group-wide activities in close cooperation with all relevant departments.

† *: data verified by the third party

† For details of the 2012 Results and 2013 Target, please refer to our website.



CSR Guidelines		2012 Results and 2013 Target (Excerpt from major items)			
		Plan 2012 Target	Do 2012 Results	Check Self-Evaluation [†]	Action 2013 Target
Green Initiative	Helping to curb global warming by planting trees	Promote biodiversity conservation efforts at each site (biotopes, etc.).	Produced a biotope at Miyazaki Factory.	100%	Promote biodiversity conservation efforts at each site (biotopes, etc.).
	Fostering better relationships with local communities through tree planting	Plant over 20 thousand trees per year.	Acorn Project in Japan Fiscal 2012: 25,834 trees planted; Total: 93,963 trees	100%	Promote Acorn Project. Plant over 20 thousand trees per year.
Ecological Process	Reducing CO ₂ emissions* Implementing worldwide environmental management	(Six factories in Japan) Energy saving (crude oil equivalent per unit): ≥ 11% reduction over the level in fiscal 2000	5% reduction	93%	≥ 9% reduction compared with fiscal 2000
		(Six factories in Japan)* CO ₂ emissions during the manufacturing process: ≥ 14% reduction over the level in fiscal 1990	10% reduction	95%	≥ 13% reduction in emissions compared with fiscal 1990
		(Six factories in Japan)* Waste generation: ≥ 25% reduction over the level in fiscal 2000	17% reduction	89%	≥ 5% reduction in discharged waste per unit (excluding valuable substance to be recycled) over the level in fiscal 2011
		(All production sites in Japan and abroad) Reduction of landfill waste Continuation of complete zero waste disposal ^{††}	Complete zero waste disposal ^{††} was maintained at all production sites.	100%	Continuance of complete zero waste disposal ^{††} Achieve complete zero waste disposal at STEC.
		(Six factories in Japan) Material recycling rate: improvement to ≥ 82%	A material recycling rate of 82% was achieved.	100%	Achieve a material recycling rate above 85%.
		Domestic Tire Category* [‡] Total emissions of organic solvents: ≥ 59% reduction over the level in fiscal 2000	61% reduction	100%	≥ 81% reduction in total emissions compared with fiscal 2000
		(Six factories in Japan)* Discharged wastewater per unit: ≥ 4% reduction over the level in the previous fiscal year	5% increase	91%	≥ 2% reduction in discharged wastewater compared with the previous fiscal year
Next-Generation Product Development	Developing environmentally friendly products	—	—	—	Market 100% fossil resource-free tires.
	Pursuing safety and comfort, economy, and quality	—	—	—	Promote the development of ADVANCED 4D NANO DESIGN technology.
Kindness to Employees	Fostering human resources and making jobs rewarding	Develop human resources with a global perspective.	Training for staff to be dispatched to overseas bases, training prior to dispatch, and special English training	100%	Improve mechanism for the training of mid-career employees.
	Creating a safe, employee-friendly workplace	Hold work-life-balance events.	Reserve leave system for hiring support: the numbers of employees who used the system for volunteer and other activities in 2011 and 2012 was 74 and 7, respectively.	100%	Hold work-life-balance events.
	Achieving a work-life balance	—	—	—	—
Integrity for Stakeholders	Ensuring thorough corporate governance	Develop BCPs for other offices.	Develop BCPs for factories in Japan, and for the Head Offices in Kobe and Tokyo.	88%	Prepare BCP for Kakogawa Factory to prepare for an earthquake. Determine major risks at overseas factories and analyze risk factors.
	Ensuring thorough compliance Promoting dialog with stakeholders Keeping social contribution in constant motion	Promote CSR in the supply chain.	Hold briefings on CSR procurement for suppliers.	100%	Promote CSR in the supply chain.

*1 Complete zero waste disposal: No waste is sent to landfill and 100% is recycled. (The Sumitomo Rubber Group defines the amount of waste treated for recycling purposes as the amount of waste recycled).
 *2 Four tire factories in Japan/Domestic Tire Category: Shirakawa, Nagoya, Izumotsu, and Miyazaki factories
 *3 Calculation method employed in self-evaluation: Calculations were made according to the following formula, using values weighted against the baseline year (1 = reduction rate). $(1 - \frac{\text{target value} - \text{actual value}}{\text{target value}}) \times 100\%$

CSR Reporting

This CSR Report introduces major CSR activities undertaken during fiscal 2012, using the following five categories from the CSR Guidelines of the Sumitomo Rubber Group: Green (green initiative), Ecology (ecological process: reducing the environmental impact of our business activities), Next (next-generation product development), Kindness (kindness to employees), and Integrity (integrity for stakeholders).

Important information and new initiatives are described in the Feature Reports in the first half of the Report, while basic activities are described in the CSR Activity Report in the latter half.

Tips for Readers

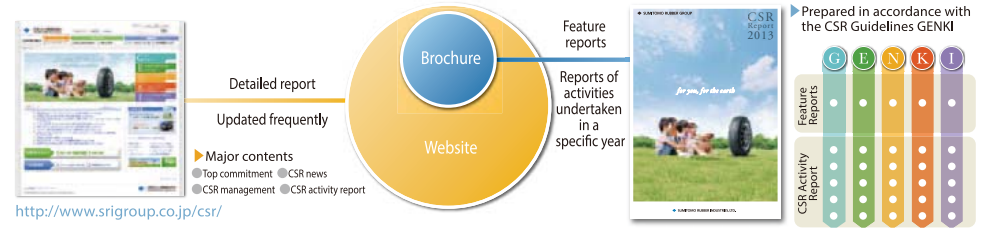
- Before reading this year's CSR Activity Report, please read Sumitomo Rubber Group Company Philosophy and CSR Philosophy (pp. 3-4). The information provided on these pages to describe the Group's CSR guidelines GENKI, which provides the framework for this report, will help readers understand the Group's CSR activities more deeply.
- If you want to refer to the highlights of our CSR activities, please read Feature Reports (pp. 5-14). These pages introduce the highlights of the activities in each category of GENKI, so as to promote readers' understanding of the significance of our activities.
- If you hope to read about the Sumitomo Rubber Group's approach to CSR activities and its mid- to long-term visions, please read Top Commitment (pp. 15-16). President Ikeda delivers a message to you on behalf of the Sumitomo Rubber Group.
- If you are interested in our CSR activities and the evaluation of those activities, please read the CSR Activity Report (pp. 17-36) and Stakeholder Dialogue (pp. 41-44).

From the Editors

- To make the publication accessible to as many readers as possible, we used many photographs, an easy-to-read layout, and brief and concise descriptions.
- To communicate the aspirations of the players in our diverse CSR activities, in addition to the results of those activities, we include interviews and articles written by the players.
- To ensure that readers can access further information, web links are shown for each activity report.

Features of the Web Version and Hard Copy

The Sumitomo Rubber Group issues both a web version and a hard copy version. The former introduces detailed information, which is occasionally updated; the latter summarizes CSR activities in the year concerned by showing the essential points. To ensure access by all types of stakeholders, we are working to make the reports easy to read and understand.



<http://www.srigroup.co.jp/csr/>

Stakeholder Engagement*

Based on the opinions of stakeholders collected in fiscal 2012 in The Voice of Our Stakeholders/Employees (CSR Report 2013, pp. 17-36), Stakeholder Dialogue (CSR Report 2013, pp. 41-44), and various questionnaire surveys, new CSR targets have been set as shown in the table below.

This table will be gradually completed and the results of our efforts to achieve these targets will be provided in our CSR Reports.

CSR Targets Based on 2012 Stakeholder Engagement

	Activity aspect	Reporting aspect
Green Initiative	To be determined	To be determined
Ecology	Reinforce ties with local communities, while concurrently taking global initiatives.	To be determined
Next-Generation Product Development	To be determined	Report how technology is applied to products. Report roadability, comfort, noise, fuel-efficiency and other performances expected from tires by customers. Report improvement in test environments similar to use conditions.
Kindness to Employees	Promote communication between the management and employees. Appoint more women employees to managers. Assign young employees to overseas tasks and foster local human resources to promote them to management positions. Develop and implement tools to raise CSR awareness for employees.	Report the effects of training sessions such as a course "to cultivate the ability to delve deeply into problems" based on results of questionnaire surveys with participants. Report how business and CSR activities have been developed in the Chinese market. Report the employment and assignment of women.
Integrity for Stakeholders	Develop new technologies and promote CSR activities, involving the supply chain. Make effective use of results of review of Q&A on the website in preparing brochures and other tools for customers.	Report results of review of Q&A on the website. Invite those who need information on products to visit our website. Develop reports for children.

*"Stakeholder Engagement" is a collective term for The Voice of Our Stakeholders/Employees (CSR Report 2013, pp. 17-36), Stakeholder Dialogue (CSR Report 2013, pp. 41-44), and various questionnaire surveys.

Outline of Sumitomo Rubber Group CSR Report 2013

Editorial Policy

The Sumitomo Rubber Group has been promoting CSR activities in five key areas (p. 4), i.e. GENKI, of the CSR Guidelines stipulated in our Fundamental Philosophy on CSR Activities. This Report summarized the CSR activities undertaken by the Group worldwide during fiscal 2012. The opening pages feature special reports to communicate the most important and timely information on the Group's key CSR activities to readers in an easy-to-understand manner.

Information on fundamental CSR activities and detailed data which are not covered in this report are available on the Sumitomo Rubber Industries website.

Items Covered in the Report

This Report covers important information (materiality) that is considered to have a material impact on stakeholders in evaluating the Group's CSR activities. Materiality was selected based on several questionnaire surveys* conducted by the Group during fiscal 2011 and 2012.

* 1) Supplier CSR Interview Survey, 2) CSR Report Readers Questionnaire (employees, business partners, students scheduled to enter the Company), 3) CSR Report Online Group Interview Survey, 4) Employee Questionnaire, 5) Comprehensive Consumer Survey, 6) Questionnaire to Individual Shareholders

Materiality: Themes that are considered to have a material impact on stakeholders in evaluating the Group's CSR activities

① The 13 indicators included in the five areas of the GENKI CSR Guidelines ② are the themes covered in the Feature Reports.

Important Information for Stakeholders

- (12) Promoting dialog with stakeholders
 - [Business Partners] Safety/Health (risks and safety measures), Human Rights/Labor (working hours and wages), Fair Trade (from SCM perspective)
 - [Consumers/Customers] Marketing Communication
 - [Shareholders/Investors] Information Disclosure
- (7) Fostering human resource development and making jobs rewarding
 - Education/Awareness Raising
- (8) Creating a safe, employee-friendly workplace

- (12) Promoting dialog with stakeholders
 - [Business Partners] Information Disclosure and Management, Fair Trade (organization and system), Human Rights/Labor (various types of harassment)
- (13) Keeping social contribution in constant motion
 - Contributing to Local Communities

- Target Readers**
Customers, employees, shareholders/investors, business partners, local communities, general consumers, NPOs/NGOs, administrative agencies
- Companies Covered by the Report**
Group companies in Japan and overseas, with a focus on the six factories operated by Sumitomo Rubber Industries, Ltd. and Dunlop Sports Co., Ltd.
- Period of the Report**
Fiscal 2012 (January 1, 2012 to December 31, 2012; some information is from outside of this period)
- Publishing Date**
June 2013 (planned publishing date for the next edition: June 2014)
- Referenced Guidelines**
 - Sustainability Reporting Guidelines (3rd edition), published by the Global Reporting Initiative (GRI)
 - Environmental Reporting Guidelines (Fiscal 2007 edition), published by the Ministry of the Environment
- Third Person's Comments**
Comments from an expert are included in order to adopt an objective perspective on the report. (See Page 46.)

- (6) Pursuing safety and comfort, economy, and quality
- (5) Developing environmentally friendly products
- (3) Reducing CO₂ emissions

- (1) Helping to curb global warming by planting trees
- (2) Fostering better relationships with communities through tree planting
- (4) Implementing worldwide environmental management
- (9) Achieving a work-life balance
- (10) Ensuring thorough corporate governance
- (11) Ensuring thorough compliance
 - Business Management

Important Information for the Sumitomo Rubber Group

Environmentally Friendly Printing

Eco Paper



This report uses paper made from thinned trees in order to promote thinning (which improves forest health) and the effective use of thinned trees.



Paper used for the report is made from pulp derived from appropriately-managed forests.

Eco Printing



Printed using a waterless printing process, which does not discharge harmful liquids.



Printed using soy ink containing no volatile organic compounds.

The Sumitomo Rubber Group's Businesses

Tire Business

Sumitomo Rubber Industries, Ltd. sells its main brands of tires—Dunlop, Falken and Goodyear—for passenger cars, trucks, buses and motorcycles both in Japan and overseas. Our tires employ state-of-the-art environmental technology.

Production factories: Japan (Shirakawa, Nagoya, Izumiotsu, Miyazaki), China, Indonesia, Thailand, Brazil
 Production companies: 9 consolidated subsidiaries, 7 affiliates
 Sales companies: 21 consolidated subsidiaries, 7 affiliates
 Tire test courses: Okayama, Nayoro, Asahikawa
 R&D facility: Tire Technical Center

Sports Business

Dunlop Sports Co., Ltd. manufactures and markets sports products such as golf balls and clubs as well as tennis balls and rackets. In addition to our core brand XXIO and our strategic international brand SRIXON, the American-born brand "Cleveland Golf" is also marketed and sold around the world.

Production factories: Japan (Ichijima, Miyazaki), Indonesia, Thailand, U.S.A.
 Production companies: 4 consolidated subsidiaries, 1 affiliate
 Sales companies: 15 consolidated subsidiaries, 2 affiliates
 R&D facility: Golf Science Center

Industrial and Other Products Business

The Hybrid Business Division of Sumitomo Rubber Industries manufactures and markets precision rubber parts for office machines, vibration control rubber dampers, artificial turf for sports arenas, flooring materials, transportable wheelchair ramps, rubber gloves, gas pipes, blankets for offset printing presses, engineering and marine products and medical rubber stoppers. Overseas, we run a natural rubber glove producing factory in Malaysia and factories making precision rubber parts for office machines in China and Vietnam. We offer a wide range of products from living ware to materials for industrial applications.

Manufacturing factories: Japan (Kakogawa, Izumiotsu), Malaysia, China (Zhongshan), Vietnam
 Production companies: 3 consolidated subsidiaries, 1 affiliate
 Sales companies: 3 consolidated subsidiaries

Group Overview (as of the end of December 2012)

Company name: Sumitomo Rubber Industries, Ltd.
 Head Office: 3-6-9 Wakinohama-cho, Chuo-ku, Kobe, Hyogo 651-0072, Japan
 Establishment: 1909

Paid-in capital: ¥42.7 billion

Consolidated net sales: ¥710.2 billion (as of the end of December 2012)

Number of employees: 23,507
 Consolidated subsidiaries: 65 (of which 30 are in Japan)
 Affiliates: 27 (of which 14 are in Japan)

Net Sales (¥100 million)

Fiscal Year	Consolidated	Non-consolidated
2008	3,211	6,050
2009	2,454	5,245
2010	3,481	6,045
2011	3,989	6,769
2012	4,062	7,102

Operating Income, Ordinary Income, Net Income (¥100 million)

Fiscal Year	Operating Income	Ordinary Income	Net Income
2008	257	287	148
2009	200	200	91
2010	476	425	214
2011	539	499	284
2012	697	674	355

Total Assets, Stockholders' Equity, Stockholders' Equity Ratio (consolidated) (¥100 million)

Fiscal Year	Total assets	Stockholders' equity	Stockholders' equity ratio (%)
2008	28.3	1,809	28.3
2009	30.5	1,870	30.5
2010	30.5	1,897	30.5
2011	29.4	1,977	29.4
2012	33.1	2,442	33.1

Number of Employees (thousands)

Fiscal Year	Total	Consolidated	Non-consolidated
2008	20,369	5,407	14,962
2009	20,832	5,570	15,262
2010	22,242	6,162	16,080
2011	22,320	6,216	16,104
2012	23,507	6,248	17,259

Breakdown of Net Sales (consolidated)

Net Sales by Business Segment (as of the end of December 2012): Industrial and other products business (4.2%), Sports business (8.6%), Tire business (87.2%).

Global Network

Net Sales by Region (consolidated) (as of the end of December 2012): Europe (8.3%), U.S.A. (11.4%), Asia (16.5%), Others (11.1%), Japan (52.7%).

Global Network: Europe, the Middle East and South Africa (6 consolidated subsidiaries, 1 affiliate); Japan (30 consolidated subsidiaries, 14 affiliates); U.S.A. & Central and South America (7 consolidated subsidiaries, 4 affiliates); Asia and Oceania (22 consolidated subsidiaries, 8 affiliates).